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沿海綠色家園®

沿海綠色家園有限公司 *

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1124)

PROPOSED ISSUE OF CONVERTIBLE BONDS AND RESUMPTION OF TRADING

Proposed issue of convertible bonds

The Board announces that the Company has on 22 March 2006 entered into the preliminary and non legally binding Term Sheet relating to the issue of the Proposed Convertible Bonds of US\$30 million divided into two equal tranches to the Subscriber.

As the issue of the Proposed Convertible Bonds is subject to the parties entering into a formal agreement, and subject to certain conditions being fulfilled, including obtaining the necessary approvals by the shareholders of the Company, such proposed issue may or may not proceed eventually. **Shareholders of the Company and the investing public are urged to exercise caution in dealings in the shares of the Company.**

Further announcement will be made by the Company upon signing of the formal agreement in relation to the Proposed Convertible Bonds and in compliance with the Listing Rules.

Recent increases in share price and trading volume

The Board has noted the increases in the price and trading volume of the shares of the Company on 21 March 2006 and wish to state that save the proposed issue of the Proposed Convertible Bonds as disclosed in this announcement, the Board is not aware of any reason for such increases.

Resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 March 2006.

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and pursuant to Rule 13.09 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange.

Reference is made to the announcement of Coastal Greenland Limited (the "**Company**") dated 20 March 2006 which stated that the Company was in the process of negotiating with an independent third party for a proposed issue of convertible bonds (the "**Proposed Convertible Bonds**").

PROPOSED ISSUE OF CONVERTIBLE BONDS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to announce that the Company has on 22 March 2006 entered into a preliminary and non legally binding term sheet (the “**Term Sheet**”) relating to the Proposed Convertible Bonds with Supreme Link Limited (the “**Subscriber**”), a subsidiary of Nan Fung Resources Limited. The Subscriber and its group companies and affiliated companies have been actively participating in property development, property investment and provision of property management services in Hong Kong and elsewhere.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber, Nan Fung Resources Limited and their respective ultimate beneficial owners are not connected persons (as defined under the Listing Rules) of the Company and are third parties independent of the Company and its subsidiaries and connected persons (as defined under the Listing Rules) of the Company.

Principal terms of the Proposed Convertible Bonds are as follows:

Issuer	the Company
Subscriber	the Subscriber
Amount	US\$30 million divided into two equal tranches, each in the amount of US\$15 million (the “ Tranche I Bonds ” and the “ Tranche II Bonds ”)
Final Maturity dates	Tranche I Bonds will mature one year from the date of its issue (“ Tranche I Maturity Date ”) Tranche II Bonds will mature two years from the date of its issue (“ Tranche II Maturity Date ”)
Conversion periods	Tranche I Bonds will entitle the Subscriber to convert, in whole or in part within one year from the date of its issue up to and including the Tranche I Maturity Date (“ Tranche I Conversion Period ”) into shares of the Company Tranche II Bonds will entitle the Subscriber to convert, in whole or in part within two years from the date of its issue up to and including the Tranche II Maturity Date (“ Tranche II Conversion Period ”) into shares of the Company
Coupon rates	6% per annum payable half-yearly in arrears for both Tranche I Bonds and Tranche II Bonds. Coupons so paid will not be refunded notwithstanding any early redemption or conversion of the Tranche I Bonds and/or Tranche II Bonds
Security	both Tranche I Bonds and Tranche II Bonds will be secured by a share charge (the “ Share Charge ”) covering all the issued shares of Coastal Realty Development Co. Limited, a wholly owned subsidiary company of the Company which owns all the property projects of the Company in the People’s Republic of China and the Share Charge will rank pari passu in all respects to the secured senior notes and convertible bonds issued by the Company to Mellon HBV Alternative Strategies LLC, a company incorporated in the United States of America with limited liability (“ Mellon HBV ”) in August 2005. Other than the high yield debt of US\$30 million that the Company has agreed to borrow from Mellon HBV or a subscriber to be nominated by Mellon HBV which will also enjoy the same security position as Mellon HBV and the Subscriber, no further charge, mortgage, pledge, lien or other form of encumbrance or security interest is allowed to be created on the whole or any part of shares of Coastal Realty Development Co. Limited without the prior written consent of the Subscriber. Please

refer to the announcement of the Company dated 12 July 2005 for details in relation to the above transactions between the Company and Mellon HBV.

