THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coastal Greenland Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

COASTAL 沿海

COASTAL GREENLAND LIMITED

沿海綠色家園有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01124)

MAJOR TRANSACTION

A notice convening a special general meeting of the Company to be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 23 July 2015 at 10 a.m. is set out on pages SGM-1 and SGM-2 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular.

Whether or not you are able to attend the special general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

* *for identification purpose only*

30 June 2015

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Capital
"Agreement"	the agreement dated 14 April 2015 entered into between the Vendors and Shenzhen Chuangzhixin in relation to the Acquisition
"Beijing Huazi"	北京華資國信投資管理有限公司 (Beijing Huazi Investment Management Company Limited*), a company established in the PRC with limited liability
"Beijing Meilehong"	北京美樂紅投資顧問有限公司 (Beijing Meilehong Investment Consultancy Company Limited*), a company established in the PRC with limited liability
"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 China"	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 Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms of the Agreement
"Deposit"	the refundable deposit in the amount of RMB281,040,000 (equivalent to approximately HK$348,253,000)
"Directors"	directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Gaosheng Shunxin"	晉中市高盛順鑫投資企業(有限合夥) (Jinzhong City Gaosheng Shunxin Investment Enterprises (Limited Partnership)*)

"Group"	the Company and its subsidiaries
"Hong Kong"	the 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)
"Land"	the six parcels of land located at Ji Xi City, Hei Long Jiang, the PRC with a total site area of approximately 215,611 sq.m.
"Latest Practicable Date"	25 June 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Previous Acquisition"	the acquisition of 4% of the registered and paid up capital of the Target Company by Shanghai Coastal from Beijing Huazi
"Sale Capital"	81% of the registered and paid up capital of the Target Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"SGM"	the special general meeting of the Company to be convened and held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 23 July 2015 at 10 a.m. to approve the Agreement and the transactions contemplated thereunder
"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

"Shareholder(s)"	holder(s) of the share(s) of HK$0.10 each in the share capital of the Company
"Shenzhen Chuangzhixin"	深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Company Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited*), a company established in the PRC with limited liability
"Target Group"	the Target Company and its subsidiaries
"Valuer"	DTZ Debenham Tie Leung Limited, an independent valuer
"Vendors"	both Gaosheng Shunxin and Beijing Meilehong
"Zhongzhou Huayuan"	北京中洲華遠專案投資管理有限公司 (Beijing Zhongzhou Huayuan Project Investment Management Company Limited*), a company established in the PRC with limited liability
"GFA"	gross floor area
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	squared metres
"%"	per cent

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For the purpose of this circular, unless otherwise specified, conversions of RMB into HK$ are based on the approximate exchange rate of RMB0.807 to HK$1. 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.

COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 01124)

Executive Directors:
Mr. Jiang Ming
Mr. Tao Lin
Mr. Cai Shaobin
Ms. Wang Hongmei

Non-executive Directors:
Mr. Lu Jiqiang
Dr. Dai Jingming

Independent non-executive Directors:
Mr. Chen Xiaotian
Mr. Wong Kai Cheong
Mr. Yang Jiangang

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 1712-16, 17th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

30 June 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 10 March 2014, Coastal China entered into an agreement with Zhongzhou Huayuan pursuant to which Zhongzhou Huayuan agreed to co-ordinate and assist Coastal China or its associated company during the period from 10 March 2014 to 9 June 2015 to acquire (i) 45% of the registered and paid up capital of the Target Company, at a consideration of not more than RMB340,000,000; or (ii) more than 45% of the registered and paid up capital of the Target Company at a consideration to be agreed and the Group has paid the refundable Deposit of RMB281,040,000 (equivalent to approximately HK$348,253,000) to Zhongzhou Huayuan, which was intended to be used for the purpose of the Acquisition. The Deposit was determined based on the maximum consideration of RMB340,000,000 (equivalent to approximately HK$421,314,000) for the acquisition of 45% of the registered and paid up capital of the Target Company less the consideration of RMB37,000,000 (equivalent to approximately

* for identification purpose only

HK$45,849,000) for the Previous Acquisition. In the event that Zhongzhou Huayuan shall fail to co-ordinate the acquisition of 41% of the registered and paid up capital of the Target Company, Zhongzhou Huayuan shall repay the Deposit (together with interest at an interest rate of 10% per annum) to Coastal China.

Zhongzhou Huayuan is independent of and not connected with the Target Company and its shareholders. As Zhongzhou Huayuan had the relevant network to assist Coastal China to proceed with the purchase and any negotiation necessary with the Target Company, Coastal China entered into the relevant agreement with Zhongzhou Huayuan. As transactions of such kind usually involve long term negotiations, Zhongzhou Huayuan required the Group to pay the Deposit at the beginning of the negotiation.

On 1 April 2014, Shanghai Coastal, a wholly owned subsidiary of the Company, entered into an agreement with Beijing Huazi, an Independent Third Party, to acquire 4% of the registered and paid up capital of the Target Company at a consideration of RMB37,000,000 (equivalent to approximately HK$45,849,000). The Previous Acquisition was completed in April 2014.

On 25 July 2014, Shenzhen Chuangzhixin, a wholly owned subsidiary of the Company, entered into an agreement with Shanghai Coastal to acquire 4% of the registered and paid up capital of the Target Company at a consideration of RMB37,000,000 (equivalent to approximately HK$45,849,000). Such transfer was completed in July 2014.

The Board announced that on 14 April 2015 (after trading hours of the Stock Exchange), Coastal China and Shenzhen Chuangzhixin, wholly owned subsidiaries of the Company, entered into the Agreement with Gaosheng Shunxin, Beijing Meilehong and Zhongzhou Huayuan, all being Independent Third Parties, in relation to the acquisition of the Sale Capital by Coastal China for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK$746,840,000).

The purposes of this circular are to provide you with: (i) further information regarding the Acquisition; (ii) the accountant's report on of the Target Company; and (iii) a notice to convene the SGM.

THE AGREEMENT

Date: 14 April 2015 (after trading hours of the Stock Exchange)

Parties: (1) Gaosheng Shunxin; and

Beijing Meilehong (as vendors);

(2) Shenzhen Chuangzhixin (as purchaser);

(3) Coastal China;

(4) Zhongzhou Huayuan (as co-ordinator)

To the best knowledge and information of the Directors, (i) Gaosheng Shunxin is principally engaged in provision of investment management; (ii) Beijing Meilehong is a company established in the PRC with limited liability and is principally engaged in provision of investment management; and (iii) Zhongzhou Huayuan is a company established in the PRC with limited liability and is principally engaged in provision of investment management and consultation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors, Zhongzhou Huayuan and their respective ultimate beneficial owner(s) are Independent Third Parties.

Shenzhen Chuangzhixin 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.

Coastal China 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 acquired

Pursuant to the Agreement, Shenzhen Chuangzhixin shall acquire the Sale Capital, representing 81% equity interests in the Target Company, as to 41% equity interests from Beijing Meilehong and as to 40% equity interests from Gaosheng Shunxin.

Consideration

The Consideration payable for the sale and purchase of the Sale Capital shall be RMB602,700,000 (equivalent to approximately HK$746,840,000).

The Consideration is payable in the following manner:

(1) as to RMB281,040,000 (equivalent to approximately HK$348,253,000) has been paid by the Group to Zhongzhou Huayuan in cash as refundable Deposit in April 2014 and will be applied to settle part of the Consideration upon Completion; and

(2) the balance of the Consideration shall be payable by Shenzhen Chuangzhixin to the Vendors in cash within nine months after the date of the Agreement and subject to the fulfilment of the Conditions.

The Consideration for the Acquisition was determined after arms' length negotiations with reference to the unaudited net asset value of the Target Company as at 31 December 2014 of approximately RMB460,450,000 and the valuation surplus of the Land amounting to RMB293,231,000 resulted from the difference between the preliminary valuation of the Land of RMB892,000,000 as at 31 December 2014 and the unaudited net book value of the Land of RMB598,769,000 and taking into account any unpaid land premium. The preliminary valuation was arrived at by adopting the direct comparison method. The valuation premium represents approximately 49% of the unaudited net book value of the Land.

With reference the accountants' report of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix I to the Circular, the audited net asset value of the Target Company and the carrying value of the Land was approximately RMB421,020,000 and RMB521,649,000 respectively. Since the valuation of the Land of RMB892,000,000 has excluded the unpaid land premium as set out in Appendix V to the Circular, the valuation surplus of the Land was RMB370,351,000. Although there are differences between the unaudited net asset value and the audited net asset value of the Target Company, the Consideration is still fair and reasonable with reference to 81% of (a) the audited net assets value of RMB421,020,000 and (b) the valuation premium of RMB370,351,000.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Consideration will be paid by the Group by its internal resources and/or loan financing.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

(a) the passing by the Shareholders at the SGM of the ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder;

(b) the Target Company having obtained all necessary consent and approval relating to the Acquisition; and

(c) the obtaining of all land use rights certificates for the Land.

