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COASTAL GREENLAND LIMITED

沿海綠色家園有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1124)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY AND RESUMPTION OF TRADING

THE DISPOSAL

On 11 January 2016 (after trading hours of the Stock Exchange), the Vendors, the Target Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendors conditionally agreed to transfer 100% equity interests in the Target Company to the Purchaser at nil consideration and a debt in the amount of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) due and owing by Coastal Realty to the Target Company will be waived. Completion shall be conditional, among other things, upon the approval of the Disposal Agreement and the transactions contemplated thereunder by the Shareholders at the SGM.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal is 75% or more, the Disposal constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal.

GENERAL

A circular containing, among other things, details of the Disposal Agreement and the Target Company, the financial information of the Group, the financial information of the Target Company, the notice convening the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 March 2016, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed “Conditions for the Disposal Agreement taking effect” in this announcement, including the approval of the Disposal Agreement and the transactions contemplated thereunder by Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on Tuesday, 12 January 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 21 January 2016.

INTRODUCTION

Reference is made to the circular of the Company dated 13 September 2014 in relation to a major transaction to dispose of 100% equity interests in a wholly-owned subsidiary of the Company.

On 26 August 2014, the Vendors, the Target Company and Shenzhen Qianhai Jianshengtai Engineering Services Co., Ltd. (the “**Previous Purchaser**”) entered into an agreement pursuant to which the Vendors conditionally agreed to dispose of and the Previous Purchaser conditionally agreed to acquire 100% equity interests in the Target Company (the “**Previous Agreement**”). A resolution to approve the Previous Agreement and the transactions contemplated thereunder was duly passed by the Shareholders at the special general meeting of the Company on 30 September 2014. However, the Previous Purchaser has failed to pay any consideration to the Vendors and the Previous Agreement did not proceed to completion. On 11 January 2016, the Previous Agreement was terminated by relevant parties.

On 11 January 2016 (after trading hours of the Stock Exchange), the Vendors, the Target Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendors conditionally agreed to transfer 100% equity interests in the Target Company to the Purchaser at nil consideration and a debt in the amount of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) due and owing by Coastal Realty to the Target Company will be waived, subject to and upon the fulfilment of principal terms and conditions as summarised below.

DISPOSAL AGREEMENT

Date

11 January 2016 (after trading hours of the Stock Exchange)

Parties

Vendors : Shanghai Coastal Commercial Investment Management Co. Ltd.
Ms. Yang Jiong Xuan

Target Company : Jingdian Construction Co. Ltd.

Purchaser : Fujian Province Huiwu Construction Engineering Company Limited

Shanghai Coastal is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding. Shanghai Coastal is holding 90% equity interests in the Target Company.

Ms. Yang is the legal owner of 10% equity interests in the Target Company and is holding the 10% equity interests in the Target Company for Coastal Realty. Coastal Realty is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding; and (ii) the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, the Vendors shall dispose of the Sale Shares, representing 100% of the equity interests in the Target Company, upon Completion.

Consideration

No cash consideration is payable by the Purchaser to the Vendors under the Disposal Agreement.

As at the date of this announcement, Coastal Realty is indebted to the Target Company in the amount of RMB1,636,100,806 (equivalent to approximately HK\$1,924,824,000). The parties to the Disposal Agreement have agreed that the Target Company shall waive the debt in the amount of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) due and owing by Coastal Realty to the Target Company. The exact amount of the Debt to be waived will be ascertained upon completion of the due diligence exercise on the Target Company by the Purchaser.

As at 30 September 2015, the unaudited net asset value of the Target Company was approximately RMB250,498,000 (equivalent to approximately HK\$305,184,000). The range of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) debt owed by Coastal Realty to be waived upon completion of the Disposal was determined with reference to the price-to-book ratio of comparable construction companies listed on the Stock Exchange with considerable operating segment in the PRC. The price-to-book ratio represented by the lower boundary of RMB470,000,000 is 1.88 which the Directors consider to be fair and reasonable after taking into account (i) the historical business and financial performance of the Target Company; (ii) the future prospect of the Target Company; and (iii) the expected returns of the existing construction projects undertaken by the Target Company.

Since the Purchaser has to conduct due diligence exercise to evaluate the financial status of the Target Company, the exact amount of the Debt to be waived could only be ascertained at a later stage by the Purchaser and the Vendors based on the findings and results of the due diligence exercise. A debt waiving determination agreement to ascertain the final and exact amount of the Debt to be waived will be entered into by the Vendors, the Target Company and the Purchaser upon completion of the due diligence exercise.

