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## ISSUE OF NOTES AND CONVERTIBLE BONDS

On 7 July 2005, the Company entered into the Subscription Agreement with Mellon HBV in relation to the issue and subscription of the Senior Notes, the Additional Notes and the Convertible Bonds of an amount of US\$17.5 million (equivalent to approximately HK\$136.5 million), US\$30 million (equivalent to approximately HK\$234 million) and US\$12.5 million (equivalent to approximately HK\$97.5 million) respectively which are secured by the Share Charge.

The Convertible Bonds shall be issued in two tranches, each in the amount of US\$6.25 million (equivalent to approximately HK\$48.75 million). Upon the conversion of the Tranche 1 Convertible Bonds in full at the Tranche 1 Conversion Price, approximately 162.5 million Shares will be allotted and issued which would represent (i) approximately 8.03% of the existing issued share capital of the Company; (ii) approximately 7.43% of the enlarged issued share capital of the Company, assuming no Tranche 2 Convertible Bond is converted and only the Tranche 1 Convertible Bonds are converted; and (iii) approximately 7.11% of the enlarged issued share capital of the Company, assuming all the Convertible Bonds are converted.

Upon the conversion of the Tranche 2 Convertible Bonds in full at the Tranche 2 Conversion Price, approximately 97.5 million Shares will be allotted and issued which would represent (i) approximately 4.82% of the existing issued share capital of the Company; (ii) approximately 4.60% of the enlarged issued share capital of the Company, assuming no Tranche 1 Convertible Bond is converted and only the Tranche 2 Convertible Bonds are converted; and (iii) approximately 4.27% of the enlarged issued share capital of the Company, assuming all the Convertible Bonds are converted.

Assuming the Senior Notes and the Convertible Bonds are issued upon the First Completion and all the Additional Notes are subscribed, the net proceeds after deducting the relevant expenses from the issue of the Bonds will be approximately US\$59.2 million (equivalent to approximately HK\$461.8 million). The Company plans to use the whole amount of the net proceeds from the issue of the Bonds in the development of the Project. In the event that the Senior Notes and the Convertible Bonds are issued upon the First Completion and not all of the Additional Notes are subscribed, the amount of the net proceeds from the issue of the Bonds will be reduced accordingly.

Trading in Shares on the Stock Exchange was suspended at the request of the Company from 10:17 a.m. on 8 July 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 13 July 2005.

## **THE SUBSCRIPTION AGREEMENT**

Date : 7 July 2005 (As Mellon HBV executed the Subscription Agreement in the United States of America, the date of the Subscription Agreement was 7 July 2005)

Issuer : the Company

Subscriber : Mellon HBV

To the best of the Directors' knowledge, Mellon HBV is, and its ultimate beneficial owners are not connected persons of the Company and are, independent of, and not connected with, the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates.

### **Principal amount**

US\$17.5 million (equivalent to approximately HK\$136.5 million) in the case of the Senior Notes and US\$12.5 million (equivalent to approximately HK\$97.5 million) in the case of the Convertible Bonds.

Up to an additional principal amount of US\$30 million (equivalent to approximately HK\$234 million) in the case of the Additional Notes to be subscribed by or procured to be subscribed by Mellon HBV on a best effort basis.

### **Conditions**

Completion of the Subscription Agreement is conditional upon:

- (1) the execution of the Deed Poll and the Share Charge, each in a form satisfactory to the Company and Mellon HBV, by all parties thereto on or prior to the First Completion Date;
- (2) on or prior to each of the Completion Dates, the Company having delivered to Mellon HBV legal opinions dated on each Completion Date and issued by:
  - (i) legal advisers as to Bermuda law;
  - (ii) legal advisers as to British Virgin Island law; and
  - (iii) legal advisers as to Hong Kong law,

each in a form satisfactory to Mellon HBV, and such other board and shareholders' resolutions, consents, authorities and documents relating to the issue of the Bonds as Mellon HBV may reasonably require;

- (3) on each of the Completion Dates:
  - (i) the representations and warranties of the Company in the Subscription Agreement being true and correct in all material respects at and as if made on Completion Date with reference to the facts and circumstances then subsisting;