In the event that the above conditions are not fulfilled on or before 31 December 2015 (or such other date that may be agreed by the parties in writing), the Agreement shall lapse and the Deposit (together with interest at an interest rate of 10% per annum) shall be refunded in full to the Group and none of the parties to the Agreement shall have any further obligations towards the other thereunder except for any antecedent breaches (if any).

Completion

Completion shall take place within 30 calendar days upon fulfilment of the conditions precedent under the Agreement.

INFORMATION OF THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability and is principally engaged in property development. The principal assets of the Target Company are six parcels of land located at Ji Xi City, Hei Long Jiang, the PRC, which are acquired from the local government in 2012, with a total site area of approximately 215,611 sq.m. for a term of 70 years for residential use or 40 years for commercial use. The wholly-owned subsidiaries of the Target Company are dormant.

The Target Company is obliged to construct affordable houses with GFA of 139,450 sq.m., of which approximately GFA of 43,943 sq.m. of such affordable houses will be constructed on a site covering two parcels of land of approximately 52,200 sq.m. and 9,500 sq.m.. The land use rights relating to the aggregate site area of approximately 61,700 sq.m. have been obtained by the Target Company through the Grant Contracts of State-owned Land Use Rights. However, State-owned Land Use Rights Certificate of this part of land will not be granted because the affordable houses will be provided to government without compensation. The site is at the stage of demolition work and construction.

The Target Company has obtained the land use rights for two parcels of land with aggregate site area of approximately 61,700 sq.m. for residential and commercial usage. The Target Company is in the progress of applying the land use rights for the remaining four parcels of land with aggregate site area of approximately 153,911 sq.m. for residential and/or commercial usage and the obtaining of the land use rights for the remaining four parcels of land is subject to final payment of land premium of RMB45,938,106 (equivalent to approximately HK$56,924,543) as a requirement for obtaining the said approval from the local government. There is no deadline for the payment of outstanding land premium. As advised by the PRC legal adviser of the Company, although the Target Company has not yet obtained the land use rights for the remaining four parcels of land, there is no material legal impediment for the Target Company to obtain such land use rights once the Target Company makes the final payment of land premium to the local government. The Target Company is closely monitoring the progress of the development and will make the final payment of land premium to the local government after the issuance of pre-sale permit of the first phase of the development project whereby presale of the properties will commence. The Target Company will use the proceeds from pre-sale of the first phase of the development project to pay for the final payment. The planning permit and the construction permit have been granted to the Target Company regarding the first phase of the development project. The land use rights for the remaining four parcels of land is expected to be granted to the Target Company in the second half of 2015.

As at the Latest Practicable Date, the Target Company is owned as to 42% by Beijing Meilehong, 40% by Gaosheng Shunxin, 14% by 劉藝春 (Liu Yichun*) and 4% by Shenzhen Chuangzhixin.

The financial information of the Target Group for the two financial years ended 31 December 2013 and 2014 as prepared in accordance with the Hong Kong Financial Reporting Standards are set out below:

	For the year ended 31 December 2014 (audited) *(RMB)*	**For the year ended 31 December 2013 (audited)** *(RMB)*
Loss before taxation	40,043,578	19,948,043
Loss after taxation	40,043,578	19,948,043
Net assets	421,019,988	461,063,566

Upon Completion, each member of the Target Group will become an 85% indirect non-wholly owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The development projects of the Group are located in a number of first and second tier cities such as Beijing and Shanghai, as well as in Anshan, Chongqing, Dalian, Dongguan, Foshan, Shenyang and Wuhan. It is the Group's business strategy to develop quality residential estates for the PRC middle to upper class domestic market. The Acquisition is of a revenue nature in the ordinary and usual course of business of the Group. The Acquisition will expand the Group's property development portfolio in Northeast China region, which is in line with the Group's strategy to maintain geographically well-diversified land portfolio. It is proposed that the Land will be developed into a large-scale, high quality residential and commercial development by three phases with an estimated total GFA of about 679,489 sq.m. in which GFA of 139,450 sq.m. is affordable houses to be built for the local government without reimbursement. The first phase is expected to be available for pre-sale in the second half of 2015 and the whole development is expected to be completed in 2017. The first phase has a total GFA of 176,960 sq.m. including affordable houses with GFA of 139,450 sq.m.. The presale of the first phase with GFA of 37,510 sq.m. is expected to generate proceeds of approximately RMB300,000,000 (equivalent to approximately HK$371,747,000). The construction of Phase II with GFA of 237,730 sq.m. is expected to commence in the first quarter of 2016 and the completion is expected to be in the third quarter of 2017. The construction of Phase III with GFA of 264,799 sq.m. is expected to commence in second quarter of 2016 and the completion is expected to be in the fourth quarter of 2017. The estimated development costs of the whole development is approximately RMB1,087,000,000. The construction of the development is expected to be financed by bank borrowings and the proceeds from pre-sale of residential units.

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

LISTING RULES IMPLICATIONS

The Acquisition, when aggregated with the Previous Acquisition, constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition or are required to abstain from voting at the general meeting to approve the Acquisition.

SGM

A notice convening the SGM to be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 23 July 2015 at 10 a.m. is set out on pages SGM-1 and SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

As no Shareholder has an interest in the Agreement that is materially different from other Shareholders, no Shareholder is required to abstain from voting for the resolution approving the Acquisition at the SGM. The resolution approving the Acquisition will be voted by way of a poll at the SGM.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

The following is the text of a report on the Target Group for each of the three years ended 31 December 2014, prepared by Deloitte Touche Tohmatsu, Certified Public Accountant for the sole purpose of inclusion in this circular.

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

30 June 2015

The Directors
Coastal Greenland Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2014 (the "Relevant Periods") for inclusion in a circular issued by Coastal Greenland Limited (the "Company") dated 30 June 2015 (the "Circular") in connection with its proposed acquisition of 81% of the total registered capital of the Target Company.

The Target Company was incorporated in the People's Republic of China (the "PRC") as a limited liability company on 13 July 2009. The principal activity of the the Target Company is property development and investment holding.

As at the date of this report, the Target Company has the following subsidiaries:

Name of subsidiaries	Legal form, date and place of incorporation/ operation	Issued and fully paid share capital	Proportion ownership interest directly held by Target Company	Principal activities
雞西恒祥物業管理有限公司 (Jixi Hengxiang Property Management Company Limited)	Limited company, 5 March 2013, PRC	RMB500,000	100%	Dormant
雞西賽洛城房屋拆遷服務有限公司 (Jixi Silo City Property Reclamation Service Company Limited)	Limited company, 16 May 2013, PRC	RMB1,000,000	100%	Dormant
北京恒祥沿德房地產開發有限公司 (Beijing Hengxiang Yan De Real Estate Development Company Limited)	Limited company, 28 April 2013, PRC	RMB10,000,000	100%	Dormant

The Target Company and its subsidiaries have adopted 31 December as its financial year end date.

Except for 北京恒祥沿德房地產開發有限公司 (Beijing Hengxiang Yan De Real Estate Development Company Limited), of which the statutory financial statements for the period/year ended 31 December 2013 and 2014 have not been prepared, the statutory financial statements of the Target Company and of its subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. These statutory financial statements for each of the three years ended 31 December 2014 were audited by the following Certified Public Accountants registered in the PRC.

Name of companies	Name of auditors
2012	
恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited)	雞西中元有限責任會計師事務所 (Zhong Yuan Limited Affairs Agency of Certified Public Accountants in Jixi)
2013	
恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited)	雞西中元有限責任會計師事務所 (Zhong Yuan Limited Affairs Agency of Certified Public Accountants in Jixi)
雞西恒祥物業管理有限公司 (Jixi Hengxiang Property Management Company Limited)	雞西同瑞會計師事務所 (Jixi Tong Rui Certified Public Accountants)
雞西賽洛城房屋拆遷服務有限公司 (Jixi Silo City Property Reclamation Service Company Limited)	雞西同瑞會計師事務所 (Jixi Tong Rui Certified Public Accountants)
2014	
恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited)	雞西同瑞會計師事務所 (Jixi Tong Rui Certified Public Accountants)
雞西恒祥物業管理有限公司 (Jixi Hengxiang Property Management Company Limited)	雞西同瑞會計師事務所 (Jixi Tong Rui Certified Public Accountants)
雞西賽洛城房屋拆遷服務有限公司 (Jixi Silo City Property Reclamation Service Company Limited)	雞西同瑞會計師事務所 (Jixi Tong Rui Certified Public Accountants)