Covenants

the Company covenants to the Subscriber that:

- (1) the consolidated tangible net worth of the Group will not be less than HK\$1.3 billion; and
- (2) the consolidated net borrowings to total assets of the Group will not exceed a ratio of 2 to 3

Conversion Price

Both Tranche I Bonds and Tranche II Bonds can be converted into ordinary shares (each a “**Share**”) of the Company at the initial conversion price of HK\$0.4 per Share (the “**Conversion Price**”) during their respective conversion periods.

The Conversion Price will be subject to adjustment for consolidations or subdivisions of Shares, capital distributions, bonus issues, rights issues and other usual events which may have a dilution effect on the Shares to be allotted and issued to the Subscriber under the Proposed Convertible Bonds

The Conversion Price represents:

- (1) a discount of approximately 51.22% to the closing price per Share as quoted on the Stock Exchange of HK\$0.82 on 21 March 2006 (the “Last Trading Day”), being the last trading day of the Shares on the Stock Exchange prior to the date of this announcement;
- (2) a discount of approximately 29.08% to the average of the closing prices per Share as quoted on the Stock Exchange of HK\$0.564 for the five consecutive trading days up to and including the Last Trading Day;
- (3) a discount of approximately 14.89% to the average of the closing prices per Share as quoted on the Stock Exchange of HK\$0.47 for the ten consecutive trading days up to and including the Last Trading Day; and
- (4) a discount of approximately 1.31% to the average of the closing prices per Share as quoted on the Stock Exchange of HK\$0.4053 for the thirty consecutive trading days up to and including the Last Trading Day.

Redemption Price

On Tranche I Maturity Date, the Company will redeem the outstanding Tranche I Bonds at 109.34% of its principal amount (“**Tranche I Redemption Amount**”), subject to Tranche I Extension Option (as defined below)

On Tranche II Maturity Date, the Company will redeem the outstanding Tranche II Bonds at 120.12% of its principal amount (“**Tranche II Redemption Amount**”), subject to Forced Conversion (as defined below) and Tranche II Extension Option (as defined below)

“**Tranche I Extension Option**” means if the average of the closing bid and ask share prices of the Shares as quoted on the Stock Exchange exceeds the Conversion Price by 30% or more for 60 consecutive trading days prior to Tranche I Maturity Date, any outstanding Tranche I Bonds will automatically be extended for one additional 3-month term immediately after the Tranche I Maturity Date entitling the Subscriber to an interest of 9% per annum on the Tranche I Redemption Amount during such term.

The Company will pay such interest and the Tranche I Redemption Amount to the Subscriber upon expiry of the said 3-month term. The Subscriber will not be entitled to convert any outstanding Tranche I Bonds into Shares during this extended 3-month period.

“**Forced Conversion**” will apply only to US\$5 million of the Tranche II Bonds twelve months after the date of its issue if the average of the closing bid and ask share prices of the Shares as quoted on the Stock Exchange exceeds the Conversion Price by 30% or more for any 60 consecutive trading days after the twelve-month period from the date of its issue and prior to Tranche II Maturity Date, the Subscriber must convert this US\$5 million portion, or any portion of it which remain outstanding, into Shares on or before the Tranche II Maturity Date. For the remaining US\$10 million Tranche II Bonds which is not subject to this Forced Conversion, if the condition for Forced Conversion is met, and the Subscriber decides not to convert into Shares, the redemption price of this remaining US\$10 million, or any portion of it which remain outstanding, will be reduced to 106.41% of its outstanding principal amount.

“**Tranche II Extension Option**” means if the average of the closing bid and ask share prices of the Shares as quoted on the Stock Exchange exceeds the Conversion Price by 30% or more for any 60 consecutive trading days prior to Tranche II Maturity Date, any outstanding Tranche II Bonds will automatically be extended for one additional 3-month term immediately after the Tranche II Maturity Date entitling the Subscriber to an interest of 9% per annum on the Tranche II Redemption Amount during such term. The Company will pay such interest and the Tranche II Redemption Amount to the Subscriber upon expiry of the said 3-month term. The Subscriber will not be entitled to convert any outstanding Tranche II Bonds into Shares during this extended 3-month period.