- (ii) the Company having performed, in all material respects, all of its obligations under the Subscription Agreement to be performed on or before the Completion Date; and
  - (iii) there shall have been delivered to Mellon HBV a certificate, dated as of the Completion Date, of a duly authorised officer of the Company to such effect;
- (4) on each of the Completion Dates, there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the condition (financial or other) results of or the operations of the Company and its Subsidiaries as a whole, which, in the reasonable opinion of Mellon HBV, is material and adverse and which makes it, in the reasonable opinion of Mellon HBV, impracticable to market the Bonds on the terms and in the manner contemplated in the Subscription Agreement;
- (5) on or prior to the First Completion Date, there shall have been delivered to Mellon HBV, a copy of the Form C1 relating to, and a copy of the listing approval by the Stock Exchange of, the Shares to be issued upon conversion of the Convertible Bonds;
- (6) on or prior to the First Completion Date, there shall have been delivered to Mellon HBV (i) all certificates, instruments and evidence of title to the Securities; (ii) all such necessary forms of transfer or other instructions, undated and duly executed in Mellon HBV's favour or to Mellon HBV's order; (iii) undated contract notes in respect of the Securities, duly executed in blank by Coastal Realty BVI; (iv) undated letters of resignation from each of the directors of Coastal Realty Development and an authorisation from each of such directors, each in form and substance satisfactory to Mellon HBV; (v) the declaration of trust executed by Jiang Ming, an executive Director, dated 23 December 1994 in relation to the one original share of Coastal Realty Development and (vi) such other documents as Mellon HBV may from time to time reasonably require for perfecting its title to the Securities (duly executed by or signed on behalf of the registered holder); provided that such undated forms of transfer, contract notes or letters of resignation shall not be filled or dated prior to the Enforcement Date; and
- (7) on or prior to the First Completion Date, as soon as reasonably practicable after any appointment of any further director of Coastal Realty Development deliver to Mellon HBV (i) the substitute or additional director's undated resignation in blank (in form and substance satisfactory to Mellon HBV) duly signed by such newly appointed director(s) and (ii) letters of authorisation from each of such directors in form and substance satisfactory to Mellon HBV (provided that such undated resignations in blank shall not be filled or dated prior to the Enforcement Date).

### **Completion for the Convertible Bonds and the Senior Notes**

First Completion will take place on 15 July 2005, or such other time and date (which could be earlier), but not later than the date falling five weeks after the signing of the Subscription Agreement, after all the relevant conditions of the Subscription Agreement have been satisfied or waived.

### **Completions for the Additional Notes**

Subsequent Completions will take place not later than three months after the First Completion Date after all the relevant conditions of the Subscription Agreement have been satisfied or waived.

## **PRINCIPAL TERMS OF THE NOTES**

### **Interest**

The Notes shall bear interest at the rate of 9% per annum payable half-yearly in arrear.

### **Security**

The Notes are secured by the Share Charge over the Securities.

The Group may undergo a reorganisation within the Group, in which certain subsidiaries of Coastal Realty Development may be transferred to Coastal Realty Investment. If the Group undergoes the reorganisation, the Company will provide other security comprising (i) a charge over its interests in Coastal Realty Investment; and (ii) further charges, if required, over the paid up share capital or registered capital of the Subsidiaries if the aggregate net assets of Coastal Realty Development and Coastal Realty Investment is less than 85% of the net assets of the Group.

### **Maturity date**

Unless previously redeemed or purchased and cancelled, the Notes will mature on the date which falls three years after the First Completion Date.

### **Transferability**

The Notes may be freely transferred or assigned to any third parties.

### **Early redemption**

On or at any time after the date which falls two years after the First Completion Date, the Company may redeem 100% of the Notes at their principal amount plus accrued interest. The Company must give not less than 30 nor more than 60 days' notice to the relevant holder(s) of the Notes. The notice will be irrevocable after it is given to the relevant holder(s) of the Notes.

### **Additional Notes**

Mellon HBV may, at its discretion, subscribe or procure other parties to subscribe on a best effort basis Additional Notes of up to US\$30 million (equivalent to approximately HK\$234 million) within three months after the First Completion. It is the intention of the Company and Mellon HBV for Mellon HBV to procure only third parties independent of and not connected with the Company and its connected persons to subscribe for the Additional Notes.

