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COASTAL 沿海
COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1124)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
DISPOSAL OF 80% EQUITY INTERESTS IN
A WHOLLY-OWNED SUBSIDIARY**

DISPOSAL AGREEMENT

On 22 June 2017 (after trading hours of the Stock Exchange), Skyfame Realty, Coastal Realty, the Purchaser and the Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital at a total consideration of RMB80 million (equivalent to approximately HK\$91.8 million).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

BACKGROUND

On 5 May 2011, Coastal Realty entered into the Framework Agreement with Tangcong Village Association in relation to the Redevelopment Project to be carried out at Tangcong Village, Baiyun District, Guangzhou, the PRC. The Redevelopment Project mainly consisted of two parts: (i) land designated for resettlement of the villagers and the construction of new houses and public infrastructure; and (ii) land designated for property development. Under the arrangement, Coastal Realty was responsible for providing the necessary investments for the Disposal Company and overseeing the management of the Redevelopment Project, and in return, Tangcong Village Association will transfer the development rights and interest in the property development to Coastal Realty. Pursuant to the Framework Agreement, Coastal Realty had previously paid an earnest money of RMB20 million (equivalent to approximately HK\$22.9 million) to Tangcong Village Association for the Redevelopment Project.

On 22 June 2017 (after trading hours of the Stock Exchange), Skyfame Realty, Coastal Realty, the Purchaser and the Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which, among others, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital at a total consideration of RMB80 million (equivalent to approximately HK\$91.8 million). Details of the Disposal Agreement are set out below:

DISPOSAL AGREEMENT

Date: 22 June 2017 (after trading hours of the Stock Exchange)

Parties:

- (1) Skyfame Realty (Holdings) Limited
- (2) Coastal Realty Investment (China) Limited
- (3) 廣州市坤創置業有限責任公司 (Guangzhou Kunchuang Real Estate Company Limited*), as the purchaser
- (4) Coastal Greenland Development (Wuhan) Ltd., as the vendor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Purchaser is a company established in the PRC with limited liability and is principally engaged in property development; (ii) Skyfame Realty is a company incorporated in Bermuda with limited liability and is an investment holding company; (iii) the Purchaser is a wholly-owned subsidiary of Skyfame Realty; and (iv) the Purchaser, Skyfame Realty and their respective ultimate beneficial owner(s) are Independent Third Parties.

Coastal Realty is an investment holding company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company.

The Vendor is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in property development.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire 80% of the registered capital of the Disposal Company. Prior to the Completion, the Vendor held the entire equity interests in the Disposal Company.

As at the date of this announcement, the registered and paid up capital of the Disposal Company is RMB100 million (equivalent to approximately HK\$114.7 million), of which RMB100 million (equivalent to approximately HK\$114.7 million) had been granted as the Loan by the Disposal Company to Coastal Realty.

Consideration

The total consideration for the sale and purchase of the entire registered capital of the Disposal Company is RMB80 million (equivalent to approximately HK\$91.8 million), which is payable in the following manner:

- (i) within five Business Days after the signing of the Disposal Agreement, the Vendor and the Purchaser shall set up a Joint Escrow Account for the payment of the Consideration;
- (ii) within five Business Days after the Joint Escrow Account had been set up, the Purchaser shall pay the Consideration into the Joint Escrow Account; and

(iii) within one Business Day after completion of the change of business registration procedures for the transfer of the Sale Capital, the Vendor shall pay the Consideration to the Disposal Company for partial repayment of the Loan in the principal amount of RMB80 million (equivalent to approximately HK\$91.8 million) owing by Coastal Realty to the Disposal Company.

The balance of the Loan in the principal amount of RMB20 million (equivalent to approximately HK\$22.9 million) shall be set off against the consideration payable by the Disposal Company to Coastal Realty for the assignment and novation of the rights and obligations in the Framework Agreement (including the rights to the earnest money of RMB20 million (equivalent to approximately HK\$22.9 million)) from Coastal Realty to the Disposal Company upon Completion.

The Consideration was determined after arms' length negotiations between the parties to the Disposal Agreement and on a commercial basis taking into account the net asset value of the Disposal Company.

In view of the above, the Directors consider that the terms and conditions of the Disposal, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

Completion

Upon the full payment of the Consideration by the Purchaser into the Joint Escrow Account, (i) the Vendor shall transfer the Sale Capital to the Purchaser; (ii) the Vendor and the Purchaser shall commence with the change of business registration procedures for the transfer of the Sale Capital; and (iii) the Vendor and the Purchaser shall have joint possession and/or control of the common seal, seal, license and accounts of the Disposal Company.

Upon Completion, the Disposal Company will cease to be a subsidiary of the Company and the Company will be beneficially interested in 20% of the registered capital of the Disposal Company. The Disposal Company will become an associate of the Company after the Disposal.