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Consolidated Financial Statements"). We have undertaken an independent audit on the Underlying Consolidated Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Consolidated Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared based on the Underlying Consolidated Financial Statements. No adjustments were considered necessary to adjust the Underlying Consolidated Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Consolidated Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Consolidated Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated state of affairs of the Target Group as at 31 December 2012, 2013 and 2014 and of the consolidated results and consolidated cash flows of the Target Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	NOTES	**2012**	**2013**	**2014**
		RMB	*RMB*	*RMB*
Other income	*8*	665,644	95,228	795,166
Marketing expenses		(3,786,732)	(6,593,540)	(354,839)
Administrative expenses		(7,747,312)	(10,445,726)	(11,972,230)
Other expenses		(102,424)	(3,004,005)	(28,511,675)
Loss before taxation		(10,970,824)	(19,948,043)	(40,043,578)
Income tax	*9*	–	–	–
Loss and total comprehensive expense for the year	*10*	(10,970,824)	(19,948,043)	(40,043,578)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	NOTES	**2012**	**2013**	**2014**
		RMB	*RMB*	*RMB*
NON-CURRENT ASSET				
Property, plant and equipment	*13*	2,241,674	1,842,758	835,463
Deposits for future acquisition of land use rights	*14*	38,280,208	50,531,916	50,531,916
		40,521,882	52,374,674	51,367,379
CURRENT ASSETS				
Properties under development	*15*	289,247,105	425,597,544	471,117,485
Prepayments, deposits and other receivables	*16*	99,255,119	33,584,275	18,835,248
Deposits for future acquisition of land use rights	*14*	23,288,243	–	–
Amount due from a director	*17*	–	217,111	–
Amount due from a shareholder	*17*	8,000,000	16,000,000	–
Bank balances and cash	*18*	63,349,598	15,385,507	6,060,991
		483,140,065	490,784,437	496,013,724
CURRENT LIABILITIES				
Trade payables	*19*	60,000	422,954	507,546
Other payables and accruals	*20*	42,184,572	81,422,841	78,603,819
Amount due to a director	*17*	216,766	–	–
Amounts due to shareholders	*17*	189,000	249,750	47,249,750
		42,650,338	82,095,545	126,361,115
NET CURRENT ASSETS		440,489,727	408,688,892	369,652,609
TOTAL ASSETS LESS LIABILITIES		481,011,609	461,063,566	421,019,988
CAPITAL AND RESERVE				
Paid-in capital	*21*	500,000,000	500,000,000	500,000,000
Reserve		(18,988,391)	(38,936,434)	(78,980,012)
TOTAL EQUITY		481,011,609	461,063,566	421,019,988

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital reserve	Accumulated losses	Total
	RMB	*RMB* *(Note)*	*RMB*	*RMB*
At 1 January 2012	50,000,000	–	(20,417,567)	29,582,433
Loss and total comprehensive expense for the year	–	–	(10,970,824)	(10,970,824)
Shareholder's contribution *(Note 21)*	450,000,000	12,400,000	–	462,400,000
At 31 December 2012	500,000,000	12,400,000	(31,388,391)	481,011,609
Loss and total comprehensive expense for the year	–	–	(19,948,043)	(19,948,043)
At 31 December 2013	500,000,000	12,400,000	(51,336,434)	461,063,566
Loss and total comprehensive expense for the year	–	–	(40,043,578)	(40,043,578)
At 31 December 2014	500,000,000	12,400,000	(91,380,012)	421,019,988

Note: Capital reserve represents excessive amounts paid by the shareholders over the registered share capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
OPERATING ACTIVITIES			
Loss before taxation	(10,970,824)	(19,948,043)	(40,043,578)
Adjustments for:			
Interest income	(662,044)	(84,728)	(17,546)
Impairment loss on other receivable	1,545	3,000,000	28,400,000
Loss on disposal of property, plant and equipment	1,877	–	–
Depreciation of property, plant and equipment	751,972	1,118,060	1,055,425
Operating cash flows before movements in working capital	(10,877,474)	(15,914,711)	(10,605,699)
(Increase) decrease in deposits for future acquisition of land use rights	(61,568,451)	11,036,535	–
Increase in properties under development	(250,809,587)	(136,221,400)	(45,485,163)
(Increase) decrease in prepayments, deposits and other receivables	(1,522,365)	6,070,844	3,930,462
(Decrease) increase in trade payables	(669,266)	362,954	84,592
(Decrease) increase in other payables and accruals	(3,055,778)	30,981,928	(13,057,622)
NET CASH USED IN OPERATING ACTIVITIES	(328,502,921)	(103,683,850)	(65,133,430)
INVESTING ACTIVITIES			
Advance to a director	–	(393,573)	–
Repayment from a director	10,000	176,462	–
Advance to a shareholder	(8,000,000)	(8,000,000)	–
(Advances to) repayment from other debtors	(57,130,000)	56,600,000	(1,364,324)
Interest received	662,044	84,728	17,546
Purchase of property, plant and equipment	(2,426,379)	(848,183)	(82,908)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(66,884,335)	47,619,434	(1,429,686)
FINANCING ACTIVITIES			
(Repayment to) advance from third parties	(8,897,697)	8,256,341	10,238,600
Repayment to a director	(2,300,000)	(216,766)	–
Advance from a director	2,516,766	–	–
Advances from shareholders	189,000	60,750	47,000,000
Proceed from shareholder's contribution	462,400,000	–	–
NET CASH FROM FINANCING ACTIVITIES	453,908,069	8,100,325	57,238,600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,520,813	(47,964,091)	(9,324,516)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,828,785	63,349,598	15,385,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	63,349,598	15,385,507	6,060,991

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Hengxiang Real Estate Development Company Limited (the "Target Company") was established in the PRC on 13 July 2009 with limited liability. The address of the registered office and principal place of business is 黑龍江省雞西市雞冠區興國路西段乾豐1號綜合樓1號門市, the PRC. In the opinion of the directors of the Target Company, the Target Company was jointly controlled by 晉中市高盛順鑫投資企業（有限合夥） (Jinzhong City Gaosheng Shunxin Investment Enterprises (Limited Partnership)) and 沿海綠色環保科技開發（深圳）有限公司 (Coastal Green Environmental Technology Development (Shenzhen) Co., Ltd.) as at 31 December 2012 and 2013, and by 晉中市高盛順鑫投資企業（有限合夥） (Jinzhong City Gaosheng Shunxin Investment Enterprises (Limited Partnership)) and 深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Company Limited), which is a wholly owned subsidiary of the Company, as at 31 December 2014. All the joint operators who have joint control of the Target Company are private companies established in the PRC. The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in the business of property development and property management.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has throughout the Relevant Periods consistently adopted Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations, which are effective for accounting period beginning on 1 January 2014 throughout the Relevant Periods.

At the date of this report, the Target Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Target Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

The directors of the Target Company anticipate that application of other new and revised HKFRSs will have no material impact on the results and financial position of the Target Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The Financial information incorporate the financial statements of the Target Company and entity controlled by the Target Company. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including furniture, fixtures and equipment and motor vehicles held for administrative purpose are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development

Properties under development for sale purpose are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, and other attributable expenses. Properties under development for sale are transferred to properties held for sales upon completion. Net realisable value takes into account the price ultimately expected to be realised, less anticipated selling expenses and costs to completion.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from a shareholder and a director and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payable, other payables, amounts due to shareholders and a director) are subsequently measured at amortised cost using effective interest method.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

The employees of the Target Group, which operates in the PRC, are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute certain percentage of its payroll costs to the central pension scheme.

Payments to central pension scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of receivables

When there is objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

In marking the estimates, management considered the ultimate realisation of these receivables, including the current credit worthiness, past collection history and subsequent settlement of each debtors.

For the year ended 31 December 2012, 2013 and 2014, the Target Group recognised impairment on other receivable amounted to RMB1,545, RMB3,000,000 and RMB28,400,000 respectively. At 31 December 2012, 2013 and 2014, other receivables after impairment amounted to RMB75,335,255, RMB15,688,368 and RMB6,223,227 respectively.

Deposits for future acquisition of land use rights

The Target Group determines whether or not the deposits paid for future acquisition of land use rights for property development for sale purpose are impaired. Deposits paid to independent third parties, both secured and unsecured, are based on the agreed terms as stipulated in the relevant agreements. Impairment losses are recognised for the deposits where events or changes in circumstances indicate that the acquisition may not be completed and the deposits are not recoverable. The management has delegated a team responsible for monitoring progress of the acquisition to ensure the deposits are recoverable. Whenever the recoverable amount from the land use rights to be acquired is less than the carrying amount of the deposits paid, impairment losses are recognised.

The carrying amount of deposits for future acquisition of land use rights at 31 December 2012, 2013 and 2014 are RMB61,568,451, RMB50,531,916 and RMB50,531,916 respectively. Further details are set out in note 14.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties for sale upon completion. An apportionment of these costs will be recognised in the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sale of the properties. Prior to the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Target Group based on management's best estimate.

When developing properties, the Target Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years after the completion.

Write down of properties under development

The management of the Target Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development, taking into account costs to completion based on past experience and net sales value based on past experience and prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realisable. The identification of write-downs requires the use of judgements and estimates. If the expectation is different, it will impact the carrying value and write-downs of properties under development in the period in which such estimate is changed. The carrying amounts of properties under development at 31 December 2012, 2013 and 2014 were RMB289,247,105, RMB425,597,544 and RMB471,117,485 respectively.

5. CAPITAL RISK MANAGEMENT

The management of the Target Company manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of the Target Group consists of net debts, which includes the amounts due to shareholder and amount due to a director as disclosed in note 17, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising paid-in capital, and accumulated losses.