If Mellon HBV subscribes for less than US\$30 million (equivalent to approximately HK\$234 million) of the Additional Notes, the Company may obtain the shortfall from other financiers who would be entitled to share in the Securities on a pro rata basis. As Mellon HBV may subscribe for all of the Additional Notes, the financiers are yet to be determined. If the financiers are connected persons (as defined in the Listing Rules), the Company will notify the Stock Exchange as soon as practicable and comply with the relevant provisions of the Listing Rules.

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

### Conversion price

The conversion prices are HK\$0.30 per Share for the Tranche 1 Convertible Bonds and HK\$0.50 per Share for the Tranche 2 Convertible Bonds, subject to adjustment upon the occurrence of certain events including:

- (i) any alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) the Company issues (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), except in certain circumstances specified in the conditions in the Subscription Agreement, Shares paid up out of distributable profits or reserves and/or share premium account or capital redemption reserve issued in lieu of the whole or any part of a relevant cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received (but only to the extent that the Average Current Market Price of such Shares exceeds 110 per cent. of the amount of such relevant cash dividend or the relevant part thereof) and which would not have constituted a Capital Distribution or the issue of shares, not being Shares, but constituting equity share capital of the Company, credited as fully paid to Shareholders;
- (iii) the payment or making of any Capital Distribution by the Company to the Shareholders (except where the Conversion Price falls to be adjusted under subparagraph (ii) above);
- (iv) the issue of Shares to all or substantially all Shareholders as a class by the Company by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the Average Current Market Price per Share on the last dealing day preceding the date of the announcement of the terms of such issue or grant;
- (v) the issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by the Company, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares and preferential rights to subscribe for or purchase securities of a Subsidiary granted to all or substantially all Shareholders upon an initial public offering thereof where the rights of the Shareholders are exercisable at a subscription or purchase price, as the case may be, which is less than that at which the securities are offered to the public or any other person);
- (vi) the issue (otherwise than as mentioned in sub-paragraph (iv) above) by the Company wholly for cash of any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 90 per cent. of the Average Current Market Price on the last dealing day preceding the date of announcement of the terms of such issue;

- (vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms of such securities themselves falling within the provisions of this sub-paragraph (vii), the issue wholly for cash by the Company or any Subsidiary (otherwise than as mentioned in sub-paragraph (iv), (v) or (vi) above) or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person of any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) or securities which by their terms might be redesignated as Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the Average Current Market Price per Share on the last dealing day preceding the date of announcement of the terms of issue of such securities;
- (viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Average Current Market Price per Share on the last dealing day preceding the date of announcement of the proposals for such modification;
- (ix) the issue, sale or distribution by or on behalf of the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other person pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them under sub-paragraphs (iv)-(vii) (except where the Conversion Price falls to be adjusted under sub-paragraphs (iv)-(vii) above); and
- (x) if the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph, the Company shall at its own expense request the Auditors to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination;

provided that where the circumstances giving rise to any adjustment pursuant to this paragraph have already resulted or will result in an adjustment to the Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph as may be in the Auditors' opinion to be appropriate to adjust the Conversion Price.

The Conversion Shares will be issued under the General Mandate. If the adjustment of the Conversion Price leads to an increase in the number of the Conversion Shares over the maximum number of Shares issueable under the General Mandate and the Company fails to obtain approval from the Shareholders for the specific mandate to allot, issue and deal with the additional Conversion Shares, the Company will not issue the additional Conversion Shares.

The Tranche 1 Conversion Price represents:

- (i) a premium of approximately 11.1% over the closing price per Share as quoted on the Stock Exchange of HK\$0.27 on 7 July 2005, being the day of signing of the Subscription Agreement;
- (ii) a premium of approximately 11.1% over the average closing price per Share for the last five trading days ended on 7 July 2005 of approximately HK\$0.27; and
- (iii) a premium of approximately 11.1% over the average closing price per Share for the last ten trading days ended on 7 July 2005 of approximately HK\$0.27.

The Tranche 2 Conversion Price represents:

- (i) a premium of approximately 85.2% over the closing price per Share as quoted on the Stock Exchange of HK\$0.27 on 7 July 2005, being the day of signing of the Subscription Agreement;
- (ii) a premium of approximately 85.2% over the average closing price per Share for the last five trading days ended on 7 July 2005 of approximately HK\$0.27; and
- (iii) a premium of approximately 85.2% over the average closing price per Share for the last ten trading days ended on 7 July 2005 of approximately HK\$0.27.