The consideration for the Disposal was determined after arms' length negotiations. The Directors consider that the terms and conditions of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions for the Disposal Agreement taking effect

Completion of the Disposal Agreement is conditional upon (i) the satisfaction of result of due diligence on the Target Company by the Purchaser; and (ii) the passing by the Shareholders at a general meeting of the Company of the ordinary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder.

In the event that the above condition is not fulfilled on or before 31 March 2016 (or such other date that may be agreed by the parties in writing), the Disposal Agreement shall lapse and none of the parties to the Disposal Agreement shall have any further obligations towards the other thereunder except for any antecedent breaches (if any).

Completion

Completion shall take place on the third Business Day upon fulfilment of the conditions precedent under the Disposal Agreement.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise property development, property investment, provision of property management services, project management and construction and project investment services.

The Target Company is a company established in the PRC with limited liability and is principally engaged in construction. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company.

The details of major construction projects undertaken by the Target Company are set out below:

Construction projects	Usage	Interest in the development attributable to the Group
Beijing Bay Project Phase II	Residential	40%
Chongqing Coastal Silo City	Residential	35%
Foshan Coastal Garden	Residential	20%
Tianjin Project	Class I Land Development	100%
Wuhan Silo City Phase VI	Residential	100%

The Target Company will cease to be a subsidiary of the Group after completion of the Disposal.

Set out below is the financial information of the Target Company as extracted from its unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) for the years ended 31 March 2014 and 2015 and for the six months ended 30 September 2015.

	For the six months ended 30 September 2015 (unaudited) HK\$'000	For the year ended 31 March 2015 (unaudited) HK\$'000	For the year ended 31 March 2014 (unaudited) HK\$'000
Revenue	29,075	1,172,184	749,830
(Loss) profit before tax	(37,549)	30,895	18,132
(Loss) profit after tax	(37,792)	4,003	2,844
	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (unaudited) HK\$'000	As at 31 March 2014 (unaudited) HK\$'000
Total asset	3,118,914	2,667,541	650,387
Total liabilities	(2,813,730)	(2,314,534)	(301,765)
Net asset	305,184	353,007	348,622

The increase in revenue and profit of the Target Company for the year ended 31 March 2015 was due to more construction work performed by the Target Company for projects such as Chongqing Coastal Silo City, Foshan Coastal Garden and Tianjin Class 1 Land Development.

The decrease in revenue for the six months ended 30 September 2015 was due to less construction work performed by the Target Company as one of the major projects, Foshan Coastal Garden was completed in late 2014 and there was a suspension of one of the construction projects, Tianjin Class 1 Land Development. Loss after tax for the six months ended 30 September 2015 was mainly due to increase in bank and other borrowings.

Total assets of the Target Company were approximately HK\$650,387,000, HK\$2,667,541,000 and HK\$3,118,914,000 as at 31 March 2014, 31 March 2015 and 30 September 2015 respectively which were mainly made up of (i) amounts due from the Group (31 March 2014: HK\$72,518,000, 31 March 2015: HK\$2,037,076,000, 30 September 2015: HK\$2,561,002,000); and (ii) amounts due from the Group's associates (31 March 2014: HK\$301,527,000, 31 March 2015: HK\$438,328,000, 30 September 2015: HK\$391,913,000).

Total liabilities of the Target Company were approximately HK\$301,765,000, HK\$2,314,534,000 and HK\$2,813,730,000 as at 31 March 2014, 31 March 2015 and 30 September 2015 respectively which were mainly made up of (i) deposits received from the Group in relation to the construction projects engaged by the Group (31 March 2014: nil, 31 March 2015: HK\$1,487,020,000, 30 September 2015: HK\$1,511,011,000); (ii) trade payables (31 March 2014: HK\$183,828,000, 31 March 2015: HK\$694,463,000, 30 September 2015: HK\$636,775,000); and (iii) interest-bearing bank and other borrowings (31 March 2014: HK\$63,048,000, 31 March 2015: nil, 30 September 2015: HK\$560,727,000).

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Group will cease to engage in any construction business upon Completion and shall be principally engaged in property development, property investment, provision of property management service, project management service and project investment service.

