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INSIDE INFORMATION IN RELATION TO THE VERY SUBSTANTIAL DISPOSAL SURRENDER OF THE LAND

This announcement is made by Coastal Greenland Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

References are made to the announcement of the Company dated 14 April 2015 and the circular of the Company dated 30 June 2015 in relation to the acquisition of 81% of the registered and paid up capital of 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited*) (“**Hengxiang Development**”) by the Group for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK\$723,226,000).

Hengxiang Development is a company established in the People’s Republic of China (the “**PRC**”) with limited liability and is principally engaged in property development. Prior to completion of the Surrender of the Land (as defined below), the principal assets of Hengxiang Development included, among others, the four parcels of land (the “**Land**”) located at Jixi City, Heilongjiang, the PRC with a total site area of approximately 153,911 sq.m. for residential usage.

* For identification purpose only

As one of the conditions for development of the Land, Hengxiang Development was obliged to construct affordable houses (the “**Affordable Houses**”) with gross floor area of approximately 139,450 sq.m. on two parcels of land with site area of approximately 61,700 sq.m.. As of April 2017, Hengxiang Development had completed construction of affordable houses with gross floor area of approximately 102,100 sq.m.. In order to speed up the progress for the resettlement of the residents, on 21 April 2017, 雞西市雞冠區鵬程城市建設投資有限公司 (Jixi City Jiguan District Pengcheng Urban Construction Investment Company Limited*) (“**Jixi Jiguan**”), being a state-owned enterprise, Hengxiang Development and Coastal Realty Investment (China) Limited (“**Coastal China**”), being a subsidiary of the Company, entered into an agreement (the “**Repurchase Agreement**”) pursuant to which the parties agreed that Jixi Jiguan would take over the construction work of the remaining Affordable Houses from Hengxiang Development. Pursuant to the Repurchase Agreement, Hengxiang Development and Coastal China agreed to pay the amount of RMB224,000,000 (equivalent to approximately HK\$268,795,000) (the “**Repurchase Amount**”) to Jixi Jiguan for the remaining Affordable Houses upon completion of the relevant construction work by Jixi Jiguan.

Taking into account, among others, the prolonged delay and slow progress in the development of the Land, the challenges faced by the Group to complete the project due to its current financial condition and a deteriorating property market situation in Jixi, negotiations took place between the relevant parties in relation to the surrender of the Land by Hengxiang Development to the Jixi Municipal People’s Government of Heilongjiang Province (“**Jixi Municipal People’s Government**”) in 2021.

THE AGREEMENT

On 9 August 2021, Hengxiang Development and Coastal China, each being a subsidiary of the Company, entered into the agreement (the “**Agreement**”) with the Jixi Municipal People’s Government and Jixi Jiguan, each being an independent third party, pursuant to which Hengxiang Development shall surrender the Land (the “**Surrender of the Land**”) to the Jixi Municipal People’s Government and the compensation amount of RMB224,000,000 (equivalent to approximately HK\$268,795,000) (the “**Compensation Amount**”) payable by the Jixi Municipal People’s Government for the Land shall be fully offset against the Repurchase Amount payable by Hengxiang Development and Coastal China to Jixi Jiguan under the Repurchase Agreement.

The Compensation Amount of RMB224,000,000 (equivalent to approximately HK\$268,795,000) was determined after arms' length negotiations between the Jixi Municipal People's Government, Hengxiang Development, Coastal China and Jixi Jiguan with reference to the book value of the Land of approximately RMB563,882,000 (equivalent to approximately HK\$676,645,000) as at the completion date. The Compensation Amount represents a discount of approximately 60.28% to the book value of the Land.

Completion of the Surrender of the Land took place on 18 August 2021 and the Compensation Amount has been fully offset against the Repurchase Amount.

REASONS FOR AND BENEFITS OF THE SURRENDER OF THE LAND

The Company is an investment holding company and its subsidiaries are principally engaged in property development, property investment, provision of project management and project investment services.

The Group recorded loss for the year attributable to owners of the Company of HK\$281,000,000 for the year ended 31 March 2021, compared to a loss of HK\$336,800,000 for last year. In light of the current financial condition of the Group, having considered the prolonged delay and slow progress in the development of the Land and a deteriorating property market situation in Jixi, the Directors considered that it is in the interest of the Group to surrender the Land in order to focus its resources in other property development projects that will generate a higher expected rate of return for the Group.

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

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 Surrender of the Land exceed 75%, the Surrender of the Land constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The omission by the Company to comply with the Listing Rules requirements to make timely disclosure for the Surrender of the Land was due to an inadvertent mistake from the management of the Company having believed that the Surrender of the Land to a PRC government body would be treated as forced sale of the properties by court order, which would not constitute “transactions” under Chapter 14 of the Listing Rules. The Agreement for Surrender of the Land was treated internally as if it was not discloseable under Chapter 14 of the Listing Rules.

The Company wishes to apologise in this regard and will release an announcement to provide details of the transactions as soon as practicable.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 15 November 2021

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Xia Xianglong, Dr. Li Ting and Mr. Lin Chen Hsin as executive Directors, Mr. Zhu Guoqiang and Mr. Qiu Guizhong as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangan and Mr. Huang Xihua as independent non-executive Directors.