The management of the Target Company reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through raising new registered capital as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2012	2013	2014
	RMB	*RMB*	*RMB*
Financial assets			
Loans and receivables			
Other receivables	75,335,255	15,688,368	6,223,227
Other deposits	18,590,000	12,390,000	6,900,672
Amount due from a director	–	217,111	–
Amount due from a shareholder	8,000,000	16,000,000	–
Bank balances and cash	63,349,598	15,385,507	6,060,991
	165,274,853	59,680,986	19,184,890
Financial liabilities			
Amortised cost			
Trade payables	60,000	422,954	507,546
Other payables	41,013,073	66,379,140	75,939,215
Amount due to a director	216,766	–	–
Amounts due to shareholders	189,000	249,750	47,249,750
	41,478,839	67,051,844	123,696,511

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables, deposits for future acquisition of land use rights, amounts due from a director and a shareholder, bank balances and cash, trade payables, other payables, amounts due to shareholders and a director. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Target Group does not enter into derivative financial instruments for hedging purpose. There has been no significant change to the Target Group's exposure to market risks or the manner in which it manages and measures during the Relevant Periods.

(i) Market risk

Interest rate risk

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances which carry interest at prevailing market interest rates.

The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Target Group's bank balances.

The Target Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

No interest rate sensitivity analysis has been performed, as the management believed the exposure to interest rates for bank balances is insignificant to Target Group.

(ii) Credit risk

As at the end of the Relevant Periods, the Target Group's maximum exposure to credit risk which would cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Target Company has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Target Company reviews the recoverable amount of each debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Company considers that the credit risk is significantly reduced.

As at 31 December 2012, 2013 and 2014, the Target Group has concentration of credit risks in respect of the amount due from a shareholder and other receivables from independent third parties and other deposits placed in local government. The Target Group has closely and continuously monitored the exposure of credit risk and assessed the creditworthiness of these debtors. In this regard, the management considered that the credit risk is low. The Target Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

(iii) Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the management of the Target Company which has built an appropriate liquidity risk management framework for the management of the Target Company's short, medium and long-term funding and liquidity management requirements. The Target Group continuously monitors the forecast and actual cash flows.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average effective interest rate	**On demand or within 1 year**	**1 – 2 years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*RMB*	*RMB*	*RMB*	*RMB*
As at 31 December 2012					
Non-derivative financial liabilities					
Trade payables	–	60,000	–	60,000	60,000
Other payables	–	41,013,073	–	41,013,073	41,013,073
Amount due to a director	–	216,766	–	216,766	216,766
Amount due to a shareholder	–	189,000	–	189,000	189,000
		41,478,839	–	41,478,839	41,478,839

		On demand or within 1 year *RMB*	1 – 2 years *RMB*	Total undiscounted cash flows *RMB*	Total carrying amount *RMB*
As at 31 December 2013					
Non-derivative financial liabilities					
Trade payables	–	422,954	–	422,954	422,954
Other payables	–	66,379,140	–	66,379,140	66,379,140
Amount due to a shareholder	–	249,750	–	249,750	249,750
		67,051,844	–	67,051,844	67,051,844

		On demand or within 1 year *RMB*	1 – 2 years *RMB*	Total undiscounted cash flows *RMB*	Total carrying amount *RMB*
As at 31 December 2014					
Non-derivative financial liabilities					
Trade payables	–	507,546	–	507,546	507,546
Other payables	–	75,939,215	–	75,939,215	75,939,215
Amounts due to shareholders	–	47,249,750	–	47,249,750	47,249,750
		123,696,511	–	123,696,511	123,696,511

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

7. SEGMENT INFORMATION

The Target Group is principally engaged in property development and management in the PRC. For the purposes of assessing performance and allocating resources, the Target Group's operation is regarded as one reportable and operating segment which is property development and management. The chief operating decision makers, being directors of the Target Company, review the loss for the year of the Target Group as a whole. Accordingly, no segmental analysis is presented.

All the non-current assets of the Target Group are located in the PRC.

8. OTHER INCOME

	Year ended 31 December		
	2012 *RMB*	**2013** *RMB*	**2014** *RMB*
Bank interest income	662,044	84,728	17,546
Property management service income	–	–	716,320
Others	3,600	10,500	61,300
	665,644	95,228	795,166

9. INCOME TAX

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate applicable to the entities comprising the Target Group is 25% from 1 January 2008 onwards.

No provision for Enterprise Income Tax has been made as the companies have no assessable profits during the Relevant Periods.

The income tax for the year can be reconciled to the loss before taxation as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Loss before taxation	(10,970,824)	(19,948,043)	(40,043,578)
PRC Enterprise Income Tax at 25%	(2,742,706)	(4,987,011)	(10,010,895)
Tax effect of expenses not deductible	–	393	381
Tax effect of tax losses not recognised	2,742,320	4,236,618	2,910,514
Tax effect of temporary differences not recognised *(Note)*	386	750,000	7,100,000
Income tax for the year	–	–	–

Note:

As at 31 December 2012, 2013 and 2014, the Target Group has deductible temporary difference of RMB1,545, RMB3,000,000 and RMB28,400,000. No deferred tax asset has been recognised in relation to such deductible temporary difference due to the unpredictability of future profit streams.

At 31 December 2012, 2013 and 2014, the Target Group has unused tax losses of RMB21,282,707, RMB38,229,179 and RMB48,573,999, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of all tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
2014	1,297,236	1,297,236	–
2015	2,583,108	2,583,108	2,583,108
2016	6,433,084	6,433,084	6,433,084
2017	10,969,279	10,969,279	10,969,279
2018	–	16,946,472	16,946,472
2019	–	–	11,642,056
	21,282,707	38,229,179	48,573,999

10. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Loss and total comprehensive expense for the year has been arrived at after charging:			
Auditors' remuneration	31,000	6,800	10,000
Minimum lease payment of operating lease rentals	–	303,994	362,490
Advertising and promotion expenses	2,495,163	4,572,205	60,885
Depreciation of property, plant and equipment	885,097	1,247,099	1,090,203
Less: Amounts capitalised in properties under development	(133,125)	(129,039)	(34,778)
	751,972	1,118,060	1,055,425
Salaries and other benefits (including directors' emoluments)	3,623,704	5,687,944	7,072,913
Retirement benefit costs	450,509	1,002,958	1,125,897
Less: Amounts capitalised in properties under development	(944,904)	(1,240,081)	(579,769)
Total staff costs (included in marketing and administrative expenses)	3,129,309	5,450,821	7,619,041
Impairment loss on other receivable (included in other expenses)	1,545	3,000,000	28,400,000

11. DIRECTORS' EMOLUMENTS

	As at 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Salaries and other benefits			
Executive directors:			
曲國義 (Qu Guoyi) (Resigned in 2014)	341,950	586,200	798,000
潘剛 (Pan Gang) (Resigned in 2014)	–	–	–
李科 (Li Ke) (Appointed in 2012)	–	–	–
李道林 (Li Daolin) (Appointed in 2012 and resigned in 2014)	–	–	–
暢敞 (Chang Chang) (Appointed in 2012)	–	–	–
張小衛 (Zhang Xiaowei) (Appointed in 2014)	N/A	N/A	–
曾曉華 (Zeng Xiaohua) (Appointed in 2014)	N/A	N/A	–
周廣連 (Zhou Guanglian) (Appointed in 2014)	N/A	N/A	480,000
劉藝春 (Lin Yi Chun) (Resigned in 2012)	–	N/A	N/A
曲國東 (Gu Goudong) (Resigned in 2012)	–	N/A	N/A
馬建東 (Ma Jiandong) (Resigned in 2012)	–	N/A	N/A
	341,950	586,200	1,278,000

12. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
COST			
At 1 January 2012	609,360	747,077	1,356,437
Additions	476,379	1,950,000	2,426,379
Disposal	(8,350)	–	(8,350)
At 31 December 2012	1,077,389	2,697,077	3,774,466
Additions	189,303	658,880	848,183
Disposal	–	(145,980)	(145,980)
At 31 December 2013	1,266,692	3,209,977	4,476,669
Additions	82,908	–	82,908
At 31 December 2014	1,349,600	3,209,977	4,559,577
ACCUMULATED DEPRECIATION			
At 1 January 2012	254,614	399,554	654,168
Charge for the year	270,597	614,500	885,097
Disposal	(6,473)	–	(6,473)
At 31 December 2012	518,738	1,014,054	1,532,792
Charge for the year	269,515	977,584	1,247,099
Disposal	–	(145,980)	(145,980)
At 31 December 2013	788,253	1,845,658	2,633,911
Charge for the year	280,377	809,826	1,090,203
At 31 December 2014	1,068,630	2,655,484	3,724,114
CARRYING VALUES			
At 31 December 2012	558,651	1,683,023	2,241,674
At 31 December 2013	478,439	1,364,319	1,842,758
At 31 December 2014	280,970	554,493	835,463

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Furniture, fixtures and equipment	2.5 – 5 years
Motor vehicles	3 – 4 years

14. DEPOSITS FOR FUTURE ACQUISITION OF LAND USE RIGHTS

The amounts represents partial payments made to local government for the acquisition of land use rights in the PRC which will be developed for sale purpose. No assets were pledged to secure the amounts. These deposits are not refundable.