### **Conversion period**

The period during which the Convertible Bonds may be converted, in whole or partially in the amounts of US\$250,000 (equivalent to approximately HK\$1,950,000) or multiple of US\$250,000 (equivalent to approximately HK\$1,950,000), at the option of holder(s) of Convertible Bonds shall commence on the earlier of:

- (i) the date on which Mellon HBV's subscription amount of Additional Notes reaches US\$20 million (equivalent to approximately HK\$156 million);
- (ii) the date on which the Company reduces the principal amount of the Convertible Bonds as referred to under the paragraph headed "Exchange right" in this announcement; or
- (iii) the expiration of one month after the Back Stop Date,

and shall continue until the close of business on 16 December 2005 (in the case of Tranche 1 Convertible Bonds) or 16 December 2006 (in the case of Tranche 2 Convertible Bonds) (the "Conversion Period") unless such period is extended if the closing price of the Shares over the last 10 consecutive trading days immediately prior to and including the last day of the applicable Conversion Period does not exceed the Conversion Price, then the holder(s) of the Convertible Bonds, at its option may give notice to the Company that the Conversion Period be extended by six months. A further announcement will be made by the Company, if the Conversion Period is extended by six months.

The holder(s) of the Tranche 2 Convertible Bonds can convert the Tranche 2 Convertible Bonds even if the Tranche 1 Convertible Bonds have not been fully converted.

## **Interest**

Interest on the Convertible Bonds is payable half-yearly in arrear.

The rate of interest of the Convertible Bonds for each interest period is the percentage rate per annum which is the aggregate of:

- (i) Margin; and
- (ii) LIBOR.

## **Security**

The Convertible Bonds are secured by the Share Charge over the Securities.

The Group may undergo a reorganisation within the Group, in which certain subsidiaries of Coastal Realty Development may be transferred to Coastal Realty Investment. If the Group undergoes the reorganisation, the Company will provide other security comprising (i) a charge over its interests in Coastal Realty Investment; and (ii) further charges, if required, over the paid up share capital or registered capital of the Subsidiaries if the aggregate net assets of Coastal Realty Development and Coastal Realty Investment is less than 85% of the net assets of the Group.

## **Maturity**

Unless previously converted or exchanged (as referred to under the paragraph headed "Exchange right" in this announcement) or unless the maturity of such Bonds is extended (as referred to under the paragraph headed "Conversion period" in this announcement), the Company will redeem all of the Convertible Bonds by paying 100% of their principal amount to the holder(s) of the Convertible Bonds on 31 December 2005, in the case of Tranche 1 Bonds, and 31 December 2006, in the case of Tranche 2 Convertible Bonds.

## **Conversion Shares**

The Convertible Bonds will be issued in two tranches upon the First Completion, each in the amount of US\$6.25 million (equivalent to approximately HK\$48.75 million). Upon the conversion of the Tranche 1 Convertible Bonds in full at the Tranche 1 Conversion Price, approximately 162.5 million Shares will be allotted and issued which would represent (i) approximately 8.03% of the existing issued share capital of the Company; (ii) approximately 7.43% of the enlarged issued share capital of the Company, assuming no Tranche 2 Convertible Bond is converted and only the Tranche 1 Convertible Bonds are converted; and (iii) approximately 7.11% of the enlarged issued share capital of the Company assuming all the Convertible Bonds are converted.

Upon the conversion of the Tranche 2 Convertible Bonds in full at the Tranche 2 Conversion Price, approximately 97.5 million Shares will be allotted and issued which would represent (i) approximately 4.82 of the existing issued share capital of the Company; (ii) approximately 4.60% of the enlarged issued share capital of the Company, assuming no Tranche 1 Convertible Bond is converted and only the Tranche 2 Convertible Bonds are converted; and (iii) approximately 4.27% of the enlarged issued share capital of the Company assuming all the Convertible Bonds are converted.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of the registration of Shares issued upon conversion of the Convertible Bonds.