Taking into account the fact that (i) the PRC construction industry is facing a downturn due to the slowdown of real estate market in the PRC; (ii) the construction business is capital intensive and the return on capital is deteriorating; (iii) after the Disposal, the Group could divest the Target Company and deploy resources to other investment opportunities with better prospect; (iv) the revenue (after inter-segment elimination) contributed by the Target Company amounted to approximately HK\$369.5 million, HK\$20.5 million and HK\$29.1 million, representing approximately 13.3%, 1.0% and 9.4% of the Group's total revenue for each of the two years ended 31 March 2015 and six months ended 30 September 2015, respectively; and (v) it is the Group's business strategy that it will continue to leverage its experience and expertise in property development business seeking to expand its property investment services and project management services business, the Directors are of the view that the construction business is an ancillary business complementing the Group's property development business which can be undertaken by external suppliers, and hence is not a core business of the Group and the Disposal would not have a material adverse impact on the remaining business of the Group.

Notwithstanding that no proceeds will be received by the Group under the Disposal, the debt in the amount of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) will be waived upon Completion, the Board considers that the Disposal could reduce the financial burden of the Group by reducing the debt due and owing by the Group at the Target Company level through the disposal of the Target Company and the waiver of the debt due by Coastal Realty to the Target Company. Moreover, due to the fact that there is keen competition in construction projects in the PRC, the return on capital of the construction business is deteriorating. The Group considered that further investment in the construction business is not profitable and the Disposal provides a good opportunity for the Group to reallocate resources and management focus from the Target Company to new business segment of project investment service and project management service of the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Disposal are on normal commercial terms and are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial information of the Target Company will no longer be consolidated in the accounts of the Company.

The amount of debt to be waived will range from approximately RMB470,000,000 to RMB570,000,000 (equivalent to HK\$552,941,000 to HK\$ 670,588,000). No proceeds will be received by the Group under the Disposal.

Based on the unaudited net asset value of the Target Company, (being approximately RMB250,498,000 as reflected in the management accounts of the Target Company prepared in accordance with HKFRSs as at 30 September 2015), it is expected that the Company will realise a gain from the Disposal amounting to approximately RMB164,626,000 to RMB239,626,000, being the difference between the amount of debt to be waived and the net asset value of the Target Company and after taking into account the potential tax impact amounting to approximately RMB54,876,000 to RMB79,876,000 for the financial year during which the Disposal is completed and a corresponding increase in the amount of the net assets of the Group.

LISTING RULES IMPLICATIONS

The entering into of the Disposal Agreement and the Disposal constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders have any material interest in the Disposal or are required to abstain from voting at the SGM of the Company to approve the Disposal.

GENERAL

A circular containing, among other things, details of the Disposal Agreements and the Target Company, the financial information of the Group, the financial information of the Target Company, the notice convening the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 March 2016, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "Conditions for the Disposal Agreement taking effect" in this announcement, including the approval of the Disposal Agreements and the transactions contemplated thereunder by the Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

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DEFINITIONS

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

"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in the PRC throughout their normal business hours
"Coastal Realty"	Coastal Realty Investment (China) Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Company"	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124)
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement

“connected person(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Debt”	the debt in the amount of RMB470,000,000 to RMB570,000,000 (equivalent to approximately HK\$552,941,000 to HK\$670,588,000) due and owing by Coastal Realty to the Target Company
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendors to the Purchaser, on and subject to the terms and conditions of the Disposal Agreements
“Disposal Agreement”	the agreement dated 11 January 2016 entered into between the Vendors, the Target Company and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Yang”	Ms. Yang Jiong Xuan, the legal owner of 10% equity interests in the Target Company holding the 10% equity interests in the Target Company for Coastal Realty
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Fujian Province Huiwu Construction Engineering Company Limited
“Sale Shares”	100% equity interests of the Target Company
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shanghai Coastal”	Shanghai Coastal Commercial Investment Management Co. Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jingdian Construction Co. Ltd., a company established in the PRC with limited liability
“Vendors”	Shanghai Coastal and Ms. Yang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 20 January 2016

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.85. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

As at the date of this announcement, the Board comprises (1) Mr. Jiang Ming, Mr. Tao Lin, Mr. Cai Shaobin and Ms. Wang Hongmei as executive Directors; (2) Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors, and (3) Mr. Chen Xiaotian, Mr. Wong Kai Cheong and Mr. Yang Jiangan as independent non-executive Directors.

* *For identification purpose only*