Deposits for future acquisition of land use rights:

	As at 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
– Non-current portion	38,280,208	50,531,916	50,531,916
– Current portion	23,288,243	–	–
	61,568,451	50,531,916	50,531,916

15. PROPERTIES UNDER DEVELOPMENT

The properties under development for sale purpose are situated in the PRC and are held under medium and long term leases.

The properties under development are expected to be completed and sold after twelve months from the end of the respective reporting period. Included in properties under development are carrying amounts of RMB165,931,043, RMB230,790,908 and RMB256,904,121 as at 31 December 2012, 2013 and 2014, which are without land use rights certificates. The Target Group is in the process of obtaining the land use rights certificates.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Other receivables (after impairment) *(Note a)*	75,335,255	15,688,368	6,223,227
Prepaid operating expenses and other deposits *(Note b)*	23,919,864	17,895,907	12,612,021
	99,255,119	33,584,275	18,835,248

Notes:

(a) Included in other receivables as at 31 December 2012, 2013 and 2014 are advances to independent third parties (including subcontractors) amounted to RMB74,616,644, RMB15,016,644 and RMB3,980,968 respectively which are unsecured, interest-free and repayable on demand.

Impairment for individual receivables due from certain debtors with an aggregate amount of RMB1,545, RMB3,000,000 and RMB28,400,000 were noted as at 31 December 2012, 2013 and 2014. These receivables were fully impaired since these debtors were in severe financial difficulties. The Target Group does not hold any collateral over these receivables.

(b) Included in prepaid operating expenses and other deposits as at 31 December 2012, 2013 and 2014 are amounts of RMB18,590,000, RMB12,390,000 and RMB6,900,672 respectively which are mainly deposits placed in local government to secure the payment of salary to construction workers and the compensation to the original households. The deposits placed in local government are gradually refunded depending on the stage of completion of the construction.

17. AMOUNTS DUE FROM (TO) A DIRECTOR AND SHAREHOLDERS

The amounts are unsecured, interest-free and repayable on demand.

18. BANK BALANCES AND CASH

Bank balances as at 31 December 2012, 2013 and 2014 carried interests at market rates at range from 0.35% to 0.50%, 0.35% and 0.35% per annum respectively.

19. TRADE PAYABLES

An aged analysis trade payables as at 31 December 2012, 2013 and 2014 based on invoice date is as follows:

	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
0-30 days	60,000	422,954	507,546

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Other tax payable	373,816	101,746	25,038
Other payables *(Note)*	41,013,073	66,404,140	77,010,715
Accrued construction costs	797,683	14,910,205	942,000
Other accrued operating expenses	–	6,750	626,066
	42,184,572	81,422,841	78,603,819

Note: Included in other payables as at 31 December 2012, 2013 and 2014 are mainly advances from independent third parties which are unsecured, interest-free and repayable on demand. As not all of the relevant certificates and permits for the properties under development had been obtained, the Target Group was unable to use the properties under development as collateral for securing bank borrowings and had to borrow from these independent third parties, who are business partners of the Target Company, the said amounts of advances for working capital.

21. PAID-IN CAPITAL

	RMB
Registered and fully paid:	
As at 1 January 2012	50,000,000
Capital injection	450,000,000
As at 31 December 2012, 2013 and 2014	500,000,000

On 20 June 2012, the Target Company raised RMB462,400,000 for general working capital, by way of being injected RMB450,000,000 in paid-in capital and RMB12,400,000 in capital reserve.

22. OPERATING LEASE COMMITMENTS

The Target Group leases one of its office properties under operating lease arrangements. Lease for property is negotiated for terms of 2 years with progressive rentals.

As at 31 December 2012, 2013 and 2014, the Target Group had commitments for future minimum lease payments under non-cancellable operating lease which falls due as follows:

	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Within one year	–	360,572	195,324
Over one year	–	195,324	–
	–	555,896	195,324

23. COMMITMENTS

At the end of the reporting period, the Target Group had the following commitments:

	As at 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Contracted but not provided for in the consolidated financial statements in respect of acquisition of land use rights	34,800,190	45,938,107	45,938,107

24. RELATED PARTY TRANSACTIONS AND BALANCES

During the Relevant Periods, the Target Group has no other transactions with related parties except for those disclosed in the consolidated statements of financial position and note 17.

The key management of the Target Company comprises all the directors and no remunerations were borne by the Target Company.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group, prepared by Deloitte Touche Tohmatsu, Certified Public Accountants for the sole purpose of inclusion in this circular.

Deloitte.
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TO THE DIRECTORS OF COASTAL GREENLAND LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Coastal Greenland Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2014 and related notes as set out on pages II-5 to II-7 of Appendix II to the circular issued by the Company dated 30 June 2015 (the "Circular"), in connection with the proposed acquisition of the Target Group (the "Transactions") by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-6 to II-7 of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Transactions on the Group's financial position as at 30 September 2014 as if the Transactions had taken place at 30 September 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 30 September 2014 on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

- The engagement also involves evaluating the overall presentation of the pro forma financial information.

- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2015

INTRODUCTION

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of Coastal Greenland Limited and its subsidiaries (the "Group") and Hengxiang Real Estate Development Company Limited and its subsidiaries (the "Target Group") (collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 as set out in the interim report of the Company published in December 2014 after making pro forma adjustments as set out below.

The unaudited pro forma financial information of the Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the acquisition of 81% equity interest in the Target Company ("the Target Acquisition") as if completion of the Target Acquisition had taken place on 30 September 2014.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of the completion of the Acquisition. It is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Target Acquisition as at 30 September 2014 or any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AT 30 SEPTEMBER 2014

	The Group as at 30 September 2014 (Unaudited)	**The Target Group as at 31 December 2014 (Audited)**	**Pro forma adjustments**		**The Enlarged Group as at 30 September 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (a)*	*Note (b)*	*Note (c)*	
NON-CURRENT ASSETS					
Goodwill	–	–	90,111		90,111
Property, plant and equipment	242,809	1,058			243,867
Investment properties	230,535	–			230,535
Prepaid land lease payments	53,538	–			53,538
Prepayments, deposits and other receivables	–	63,669	(63,669)		–
Interests in associates	53,045	–			53,045
Interests in joint ventures	419,664	–	(32,431) (13,418)		373,815
Available-for-sale investments	194,175	–			194,175
Total non-current assets	1,193,766	64,727			1,239,086
CURRENT ASSETS					
Properties under development	6,735,736	597,189	591,356		7,924,281
Completed properties for sale	1,721,581	–			1,721,581
Trade receivables	18,771	–			18,771
Prepayments, deposits and other receivables	3,642,626	24,261	(348,253)		3,318,634
Amounts due from associates	653,249	–			653,249
Amounts due from joint ventures	768,584	–			768,584
Held-for-trading investment	31,753	–			31,753
Prepaid tax	88,267	–			88,267
Pledged bank deposits	800,634	–			800,634
Cash and bank balances	529,444	7,683	(398,587) (58,231)	(1,500)	78,809
	14,990,645	629,133			15,404,563
Assets classified as held for sale	2,571,318	–			2,571,318
Total current assets	17,561,963	629,133			17,975,881
CURRENT LIABILITIES					
Trade payables	288,554	643			289,197
Deposits received from pre-sales of properties	1,640,148	–			1,640,148
Other payables and accruals	1,211,481	99,638			1,311,119
Amount due to a substantial shareholder of the Company	6,236	–			6,236
Amount due to a non-controlling interest	–	59,894			59,894
Tax payable	758,378	–			758,378
Interest-bearing bank and other borrowings	4,770,032	–			4,770,032
	8,674,829	160,175			8,835,004
Liabilities classified as held for sale	1,901,068	–			1,901,068
Total current liabilities	10,575,897	160,175			10,736,072
NET CURRENT ASSETS	6,986,066	468,958			7,239,809
TOTAL ASSETS LESS CURRENT LIABILITIES	8,179,832	533,685			8,478,895
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	3,202,054	–			3,202,054
Deferred tax liabilities	281,685	–	192,364		474,049
Total non-current liabilities	3,483,739	–			3,676,103
NET ASSETS	4,696,093	533,685			4,802,792

Notes:

(a) The unadjusted unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 September 2014 is extracted from the unaudited condensed consolidated statement of financial position of the Group as set out in the interim report of the Company for the six months ended 30 September 2014.

The consolidated statement of assets and liabilities of the Target Company as at 31 December 2014 is extracted from the financial information of the Target Company as set out in Appendix I to this circular.

