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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 THE DISPOSAL COMPANY**

DISPOSAL AGREEMENT

On 29 September 2018, 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 an estimated total consideration of RMB118,287,553 (equivalent to approximately HK\$134,417,674).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 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 29 September 2018, 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 an estimated total consideration of RMB118,287,553 (equivalent to approximately HK\$134,417,674). Details of the Disposal Agreement are set out below:

DISPOSAL AGREEMENT

Date: 29 September 2018

Parties: (1) 上海睿明置業有限公司 (Shanghai Ruiming Real Estate Co. Ltd.*), as the purchaser

(2) 深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Co., 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; and (ii) the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

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 investment holding.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital. Prior to Completion, the Vendor owned the Sale Capital, representing 12% of the registered capital of the Disposal Company.

Consideration

Subject to the adjustment mechanism as set out in the paragraph headed “Adjustment to the Consideration” below, the estimated total consideration for the sale and purchase of the Sale Capital is RMB118,287,553 (equivalent to approximately HK\$134,417,674), which is payable in the following manner:

- (i) on the date of the Disposal Agreement, the Purchaser shall pay the Deposit to the Vendor (which on Completion shall form part of the Consideration);
- (ii) within five Business Days before Completion, the Purchaser shall pay the remaining balance of the estimated Consideration of RMB94,630,042 (equivalent to approximately HK\$107,534,139) into the Joint Escrow Account;
- (iii) on the date of Completion, the Purchaser shall release RMB35,486,266 (equivalent to approximately HK\$40,325,302) to the Vendor from the Joint Escrow Account; and
- (iv) within five Business Days after completion of the change of business registration procedures for the transfer of the Sale Capital or within 30 days after Completion (whichever is the earliest), the Purchaser shall release the remaining balance of RMB59,143,776 (equivalent to approximately HK\$67,208,836) to the Vendor from the Joint Escrow Account.

The estimated Consideration was determined with reference to, among others, the net current assets of the Disposal Company as set out in the Estimated Accounts. Within 60 days after the date of Completion, the Purchaser shall provide a confirmation to the Vendor confirming (i) the Completion Accounts; and (ii) the final Consideration calculated pursuant to the Completion Accounts. The estimated Consideration shall be adjusted upwards or downwards according to the difference in value with the final Consideration and the relevant party shall pay such difference to the other party within ten Business Days after the confirmation of such adjustment.

The final Consideration was determined after arms’ length negotiations between the parties to the Disposal Agreement and on a commercial basis and calculated according to the following formula:

$$A = (B + C) \times 12\%$$

Where:

A is the final Consideration.

B is an amount equal to the value of the Properties, being the sum of the value of each of the Phase I Property, the Phase II Property and the Phase III Property.

The value of the Phase I Property and the Phase II Property shall be determined based on the total number of properties of the Phase I Property and the Phase II Property to be held by the Disposal Company on the date of Completion and shall be calculated according to the following unit price:

Type of property	Unit price
Any property in the Phase I Property	RMB10,000 per sq.m.
Office in the Phase II Property (situated at No. 448, Lane 399, Kangyuan Road)	RMB10,000 per sq.m.
Loft office in the Phase II Property (situated at No. 445, No. 446 and No. 447, Lane 399, Kangyuan Road)	RMB13,000 per sq.m.
Car-parking space in the Phase II Property	RMB43,000 per car-parking space
Clubhouse in the Phase II Property	RMB7,000 per sq.m.

The value of the Phase III Property is RMB646,952,350 which is determined based on the following formula:

$$\begin{aligned}\text{Value} &= \text{Total area x unit price} \\ &= 117,627.70 \text{ sq.m. x RMB5,500 per sq.m.} \\ &= \text{RMB646,952,350}\end{aligned}$$

C is an amount equal to the net current assets of the Disposal Company as shown in the Completion Accounts. The net current assets is the amount equal to the current assets minus the liabilities of the Disposal Company. The liabilities of the Disposal Company is the total amount of the current liabilities as shown in the Completion Accounts and the amount payable to Zhujiajiao in relation to the demolition and reconstruction of office buildings of Zhujiajiao on the Properties.

In view of the above, the Directors consider that the terms and conditions of the Disposal, including the final 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.

Conditions precedent

Completion shall be conditional upon and subject to the following conditions:

- (i) during the period from the date of signing of the Disposal Agreement to the date before Completion, there being no Material Adverse Effect on the Properties;
- (ii) during the period from the date of signing of the Disposal Agreement to the date before Completion, the Shanghai Municipal Government or its subordinate governmental or regulatory authorities have not promulgated 《深圳市規劃和國土資源委員會關於貫徹落實市政府房地產調控政策的通知》（深規土規[2018]7號）(the “Notice of the Shenzhen Municipal Planning and Land Resources Committee on Implementing the Municipal Government’s Real Estate Regulation Policy” (Regulations [2018] No. 7)*), or any applicable laws or regulations that would have a material adverse effect on the real estate industry in the PRC;
- (iii) all the warranties given by the Vendor under the Disposal Agreement remaining true and correct and not misleading in all material respects as at the date of Completion;
- (iv) the termination agreements in relation to the Project Management Agreement and the Supplemental Project Management Agreement having been entered into between the Disposal Company and Shenzhen Coastal;
- (v) the amount payable to Zhujiajiao in relation to the demolition and reconstruction of office buildings of Zhujiajiao on the Properties having been confirmed by agreement, meeting minutes or other methods;

- (vi) certain agreements in relation to construction of the Phase II Property and the Phase III Property having been terminated by the Disposal Company; and
- (vii) the employment of certain employees of the Disposal Company having been terminated by the Disposal Company.