## **Transferability**

The Convertible Bonds may be transferred or assigned to any third parties independent of and not connected with the Company and its connected persons with the prior approval of the Company. A holder of the Convertible Bonds shall notify the Company about any transfer of the Convertible Bonds. The Company will inform the Stock Exchange upon the Company becoming aware that any of the Convertible Bonds has been or is to be transferred to any connected persons of the Company (as defined under the Listing Rules).

## **Voting**

The holder(s) of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company by reason only of being the holder(s) of the Convertible Bonds.

## **Redemption**

Unless previously converted or exchanged or unless the maturity of such Convertible Bonds is extended (as referred to under the paragraph headed "Conversion period" in this announcement), the Company will, redeem 100% of the Convertible Bonds at their principal amount plus interest on their respective dates of maturity.

## **Lock up and right of first refusal**

Prior to 31 December 2005, the Company cannot issue, offer, sell or otherwise dispose of (or make public announcement as to the issuance, offer, sale or dispose of) without the consent of Mellon HBV, securities issued by the Company and having a maturity of more than one year from the date of issue, any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security except for the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, or the exercise of any other employee stock options outstanding on the date of the Subscription Agreement or the grant of options under its existing share option scheme.

Subject to obtaining the necessary approval from the Shareholders (where required, the Company shall procure that the controlling shareholders of the Company to vote in favour of any necessary resolution to confer such approval) and subject to the compliance with the Listing Rules, the holder(s) of the Convertible Bonds have a right of first refusal in respect of any issue of any of the Company's securities commencing on 1 January 2006 and ending on the end of the conversion period for the Convertible Bonds on 16 December 2006 unless such period is extended in accordance with the terms of the Convertible Bonds.

To the extent that the Company is prevented by applicable law, regulation or the absence of an applicable approval from offering such right (in whole or in part), the Conversion Price (as the case may be) will be adjusted in accordance with the Deed Poll.

The Conversion Shares will be issued under the General Mandate. If the adjustment of the Conversion Price leads to an increase in the number of the Conversion Shares over the maximum number of Shares issueable under the General Mandate and the Company fails to obtain approval from the Shareholders for the specific mandate to allot, issue and deal with the additional Conversion Shares, the Company will not issue the additional Conversion Shares.

## **Exchange right**

If Mellon HBV does not subscribe for a minimum of US\$20 million (equivalent to approximately HK\$156 million) of the Additional Notes on or before the Back Stop Date, the Company may at any time within the period of one month after the Back Stop Date, cancel part of the principal amount outstanding of the Convertible Bonds held by the holder(s) of the Convertible Bonds on a pro rata basis and issue to the holder(s) of the Convertible Bonds on a pro rata basis further Notes in the same amount as the cancelled Convertible Bonds, so that the ratio between the aggregate principal amount of the Convertible Bonds outstanding (after such reduction) and the aggregate principal amount of the Notes outstanding (inclusive of such further Notes) is as close as practicable (after taking into account that any such further Notes must be in the denomination of US\$250,000 (equivalent to approximately HK\$1.95 million) each) to 12.5 : 47.5, which represents the intended ratio between the Convertible Bonds and the Notes, assuming all the Additional Notes have been subscribed by Mellon HBV.

A further announcement will be made by the Company, if Mellon HBV does not subscribe for a minimum of US\$20 million (equivalent to approximately HK\$156 million) of the Additional Notes on or before the Back Stop Date.

## **GENERAL MANDATE**

The Conversion Shares to be issued pursuant to the conversion of the Convertible Bonds will be issued under the General Mandate. No new Shares have been issued under the General Mandate from its date of grant up to and including the date of this announcement. The maximum number of Shares that can be issued under the General Mandate is 404,800,000 Shares.

The Conversion Shares will be issued under the General Mandate. If the adjustment of the Conversion Price leads to an increase in the number of the Conversion Shares over the maximum number of Shares issueable under the General Mandate and the Company fails to obtain approval from the Shareholders for the specific mandate to allot, issue and deal with the additional Conversion Shares, the Company will not issue the additional Conversion Shares.

## **REASONS FOR THE ISSUE OF THE BONDS**

The Directors consider that the issue of the Bonds is an appropriate means of raising additional fund for the operations of the Company since it will not have an immediate dilution effect on the shareholdings of the existing Shareholders. The Company has not undertaken any capital raising activity during the past twelve months immediately before the date of this announcement. Other than the share options, which have been granted under the share option scheme adopted by the Company, the Company has no outstanding option or any right granted to call for the issue of the Shares.