(b) The adjustment represents:

(i) Fair value adjustment of the identifiable assets and liabilities of the Target Group

The pro forma fair value of properties under development and deposit paid for acquisition of land use rights as at 30 September 2014 is assumed by the directors of the Company to be approximately RMB892,000,000 (equivalent to approximately HK$1,130,699,000) based on the valuation report in Appendix V of this Circular as at 31 March 2015 which, in the opinion of the directors of the Company, is assumed to approximate to that as at 30 September 2014. An amount of approximately HK$469,456,000, being the difference between the pro forma fair value of properties under development and deposit paid for acquisition of land use rights and their aggregate carrying amount of approximately RMB521,649,000 (equivalent to approximately HK$661,243,200) is assumed to be the pro forma fair value adjustment for these assets. The corresponding pro forma deferred tax liabilities of approximately HK$192,364,000 are recognised based on the People's Republic of China Enterprise Income of 25% and the related Land Appreciation Tax for the pro forma increase in fair value.

(ii) Recognition of pro forma goodwill in relation to the Target Acquisition

Cash consideration of RMB602,700,000 (equivalent to approximately HK$746,840,000) for the acquisition of 81% equity interests in the Target Company is to be paid by the Group in which RMB281,040,000 (equivalent to approximately HK$348,253,000) has been paid by the Group as deposit in July 2014 and the remaining balance of RMB321,660,000 (equivalent to approximately HK$398,587,000) will be paid by the Group upon completion, assuming the Target Acquisition was taken place on 30 September 2014.

Pro forma goodwill is calculated as follows:

	HK$'000
Consideration of the Target Acquisition	746,840
Add: Pro forma fair value of the 4% interest previously held in Target Company *(Note #)*	32,431
Add: Pro forma non-controlling interests *(Note ##)*	121,617
Less: Pro forma fair values of identifiable assets acquired	
Net assets of the Target Group as at 31 December 2014 attributable to the equity holder of the Target Group	(533,685)
Pro forma fair value adjustment on properties under development *(Note b(i))*	(469,456)
Pro forma deferred tax liabilities *(Note b(i))*	192,364
Land premium to be paid by the Target Company upon completion of Target Acquisition *(Note ###)*	58,231
Addition of properties under development upon payment of land premium *(Note ###)*	(58,231)
	(810,777)
Pro forma goodwill arising from the Target Acquisition	90,111

Note #: The pro forma fair value of the 4% interest held in Target Company was assumed to equal to 4% of the pro forma fair value of identifiable assets acquired. An amount of approximately HK$13,418,000, being the difference between the pro forma fair value of 4% previously held interests in Target Company and its carrying amount as at 30 September 2014 of approximately RMB37,000,000 (equivalent to approximately HK$45,849,000) is recognised as a loss in the profit or loss.

Note ##: Non-controlling interest is measured at the acquisition date at the present ownership instruments' proportionate share in the pro forma recognised amounts of the identifiable net assets of the Target Group in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business combination".

Note ###: The pro forma adjustment represents the final payment of land premium of approximately RMB45,938,000 (equivalent to approximately HK$58,231,000) to be incurred and payable by the Target Company upon the completion of the Target Acquisition. The payment of land premium is added back to the pro forma amounts of the identifiable assets acquired because the valuation of the properties under development as at 31 March 2015 has excluded the unpaid portion of land premium.

The pro forma fair values of the identifiable assets and liabilities of the Target Company, the pro forma goodwill and the 4% previously held interests in Target Company and non-controlling interests, are subject to change upon the finalisation of the valuation for the completion date, which may be significantly different from their pro forma amounts used in the preparation of this unaudited pro forma financial information.

(c) The adjustment represents the estimated transaction costs, including mainly legal and professional fees of approximately HK$1,500,000 to be incurred and payable by the Company upon the completion of the Target Acquisition.

(d) The translation of RMB into HK$ in this Unaudited Pro Forma Financial Information was made at a rate of RMB1 to HK$1.2676 as at 31 December 2014.

(e) No other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 30 September 2014.

TARGET GROUP

Business and financial overview

The Target Company, established on 13 July 2009, is an investment holding company and is currently principally engaged in property development. The wholly-owned subsidiaries of the Target Company is dormant.

The Target Group did not record any turnover for the years ended 31 December 2012, 31 December 2013 and 31 December 2014. Other income of the Target Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB666,000, RMB95,000 and RMB795,000 respectively which comprised mainly of bank interest income (FY2012: RMB662,000, FY2013: RMB85,000 and FY2014: RMB18,000) and property management service income (FY2012: nil, FY2013: nil and FY2014: RMB716,000). The Target Group recorded losses of approximately RMB10,971,000, RMB19,948,000 and RMB40,044,000 for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

Throughout the period under review, the Target Group was mainly conducting initial business developments of the Land.

Segmental information

The Target Group had only one reportable business segment which is the property development in the PRC.

Financial position

Total assets of the Target Group were approximately RMB523,662,000, RMB543,159,000 and RMB547,381,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively which were mainly made up of (i) properties under development (FY2012: RMB289,247,000, FY2013: RMB425,598,000 and FY2014: RMB471,117,000); (ii) other receivables, deposits and prepayments (FY2012: RMB99,255,000, FY2013: RMB33,584,000 and FY2014: RMB18,835,000); and (iii) deposits for future acquisitions of land use rights (FY2012: RMB61,568,000, FY2013: RMB50,532,000 and FY2014: RMB50,532,000). The increases in properties under development reflect the construction progress of the Land. Included in other receivables, deposits and prepayments as at 31 December 2012, 2013 and 2014 are mainly advances to subcontractors. The advances were made to the subcontractors for facilitating the subcontractors to clear the site so as to avoid any unnecessary delays in the development of the properties under development.

Total liabilities of the Target Group were approximately RMB42,650,000, RMB82,096,000 and RMB126,361,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively which were mainly made up of (i) other payables and accruals (FY2012: RMB42,185,000, FY2013: RMB81,423,000 and FY2014: RMB78,604,000); and (ii) amounts due to shareholders (FY2012: RMB189,000, FY2013: RMB250,000 and FY2014: RMB47,250,000). Included in other payables and accruals as at 31 December 2012, 2013 and 2014 are mainly advances from independent third parties. As not all of the relevant certificates and permits for the properties under development had been obtained, the Target Group was unable to use the properties under development as collateral for securing bank borrowings and had to borrow from these independent third parties, who are business partner of the Target Company, the said amounts of advances for working capital.

The net asset value of the Target Group was approximately RMB481,012,000, RMB461,064,000 and RMB421,020,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively.

Liquidity and financial resources, gearing ratios, charge on assets and capital commitments

As at 31 December 2012, 31 December 2013 and 31 December 2014, the Target Group had current ratios of approximately 11.3, 6.0 and 4.3 respectively and gearing ratios (defined as total liabilities divided by total assets) were approximately 8%, 15% and 23% respectively.

The Target Group did not have any charge on assets as at 31 December 2012, 31 December 2013 and 31 December 2014.

As at 31 December 2012, 31 December 2013 and 31 December 2014, the Target Group had capital commitments amounted to approximately RMB34,800,000, RMB45,938,000 and RMB45,938,000, respectively for acquisition of land use rights.

Contingent liabilities

As at 31 December 2014, the Target Group had no contingent liabilities pursuant to which material losses are expected.

Foreign exchange risk

The Target Group was principally in the PRC and the principal assets and liabilities of the Target Group were denominated in Renminbi. The Target Group considered that it did not have any material exposure to fluctuations in exchange rate. Therefore, no hedging measures were taken.

Employees and remuneration policies

As at 31 December 2012, 31 December 2013 and 31 December 2014, the Target Group had 50, 60 and 65 employees respectively, who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. Total staff costs of the Target Group for the year ended 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB3,129,000, RMB5,451,000 and RMB7,619,000 respectively.

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 December 2012, 31 December 2013 and 31 December 2014, the significant investments held by the Target Group were the Land and the prepayment made for the property projects.

There were no material acquisitions and disposals of subsidiaries and associated companies by the Target Company or its subsidiaries during the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the years ended 31 March 2012, 2013 and 2014 respectively. Details of the financial information of the Group for the six months ended 30 September 2014 are disclosed in the interim report of the Company for the six months ended 30 September 2014. These annual reports and interim report are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.irasia.com/listco/hk/coastal/).

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 30 April 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$8,612,042,000 comprising secured bank loans of approximately HK$5,872,454,000, other secured loans of approximately HK$2,360,843,000 and other unsecured loan of approximately HK$378,745,000. The Enlarged Group's banking facilities and other loans were secured by charges over its assets, including bank deposits, property, plant and equipment, land use rights, properties under development, completed properties for sale and share charges over the issued share capital of certain subsidiaries of the Enlarged Group.

Contingent liabilities

As at 30 April 2015, the Enlarged Group had contingent liabilities of approximately HK$2,540,976,000 in respect of guarantees given to banks for mortgage loan facilities granted to property purchasers. The Group had also given guarantees amounting to approximately HK$107,757,000 to banks in connection with banking facility granted to an associate, against which a counter-guarantee was given by the associate to the Group.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, the Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantees at the close of business of 30 April 2015.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 April 2015. The Directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities since the close of business on 30 April 2015.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that after taking into account the internal resources of the Enlarged Group, the available credit facilities of the Enlarged Group and the impact of the Target Acquisition, the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an 85% indirect non wholly-owned subsidiary of the Company. The accounts of the Target Company will be consolidated with those of the Group.