Further disposal of 20% equity interests in the Disposal Company

Within 6 months upon the Disposal Company having legally obtained the development rights of the Redevelopment Project from the relevant PRC authorities, the Vendor will be entitled to sell the remaining 20% equity interests in the Disposal Company to the Purchaser at a consideration to be determined with reference to the valuation of 20% equity interests in the Disposal Company at such time of disposal and such valuation to be prepared by a valuer to be approved and jointly appointed by the Vendor and the Purchaser.

Matters requiring unanimous consent from shareholders of the Disposal Agreement

Upon Completion, the following matters will require unanimous consent from shareholders of the Disposal Company: (i) resolutions relating to the distribution of dividend, the alteration of the articles of association or the increase/decrease in the registered capital of the Disposal Company; (ii) the consolidation, amalgamation, merger, demerger, dissolution or change in the type of the Disposal Company; (iii) the acquisition or investments in any other company or business by the Disposal Company; and (iv) the giving of any guarantee by the Disposal Company to any person. Save for the matters above, other matters at a general meeting of the shareholders of the Disposal Company will be determined by majority vote.

Operation and management of the Disposal Company

Upon Completion, Skyfame Realty or other companies specified by Skyfame Realty will be responsible for the day-to-day operation and management of the Disposal Company, which includes appointing or employing the project management team, the main contractor and consultants in relation to the Redevelopment Project.

INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company is a company established in the PRC with limited liability and is principally engaged in property development. The Disposal Company is currently the project company for the Redevelopment Project.

Set out below is the unaudited financial information of the Disposal Company as extracted from its unaudited management accounts prepared in accordance with HKFRSs for the two years ended 31 March 2017:

	For the year ended 31 March 2017 (unaudited) <i>HK\$' 000</i>	For the year ended 31 March 2016 (unaudited) <i>HK\$' 000</i>
Loss before taxation	–	(12)
Loss after taxation	–	(12)
Net assets	114,763	120,031

Upon completion of the Disposal, the Group is expected to record an unaudited loss on the Disposal of approximately HK\$14,000. Such unaudited loss is estimated based on the Consideration of the Disposal of RMB80 million (equivalent to approximately HK\$91.8 million) less 80% of the unaudited net asset value of the Disposal Company of approximately HK\$91.8 million. The Board intends to apply the net proceeds from the Disposal for repayment of the Loan.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the property development, property investment, project management and project investment services.

As at the date of this announcement, the Redevelopment Project is still in its initial stage of development and construction work has not yet commenced. Taking into account the long expected completion date and the substantial amount of investment required, the Board considered that the additional financial resources provided by the Purchaser will be beneficial for the Redevelopment Project. Having regard to the increasingly challenging business environment and the uncertainties of the prospect of the market in the PRC, the Board considered that the Disposal will enable the Group to realise its investment in the Disposal Company at fair value, reduce its operational risk and better utilise its resources.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“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 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 Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Consideration”	the total consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Capital in accordance with the terms and conditions of the Disposal Agreement

“Disposal Agreement”	the agreement dated 22 June 2017 and entered into between Skyfame Realty, Coastal Realty, the Purchaser and Vendor and in relation to, among others, the sale and purchase of the Sale Capital
“Disposal Company”	廣州海涌房地產有限公司 (Guangzhou Haicong Real Estate Company Limited*), a company established in the PRC with limited liability
“Framework Agreement”	the agreement dated 5 May 2011 and entered into between Coastal Realty and Tangcong Village Association in relation to the Redevelopment Project
“Group”	the Company and/or its subsidiaries
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Joint Escrow Account”	the joint escrow account set up by the Vendor and the Purchaser for the payment of the Consideration
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the interest-free, outstanding loan in the principal amount of RMB100 million (equivalent to approximately HK\$114.7 million) granted by the Disposal Company to Coastal Realty

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	廣州市坤創置業有限責任公司 (Guangzhou Kunchuang Real Estate Company Limited*), a company established in the PRC with limited liability and an Independent Third Party
“Redevelopment Project”	the redevelopment project to be carried out at Tangcong Village, Baiyun District, Guangzhou, the PRC pursuant to the Framework Agreement
“Sale Capital”	80% of the registered capital of the Disposal Company
“Skyfame Realty”	Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code 59) and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tangcong Village Association”	廣州市白雲區新市街棠涌經濟聯合社 (Guangzhou Baiyun District Xinshi Street Tangcong Economic Association*)
“Vendor”	Coastal Greenland Development (Wuhan) Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), 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, 22 June 2017

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 RMB0.8715. 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 Mr. Jiang Ming, Mr. Tao Lin, Mr. Xia Xianglong and Dr. Li Ting as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.