The Vendor shall use its reasonable endeavour to procure the fulfillment of all of the conditions precedents above.

The Purchaser may at any time before Completion by writing to the Vendor waive any of the conditions precedent above. If the above conditions have not been satisfied (or otherwise waived) no later than the 90th calendar day after the date of the Disposal Agreement, the Disposal Agreement shall cease and determine and the Vendor shall repay the Deposit and the estimated Consideration (without interest) to the Purchaser within three Business Days and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Subject to the fulfillment or waiver (as the case may be) of the above conditions, Completion shall take place at 10:00 a.m. on the 60th calendar day after the date of the Disposal Agreement or such later date as the Purchaser and the Vendor may agree. Notwithstanding the above, if the above conditions have not been fulfilled or waived, the Purchaser has the right to postpone the date of Completion to the 90th calendar day after the date of the Disposal Agreement.

Upon Completion, the Purchaser will hold 12% of the registered capital of the Disposal Company and the Vendor will cease to hold all interests in the Disposal Company.

Payment of dividends

Each of the Vendor and the Purchaser agrees that the Disposal Company has the right to distribute its dividends to its then shareholders prior to Completion. The amount of dividends is determined by the shareholders of the Disposal Company with reference to the Disposal Company's distributable profit, which is approximately RMB195,000,000 (equivalent to approximately HK\$221,590,909).

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 Real Estate Project.

Set out below is the unaudited financial information of the Disposal Company as extracted from its audited financial statements prepared in accordance with generally accepted accounting principles in the PRC for the two years ended 31 December 2017:

	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2016 (RMB'000)
Profit before taxation	101,430	240,474
Profit after taxation	94,002	163,610
Net assets	630,334	687,832

Upon completion of the Disposal, the Group is expected to record an unaudited loss on the Disposal of approximately HK\$23,764,144. Such unaudited loss is estimated based on the Consideration of the Disposal of RMB118,287,553 (equivalent to approximately HK\$134,417,674) less the carrying value of the Disposal Company of approximately RMB139,200,000 (equivalent to approximately HK\$158,181,818) as at 31 March 2018. The Board intends to apply the net proceeds from the Disposal as general working capital of the Group. It is also expected that the Group will obtain approximately RMB23,400,000 (equivalent to HK\$26,590,909) from the Disposal Company as dividends prior to Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Having regard to the increasingly challenging business environment and the uncertainties of the prospect of the real estate 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

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 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.

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
“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
“Completion Accounts”	the unaudited balance sheet of the Disposal Company as at the date of Completion
“Consideration”	the total consideration for the Disposal

“Deposit”	the deposit in the sum of RMB23,657,511 (equivalent to approximately HK\$26,883,535) payable by the Purchaser to the Vendor in accordance with the terms and conditions of the Disposal Agreement
“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 29 September 2018 and entered into between the Purchaser and Vendor and in relation to, among others, the sale and purchase of the Sale Capital
“Disposal Company”	上海東方國際文體休閒產業城發展有限公司(Shanghai Oriental International Culture and Sports Recreation Industry City Development Co., Ltd.*), a company established in the PRC with limited liability
“Estimated Accounts”	the estimated balance sheet of the Disposal Company prepared prior to the date of Completion for the purpose of calculating the initial Consideration
“Group”	the Company and/or its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Material Adverse Effect”	any material adverse effect resulting in a loss of 15% of the value of the Properties due to a breach on the part of the Vendor
“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
“Phase I Property”	the land at Qingpu District, Shanghai, the PRC with a total site area of approximately 2,096.68 sq.m. for a term of 50 years expiring on 28 December 2053 for comprehensive use
“Phase II Property”	the land at Qingpu District, Shanghai, the PRC with a total site area of approximately 20,919.62 sq.m. for a term of 50 years expiring on 28 December 2053 for comprehensive use
“Phase III Property”	the land at Qingpu District, Shanghai, the PRC with a total site area of approximately 117,627.70 sq.m. for a term of 50 years expiring on 24 May 2056 for comprehensive use
“Project Management Agreement”	the project management agreement dated 7 September 2012 entered into between the Disposal Company and Shanghai Coastal in relation to the provision of project management services to the Disposal Company

“Properties”	collectively, the Phase I Property, the Phase II Property and the Phase III Property
“Purchaser”	上海睿明置業有限公司 (Shanghai Ruiming Real Estate Co. Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“Real Estate Project”	the real estate project to be carried out at Qingpu District, Shanghai, the PRC comprising the Properties
“Sale Capital”	12% of the registered capital of the Disposal Company
“Shanghai Coastal”	上海沿海綠色家園置業有限公司 (Shanghai Coastal Greenland Real Estate Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shenzhen Coastal”	沿海綠色創展(深圳)管理諮詢有限公司 (Coastal Green Development (Shenzhen) Management Consultancy 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
“Supplemental Project Management Agreement”	the supplemental project management agreement dated 30 December 2014 entered into among the Disposal Company, Shanghai Coastal and Shenzhen Coastal to amend certain terms of the Project Management Agreement
“Vendor”	深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhujiajiao”	朱家角工業區管委會 (Zhujiajiao Industrial Zone Management Committee*)

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre(s)
“%”	per cent.

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 RMB0.88. 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.

By order of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 29 September 2018

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 Mr. Zhu Guoqiang as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.

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