Effect on assets and liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II to this circular, assuming that Completion had taken place on 30 September 2014, the total assets would increase by approximately HK$459,238,000 to HK$19,214,967,000 as at 30 September 2014. The total liabilities would increase by approximately HK$352,539,000 to approximately HK$14,412,175,000 as at 30 September 2014.

Effect on earnings

In light of the future prospects of the Target Company, the Directors are of the view that the Proposed Acquisition, despite of the unprofitable position of the Target Company in the past years, will be likely to have a positive impact on the future earnings of the Enlarged Group in the long run.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

China's economy is expected to enter into consolidation phase whereby the gross domestic product growth rate is slowing down to a modest growth rate of around 7%. Nevertheless, following the relaxation of the austerity measures on property purchase policy in a substantial number of cities in the PRC, the real estate market is gradually recovering. Regulations on house purchasing have become less restrictive and market confidence has gradually restored. We expect that the recent lowering of the Renminbi interest rate, the possible further loosening up of control measures, the ongoing urbanisation and the continued increase in the household income are the major drivers that will boost the end users' demand for quality properties in the coming years. Concurrently, the Enlarged Group will leverage on its experience and expertise in property development business seeking to expand its property investment services and project management services businesses.

The Enlarged Group has a pre-eminent brand and consummate experience in the property market. It will optimise its operations with its geographically well-distributed and diversified prominent property portfolio and will continue to enrich its land reserves and ameliorate the competitiveness of its products. Also, the Enlarged Group will continuously explore different funding opportunities so as to enhance its financial capability.

6. MATERIAL ADVERSE CHANGE

As set out in the announcement of the Company dated 17 June 2015 in relation to the profit warning, it is expected that the Company will record a consolidated loss for the year ended 31 March 2015 as compared to a consolidated profit for the year ended 31 March 2014.

Save as disclosed above, the Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up to.

The following is the text of a letter, summary of valuation and valuation certificates prepared for the purpose of incorporation in this circular, received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests to be acquired by the Group as at 31 March 2015.

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

30 June 2015

The Directors
Coastal Greenland Limited
Unit Nos. 12 to 16, 17/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation date

In accordance with your instructions for us to value the properties to be acquired by Coastal Greenland Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 31 March 2015 (the "valuation date").

Definition of Market Value

Our valuation of each of the properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, The Code on Takeovers and Mergers and Share Repurchases of Securities and Future Commission and the HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid.

We have relied on the information provided by the Group and the advice provided by 北京市眾一律師事務所 (Beijing Union Law Office), the Group's legal advisor, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the owner of the properties has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. In respect of the properties, we have relied on the legal opinion given to us by the Group's legal advisor.

Our valuations are each on an entire interest basis.

For the properties situated in the PRC, we have been advised by the Group that the potential tax liabilities include Land Appreciation Tax (土地增值稅) at progressive tax rates from 30% to 60%, Business Tax (營業稅) at 5% of sales amount, related surcharge (附加稅) at 11% of Business Tax (營業稅), and Income Tax (所得稅) at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon representation of the relevant transaction documents.

In respect of the properties to be acquired by the Group in the PRC, the likelihood of the relevant tax liability being crystallized is not high because the subject transaction is the acquisition of the equity interest of the subject company.

Method of Valuation

In valuing the properties in Groups I and II, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuation, we have adopted the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the development. The "market value when completed" represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the valuation date.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, identification of land and buildings, completion date of buildings, construction cost, site and floor areas, interest attributable to be acquired by the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Site Inspection

Our DTZ Dalian office valuer, Ms. Huiqin Yin who is a Registered China Real Estate Appraiser and has 6 years' experience in property valuation in the PRC has inspected the exterior and wherever possible, the interior of the properties in April 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct. For those properties which are under or held for future development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for any future development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Currency

Unless otherwise stated, all money amounts indicated herein our valuation are in Renminbi (RMB), official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Senior Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 27 years of experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 March 2015 *(RMB)*	Interest attributable to be acquired by the Group *(%)*	Market value in existing state attributable to be acquired by the Group as at 31 March 2015 *(RMB)*
Group I – Property to be acquired by the Group under development in the PRC				
1.	The under construction portion of the development known as Silo City, north of Xingguo West Road, south of Limin Road, Jiguan District, Jixi, Heilongjiang Province, the PRC	449,000,000	81	363,690,000
	Sub-total of Group I:	**449,000,000**		**363,690,000**
Group II – Property to be acquired by the Group for future development in the PRC				
2.	Development site for the remaining portion of the development known as Silo City, north of Xingguo West Road, south of Limin Road, Jiguan District, Jixi, Heilongjiang Province, the PRC	443,000,000	81	358,830,000
	Sub-total of Group II:	**443,000,000**		**358,830,000**
	Grand total of Groups I and II:	**892,000,000**		**722,520,000**

VALUATION CERTIFICATE

Group I – Property to be acquired by the Group under development in the PRC

	Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 March 2015
1.	The under construction portion of the development known as Silo City, north of Xingguo West Road, south of Limin Road, Jiguan District, Jixi, Heilongjiang Province, the PRC	The property comprises the portion of the under construction development known as Silo City and is developed on four parcels of land with a total site area of approximately 137,030 sq m. Upon completion, the property is portion of a residential development accommodating residential, retail, clubhouse, garage, underground car park and ancillary facilities. The details of the planned gross floor area of the property are as follows:	As at the valuation date, the property was under construction.	RMB449,000,000 (81% interest attributable to be acquired by the Group: RMB363,690,000)

Use	Approximate gross floor area (sq.m.)
Above ground	
Commodity residential	193,840
Resettlement residential	139,450
Retail	56,211
Clubhouse	1,600
Garage	6,320
Ancillary facilities	400
Underground	
Car parking spaces	16,869
Total	**414,690**

As advised by the Group, the property is scheduled for completion in 2016 and about 158 garages and 323 underground car parking spaces will be provided.

The land use rights of the property have been granted for residential and commercial use.

For details, please see the notes (1) and (2) below.

Notes:

(1) According to two State-owned Land Use Rights Certificates both dated 6 May 2013, the land use rights of portion of the property comprising a total site area of 17,757 sq m, have been vested in 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) for terms due to expire on 2 July 2052 for commercial services use with details as follows:

Certificate No.	**Site area** *(sq m)*
(2013) 900001	3,177.00
(2013) 900002	14,580.00
Total:	**17,757.00**

(2) According to four Grant Contracts of State-owned Land Use Rights, the land use rights of four land parcel with a total site area of 137,030 sq m have been granted to 雞西恒祥房地產開發有限公司 (Jixi Hengxiang Real Estate Development Company Limited) with details as follows:

Contract No.	**Date of issue**	**Use**	**Land use term**	**Land premium** *(RMB)*	**Site area** *(sq m)*
2012-4	2 July 2012	Residential and commercial services	70 years for residential and 40 years for commercial	19,396,227	52,200
2012-5	2 July 2012	Residential and commercial services	70 years for residential and 40 years for commercial	2,783,052	9,500
2012-19	13 September 2012	Residential	70 years for residential and 40 years for commercial	19,022,756	31,447
2012-21	13 September 2012	Residential	70 years for residential and 40 years for commercial	25,857,342	43,883
Total:				**67,059,377**	**137,030**

As advised by the Group, as at the valuation date, 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has not paid the remaining land premium of RMB22,440,049 of the property. We have taken into account such amount in our valuation. Our valuation amount has excluded the above unpaid land premium.

(3) As advised by the Group, the resettlement residential portion of the property will be delivered to the government without any compensation.

(4) According to three Planning Permits for Construction Use of Land issued by 雞西市城鄉規劃局 (Jixi Urban and Rural Planning Bureau), the construction site of four parcels of land for the property with a total site area of approximately 137,000 sq m, is in compliance with the urban planning requirements and has been approved with details as follows:

Permit No.	Date of issue	Land use	Planned GFA (sq m)	Site area (sq m)
(2011) 037	31 May 2011	Residential and commercial	176,960	61,700
(2013) 059	26 August 2013	Residential	100,121	31,400
(2014) 033	4 June 2014	Residential	137,992	43,900
			415,073	**137,000**

(5) According to Planning Permit for Construction Works No. (2014) 002 issued by 雞西市城鄉規劃局 (Jixi Urban and Rural Planning Bureau) on 24 January 2014, the construction works of the property, with a total gross floor area of 128,999 sq m, are in compliance with the construction works requirements and have been approved.

(6) According to three Permits for Commencement of Construction Works issued by 雞西市城鄉建設局 (Jixi Urban and Rural Construction Bureau) on 29 October 2014, the construction works of the property with a total gross floor area of approximately 66,239.70 sq m is in compliance with the requirements for works commencement and has been permitted.

(7) As advised by the Group, the total construction cost expended as at the valuation date was RMB232,566,892 and the estimated outstanding construction cost for completion of the property is RMB430,937,108. We have taken into account the said amounts in our valuation.

(8) The market value of the property when completed is estimated approximately at RMB1,204,000,000 excluding the resettlement residential portion.