The Directors consider that the terms of the Subscription Agreement, including the lockup, the right of first refusal and the exchange right, which were arrived at after arm's length negotiations between the Company and Mellon HBV, are fair and reasonable and are in the interests of the Company and its shareholders as a whole, taking into account of the monetary scale of the Bonds, the dilution effects of the Conversion Shares and the tenure of the Convertible Bonds.

## USE OF PROCEEDS

Assuming the Senior Notes and the Convertible Bonds are issued upon the First Completion and all the Additional Notes have been subscribed, the net proceeds after deducting the relevant expenses from the issue of the Bonds will be approximately US\$59.2 million (equivalent to approximately HK\$461.8 million). The Group is currently developing the Project. The foundation work for phase one of the Project with a gross floor area of about 132,000 square metres is in process. The expected date of completion of phase one of the Project is about October 2006. The Company plans to use the whole amount of the net proceeds from the Bonds in the development of the Project. In the event that the Senior Notes and the Convertible Bonds are issued upon the First Completion and not all of the Additional Notes are subscribed, the amount of the net proceeds from the issue of the Bonds will be reduced accordingly. The Group will use its internal financial resources and/or other sources of financing for the development of the Project as and when required.

## APPLICATION FOR LISTING

No application will be made for listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## CHANGES OF SHAREHOLDING

The approximate shareholdings of the substantial shareholders of the Company as at the date of this announcement, assuming full conversion of the Tranche 1 Convertible Notes only, assuming full conversion of the Tranche 2 Convertible Notes only and immediately after full conversion of the Convertible Bonds are as follows:

	As at the date of this announcement		Assuming full conversion of the Tranche 1 Convertible Bonds only		Assuming full conversion of the Tranche 2 Convertible Bonds only		Assuming full conversion of the Convertible Bonds	
	<i>Approximate %</i>	<i>Number of Shares held</i>	<i>Approximate %</i>	<i>Number of Shares held</i>	<i>Approximate %</i>	<i>Number of Shares held</i>	<i>Approximate %</i>	<i>Number of Shares held</i>
Coastal International Holdings Limited (Note 1)	24.59	497,600,000	22.76	497,600,000	23.46	497,600,000	21.79	497,600,000
Coastal Enterprise Group Limited (Note 2)	23.92	484,210,527	22.15	484,210,527	22.82	484,210,527	21.20	484,210,527
Glory View Investments Limited (Note 3)	2.28	46,080,000	2.11	46,080,000	2.17	46,080,000	2.02	46,080,000
Success Essence Investments Limited (Note 4)	9.10	184,210,526	8.42	184,210,526	8.68	184,210,526	8.07	184,210,526
Holder(s) of Convertible Bonds	–	–	7.43	162,500,000	4.60	97,500,000	11.38	260,000,000
Public	40.11	811,898,947	37.13	811,898,947	38.27	811,898,947	35.54	811,898,947
Total	<u>100.00</u>	<u>2,024,000,000</u>	<u>100.00</u>	<u>2,186,500,000</u>	<u>100.00</u>	<u>2,121,500,000</u>	<u>100.00</u>	<u>2,284,000,000</u>

*Notes:*

1. The Shares are beneficially owned by Coastal International Holdings Limited (“CIH”), the entire issued share capital of which is beneficially owned as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued share capital of which is beneficially owned by Jiang Ming) and 10% by Roseford Resources Limited (the entire issued share capital of which is beneficially owned by CIH).
2. The Shares are beneficially owned by Coastal Enterprise Group Limited, the entire issued share capital of which is beneficially owned by CIH.
3. The Shares are beneficially owned by Glory View Investments Limited, the entire issued share capital of which is beneficially owned by CIH.
4. The Shares are beneficially owned by Success Essence Investments Limited, the entire issued share capital of which is beneficially owned by Huang Bin.

## **GENERAL**

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

The Company will comply with all applicable Listing Rules in relation to any alterations in the terms of the Bonds after issue, except where the alterations take effect automatically under the existing terms of the Bonds.

## **RESUMPTION OF TRADING**

Trading in Shares on the Stock Exchange was suspended at the request of the Company from 10:17 a.m. on 8 July 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 13 July 2005.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions have the following meanings in this announcement.