(9) According to Business License No. 230300100028912, 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has been established on 13 July 2009 as a limited company with a registered capital of RMB500,000,000 and a valid operation period from 13 July 2009 to 12 July 2019.

(10) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates and the Grant Contracts of State-owned Land Use Rights of the property are valid, legal and enforceable under the PRC laws;

(ii) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that the Group has to pay the outstanding land premium in advance;

(iv) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has no legal impediment to obtain the remaining State-owned Land Use Rights Certificates after payment of outstanding land premium; and

(v) The property is not subject to any encumbrances.

(11) The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificates	Yes (portion)
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (portion)
Permits for Commencement of Construction Works	Yes (portion)
Business License	Yes

VALUATION CERTIFICATE

Group II – Property to be acquired by the Group for future development in the PRC

	Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 March 2015
2.	Development site for the remaining portion of the development known as Silo City, north of Xingguo West Road, south of Limin Road, Jiguan District, Jixi, Heilongjiang Province, the PRC	The property comprises two parcels of land with a total site area of approximately 78,581 sq m, on which the remaining portion of Silo City will be developed. As advised by the Group, the planned gross floor area of the proposed development is approximately 264,799 sq.m. with details as follows:	As at the valuation date, the property was land.	RMB443,000,000 (81% interest attributable to be acquired by the Group: RMB358,830,000)

Use	Approximate gross floor area (sq m)
Above ground	
Residential	207,583
Retail	29,048
Garage	2,680
Underground	
Car parking spaces	25,488
Total	**264,799**

As advised by the Group, the proposed development is scheduled for completion in 2017 and about 67 garages and 510 underground car parking spaces will be provided.

The land use rights of the property have been granted for residential and commercial use.

For details, please see the note (1) below.

Notes:

(1) According to two Grant Contracts of State-owned Land Use Rights, the land use rights of two land parcels with a total site area of 78,581 sq m have been granted to 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) with details as follows:

Contract No.	**Date of issue**	**Use**	**Land use term**	**Land premium** *(RMB)*	**Site area** *(sq m)*
2012-20	13 September 2012	Residential	70 years for residential and 40 years for commercial	24,720,281	39,595
2013-2	17 January 2013	Residential and commercial	70 years for residential and 40 years for commercial	22,275,834	38,986
Total:				**46,996,115**	**78,581**

As advised by the Group, as at the valuation date, 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has not paid the remaining land premium of RMB23,498,057 of the property. We have taken into account such amount in our valuation. Our valuation amount has excluded the above unpaid land premium.

(2) According to two Planning Permits for Construction Use of Land issued by 雞西市城鄉規劃局 (Jixi Urban and Rural Planning Bureau), the construction site of two parcels of land for the property with a total site area of approximately 78,600 sq m, is in compliance with the urban planning requirements and has been approved with details as follows:

Permit No.	**Date of issue**	**Land use**	**Planned GFA** *(sq m)*	**Site area** *(sq m)*
(2013) 057	26 August 2013	Residential	139,996	39,000
(2013) 058	26 August 2013	Residential	124,499	39,600
			264,495	**78,600**

(3) According to Business License No. 230300100028912, 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has been established on 13 July 2009 as a limited company with a registered capital of RMB500,000,000 and a valid operation period from 13 July 2009 to 12 July 2019.

(4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Grant Contracts of State-owned Land Use Rights of the property are valid, legal and enforceable under the PRC laws;

(ii) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that the Group has to pay the outstanding land premium in advance;

(iv) 恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited) has no legal impediment to obtain the remaining State-owned Land Use Rights Certificates after payment of outstanding land premium; and

(v) The property is not subject to any encumbrances.

(5) The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	No
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permits for Construction Use of Land	Yes
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests and short positions in shares and underlying shares of the Company

		Number of Shares held or short positions, capacity and nature of interest		
Name of Director	*Note*	**Beneficial owner**	**Interest in controlled corporation**	**Percentage of the Company's issued share capital**
Mr. Jiang Ming	*(a)*	–	1,531,261,978 (L)	36.58%
Mr. Tao Lin	*(a)*	–	1,531,261,978 (L)	36.58%
Ms. Wang Hongmei	*(a)*	1,344,000 (L)	1,531,261,978 (L)	36.61%
Mr. Cai Shaobin		47,701,000 (L)	–	1.19%

L: Long position

Note:

(a) 1,531,261,978 shares in the Company are beneficially owned by CIH, of which the entire issued voting share capital is held as to 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming) and 5.38% by Cyberich Development Limited (the entire issued voting share capital of which is held by Ms. Wang Hongmei). These 1,531,261,978 shares represent an aggregate of approximately 36.58% of the issued share capital of the Company.

(ii) Interests in shares of the associated corporation of the Company

		Number of Shares held or short positions, capacity and nature of interest		Percentage of the associated corporation's issued share capital
Name of director	*Note*	**Beneficial owner**	**Interest in controlled corporation**	
Mr. Jiang Ming	*(a)*	3,758 (L)	2,142 (L)	59% of CIH
Mr. Tao Lin	*(a)*	538 (L)	–	5.38% of CIH
Ms. Wang Hongmei		–	538 (L)	5.38% of CIH

L: Long position

Note:

(a) Mr. Jiang Ming and Mr. Tao Lin are directors of CIH, which beneficially owns 1,531,261,978 shares in the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2014 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the underwriting agreement dated 17 January 2014 and entered into between the Company and CIH in relation to the underwriting of the Shares under the open offer at the subscription price of HK$0.25 per Share with a commission of 1.5% of the aggregate subscription price in respect of the number of Shares underwritten payable by the Company to CIH;

(ii) the conditional sale and purchase agreement dated 18 June 2014 and entered into between the Shenzhen Coastal Property Investment Limited and Xiamen Yi Tao Trading Limited in relation to the disposal of the 40% of the registered capital of Changsha Xinhongxin Real Estate Development Co., Limited for a consideration of RMB59,200,000;

(iii) the conditional sale and purchase agreement dated 28 July 2014 and entered into between the Shanghai Coastal Greenland Real Estate Ltd Property Investment Limited and Xiamen Yi Tao Trading Limited in relation to the disposal of the 25% of the registered capital of Beijing Ziguang Yan Hai Lian He Investment Co., Limited for a consideration of RMB95,000,000;

(iv) the loan agreement dated 25 August 2014 and entered into between Coastal Greenland Development (Wuhan) Co., Ltd., Nanjing Yuan Ding Enterprise Co., Ltd. and Bank of Shanghai Company Limited in relation to the provision of the entrusted loan in the principal amount of RMB200,000,000;

(v) the conditional agreement dated 26 August 2014 and entered into between Shanghai Coastal, Yang Jiong Xuan and Shenzhen Qianhai Jianshengtai Engineering Services Co., Ltd. in relation to the disposal of the entire registered capital of Jingdian Construction Co., Ltd. for a consideration of RMB304,530,000; and

(vi) the Agreement.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	**Qualification**
Beijing Union Law Office ("**BULO**")	PRC legal advisor
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer

As at the Latest Practicable Date, each of BULO, Deloitte and the Valuer did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of BULO, Deloitte and the Valuer was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of BULO, Deloitte and the Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

9. GENERAL

(a) The registered office of the Company is situated at 26 Burnaby Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business in Hong Kong of the Company is situated at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Cheng Wing Bor, who is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Business Days at the office of the Company at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the written consents of experts referred to in the paragraph headed "Experts" in this Appendix;

(d) the accountants' report prepared by Deloitte on the Target Company, the text of which is set out in Appendix I to this circular;

(e) the letter from Deloitte in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this circular;

(f) the valuation report on the Land prepared by the Valuer, the text of which is set out in Appendix V to this circular;

(g) the annual reports of the Company and its subsidiaries for the two financial years ended 31 March 2013 and 31 March 2014;

(h) the interim report of the Company and its subsidiaries for the six months ended 30 September 2014; and

(i) this circular.

COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01124)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Coastal Greenland Limited (the "**Company**") will be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 23 July 2015 at 10 a.m. to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional agreement dated 14 April 2015 (the "**Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "**A**") entered into among Coastal Realty Investment (China) Limited, 深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Company Limited*), 晉中市高盛順鑫投資企業(有限合夥) (Jinzhong City Gaosheng Shunxin Investment Enterprises (Limited Partnership)*), 北京美樂紅投資顧問有限公司 (Beijing Meilehong Investment Consultancy Company Limited*) and 北京中洲華遠專案投資管理有限公司 (Beijing Zhongzhou Huayuan Project Investment Management Company Limited*) 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*) for an aggregate consideration of RMB602,700,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient in his/her/their opinion to implement and/or give effect to the Agreement and the transactions contemplated thereunder."

By order of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 30 June 2015

* *for identification purpose only*

Registered office:	*Head office and principal place of business in Hong Kong:*
Clarendon House	Suite 1712-16, 17th Floor
2 Church Street	China Merchants Tower
Hamilton HM 11	Shun Tak Centre
Bermuda	200 Connaught Road Central
	Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxy or proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed with this circular. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.