“Additional Notes”	9% senior notes with a principal amount of up to US\$30 million (equivalent to approximately HK\$234 million) due 2008 to be issued by the Company pursuant to the Subscription Agreement and to be subscribed by or procured to be subscribed by Mellon HBV on a best effort basis
“associates”	has the meaning ascribed to it in the Listing Rules
“Auditors”	the auditors of the Company
“Average Current Market Price”	means in respect of a Share at a particular date the average of the closing prices per Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (a) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
- (b) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share;

and provided further that if the Shares on each of the said five dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share

“Back Stop Date”	three months after the Issue Date
“Board”	the board of Directors
“Bonds”	the Notes and the Convertible Bonds
“Capital Distribution”	<p>means any dividend or distribution in cash or any distribution of assets in specie (whether on a reduction of capital or otherwise) charged or provided for in the accounts of the Company for any financial period (whenever paid or made and however described) or any reduction of any uncalled liability in respect of capital unless:</p> <ul style="list-style-type: none"> <li>(a) (and to the extent that) it does not, when taken together with any other such dividend or distribution previously made or paid in respect of all periods after 31 March 2004, exceed the aggregate of the consolidated cumulative profits (less the aggregate of any consolidated net losses) attributable to Shareholders after deducting minority interests and preference dividends (if any) but (i) deducting any amounts in respect of any asset previously credited to the Company’s reserves (in respect of any period or date up to and including 31 March 2004) pursuant to any revaluation of such asset, where amounts arising on the disposal of such asset have contributed to such profits and (ii) deducting any extraordinary items (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in share capital, share premium account or capital redemption reserve) for all periods after 31 March 2004, in each case as calculated by reference to the audited consolidated profit and loss accounts for such periods of the Company and its Subsidiaries; or</li> </ul>

- (b) (in so far as (a) above does not apply) and to the extent that the rate of that dividend or distribution, together with all other dividends or distributions on the class of capital in question charged or provided for in the accounts of the Company for that period, does not exceed the aggregate rate of dividend or distribution on such class of capital charged or provided for in the accounts of the Company for the immediately preceding financial period. In computing such rates the value of distributions in specie shall be taken into account and such adjustments as are in the opinion of the Auditors appropriate to the circumstances shall be made (including adjustments in the event that the lengths of such financial periods differ); or
- (c) it comprises a purchase or redemption of share capital of the Company provided, in the case of purchases of Shares by the Company that the average price (before expenses) on any one day in respect of such purchases does not exceed by more than 10 per cent. of the Average Current Market Price of the Shares either (i) on that day, or (ii) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the dealing day immediately preceding the date of such announcement

provided in relation to (a)(i) above, to the extent that a distribution is made out of a contribution to profits which arises in similar or like circumstances to those described in (a)(i) but which does not fall to be taken into account pursuant to that sub-paragraph, the Company, acting upon the advice of an independent financial adviser, may require the adjustment of the Conversion Price by requiring an amount to be deducted as aforesaid

“Coastal Realty BVI”	Coastal Realty (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Coastal Realty Development”	Coastal Realty Development Co. Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Coastal Realty Investment”	Coastal Realty Investment (China) Limited, a company established in the PRC and a direct wholly owned subsidiary of the Company
“Company”	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and its issued Shares are listed on the main board of the Stock Exchange
“Completion Dates”	the First Completion Date and the Subsequent Completion Dates
“Conversion Price”	the Tranche 1 Conversion Price and/or the Tranche 2 Conversion Price
“Conversion Shares”	the Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the Tranche 1 Convertible Bonds and the Tranche 2 Convertible Bonds

“Deed Poll”	the deed poll constituting the Notes and the Convertible Bonds
“Directors”	the directors of the Company
“Enforcement Date”	the date on which any of the Bonds are declared to be immediately due and payable or, if earlier, the date on which a petition or other application to wind up Coastal Realty BVI or to appoint a receiver, manager, administrator or similar officer to Coastal Realty BVI or any part of its assets or undertaking is presented
“First Completion”	completion for the subscription of the Senior Notes and the Convertible Bonds
“First Completion Date”	the date of the First Completion also being the Issue Date
“General Mandate”	the general mandate given to the Directors to allot, issue and deal with the Shares by a resolution approved by the Shareholders at the annual general meeting of the Company held on 3 September 2004
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Interest Determination Date”	the second London business day prior to the commencement of the Interest Period for which the interest rate will apply
“Interest Payment Date”	the date on which interest is payable by the Company to Bondholders
“Interest Period”	the period from and including the Issue Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date
“Issue Date”	the date of issue of the Bonds also being the First Completion Date
“LIBOR”	means, in relation to any Interest Period: <ul style="list-style-type: none"> <li>(a) the applicable Screen Rate; or</li> <li>(b) (if no Screen Rate is available for United States dollars for that Interest Period) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Company at its request quoted by the Reference Banks to leading banks in the London interbank market on the Interest Determination Date</li> </ul>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Margin”	the interest rate of 1.50% per annum
“Mellon HBV”	Mellon HBV Alternative Strategies LLC, a company incorporated in the United States of America with limited liability

“Notes”	the Senior Notes and the Additional Notes
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Project”	the property development of the Group in Xinqiao, Songjiang District, Shanghai with a planned gross floor area of about 298,000 square metres which comprises mainly residential properties with ancillary facilities
“Reference Banks”	means four major banks engaged in the London interbank market selected by the Company
“Screen Rate”	the rate appearing on Telerate screen page “3750” (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of banks for United States dollar deposits) as being the rate per annum at which United States dollar deposits are being offered for a period equal to approximately the Interest Period at or about 11:00 a.m. (London time) on the Interest Determination Date
“Securities”	means, at any time, (i) all right, title and interests of Coastal Realty BVI in and to such number of the shares as shall comprise 100% of the entire share capital of Coastal Realty Development and shall include any other shares of Coastal Realty Development which may hereafter be registered in the name of, or beneficially owned by, Coastal Realty BVI and/or its nominee or trustee; (ii) all accretions, allotments, and other benefits accruing or arising in respect of them; (iii) all stocks, securities, rights, moneys or property accruing or offered at any time (whether by way of redemption, bonus, preference, option, rights or otherwise) to or in respect of, in substitution or exchange for or otherwise derived from any of the foregoing; and (iv) any part of the foregoing
“Senior Notes”	9% senior notes with a principal amount of US\$17.5 million (equivalent to approximately HK\$136.5 million) due 2008 issued by the Company to Mellon HBV pursuant to the Subscription Agreement
“Share Charge”	charge by Coastal Realty BVI by way of first charge, all the right, title and interests of Coastal Realty BVI in and to the Securities as a continuing security for the payment and discharge of the all moneys, obligations and liabilities of the Company under or in respect of the Bonds and all amounts payable by the Company to Mellon HBV
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	subscription agreement entered into between the Company and Mellon HBV dated 7 July 2005 in relation to the subscription of Notes and Convertible Bonds



“Subsequent Completion”	completion for the subscription of the Additional Notes
“Subsequent Completion Date(s)”	date(s) of Subsequent Completion
“Subsidiary”	a subsidiary of the Company
“Tranche 1 Conversion Price”	the price at which Shares will be issued upon conversion of Tranche 1 Convertible Bonds being HK\$0.30 per Share, subject to adjustment
“Tranche 1 Convertible Bonds”	convertible bonds with a principal amount of US\$6.25 million (equivalent to approximately HK\$48.75 million) due 2005 issued by the Company to Mellon HBV pursuant to the Subscription Agreement
“Tranche 2 Conversion Price”	the price at which Shares will be issued upon conversion of Tranche 2 Convertible Bonds being HK\$0.50 per Share, subject to adjustment
“Tranche 2 Convertible Bonds”	convertible bonds with a principal amount of US\$6.25 million (equivalent to approximately HK\$48.75 million) due 2006 issued by the Company to Mellon HBV pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

The exchange rate used in this announcement of US\$1.00 to HK\$7.80 is for illustrative purposes only.

By order of the Board of  
**Coastal Greenland Limited**  
**Chan Boon Teong**  
*Chairman*

Hong Kong, 12 July 2005

\* *For identification purpose only*

*As at the date of this announcement, the Board comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor and Mr. Lin Chen Hsin, as executive directors, Mr. Zheng Hong Qing, as non-executive director and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive directors.*