Conditions

the issue of the Proposed Convertible Bonds is subject to:

- (1) completion of a due diligence review of the Company by the Subscriber to its satisfaction;
- (2) approval by the shareholders of the Company at an extraordinary general meeting (the “**EGM**”) to be convened and held for the purpose of approving the issue of the Proposed Convertible Bonds to the Subscriber after execution of a formal agreement in relation thereto;
- (3) all costs related to the transaction including the financial due diligence, legal, property valuation and any costs incidental thereto to be borne by the Company;
- (4) the Stock Exchange approving the Proposed Convertible Bonds (if necessary), and agreeing to grant permission to list and allow trading in the new Shares to be issued upon the Subscriber exercising the conversion rights attaching to the Proposed Convertible Bonds;
- (5) if necessary, the permission from the Bermuda Monetary Authority in relation to the issuance of the new Shares upon the Subscriber exercising the conversion rights attaching to the Proposed Convertible Bonds; and

- (6) delivery to the Subscriber legal opinions of the Hong Kong legal advisers and the Bermuda legal advisers of the Company, each in a form reasonably satisfactory to the Subscriber, and such other resolutions, consents, authorities and documents relating to the issue of the Proposed Convertible Bonds as the Subscriber may reasonably require.

Documentation The commitment of the Subscriber and the Company for this transaction is subject to execution of documentation that is reasonably satisfactory to the Subscriber and the Company.

Taxation All sums payable by the Company to the Subscriber under the Proposed Convertible Bonds shall be paid in full without set off or counterclaim and free and clear of and without any deduction or withholding for or on account of any present or future taxes, levies, imposts or charges of any nature.

Representations and warranties The Company will provide standard and customary representations, covenants and warranties for this kind of convertible bonds to the Subscriber.

Events of Default Events of Default shall include but not be limited to the following:

- (i) non-payment of any amount due under any Proposed Convertible Bonds;
- (ii) appointment of receivership, declaration of insolvency or a bankruptcy petition against the Company or any of its subsidiaries (collectively the “**Group**”);
- (iii) the Group as a whole ceases to carry on its ordinary course of business;
- (iv) material change in the business nature of the Group except for the possible diversification of the business of the Group into financial-related business;
- (v) cross default by the Company or any of its subsidiaries;
- (vi) there is a Change of Control (as defined below);
- (vii) trading in the Shares on the Stock Exchange being suspended for a period of more than 30 consecutive trading days excluding any suspension for the purposes of clearing any announcement and circular in relation to any transactions conducted on the part of the Company under Chapter 14 and Chapter 14A of the Listing Rules; or
- (viii) material adverse change in the financial condition of the Company or any of its subsidiaries.

Upon occurrence of an Event of Default, if so requested in writing by the Subscriber, the Subscriber shall have the right to require the Company to redeem the Proposed Convertible Bonds in full immediately upon the occurrence of such Event of Default at the relevant redemption price.

“Change of Control” means Coastal International Holdings Limited, the controlling shareholder of the Company, shall maintain a controlling stake in the issued share capital of the Company by holding the higher of (1) a minimum stake of 30% (which for the purpose of this undertaking, the dilution effect resulting from the allotment and issue of the Shares pursuant to the exercise of the conversion rights attaching to the Proposed Convertible Bonds contemplated hereby, and the convertible bonds issued to Mellon HBV in August 2005 are hereby excluded); or (2) 1,000 million Shares of the Company. Any breach of the above undertakings will be deemed to have triggered a Change of Control.

As the Term Sheet entered into is preliminary and non legally binding in nature, the issue of the Proposed Convertible Bonds is subject to the parties entering into a formal agreement where further details as to the terms and conditions will be finalised (such as the precise definitions of certain terms under the section headed “Covenants”), and subject to certain conditions being fulfilled (including obtaining the necessary approvals by the shareholders of the Company) such proposed issue may or may not proceed eventually. As at the date of this announcement, no shareholders of the Company (the **“Shareholders”**) has any interests in the Proposed Convertible Bonds which is materially different from other Shareholders and it is expected that no Shareholders are required to abstain from voting at the EGM. **Shareholders and the investing public are urged to exercise caution in dealings in the shares of the Company.**

The Board considered that the proposed issue of the Proposed Convertible Bonds provided the Company a good opportunity to raise additional fund for the operations of the Group. Further, the Board considered that as the Subscriber’s holding company, Nan Fung Resources Limited and its group companies and affiliated companies are actively engaged in property development, property investment and provision of property management services in Hong Kong and elsewhere, the subscription of the Proposed Convertible Bonds by the Subscriber might lead to further business cooperation opportunities with Nan Fung Resources Limited or its group companies or affiliated companies in future. The Board has not determined as to the intended use of the proceeds from the Proposed Convertible Bonds and will initially apply the proceeds as the Group’s general working capital.

Further announcement will be made by the Company upon signing of the formal agreement in relation to the Proposed Convertible Bonds in which further details as to the final terms (including the transferability of the Proposed Convertible Bonds) and conditions of the formal agreement will be disclosed and in compliance with the Listing Rules.

CHANGES OF SHAREHOLDING

Assuming the Proposed Convertible Bonds will proceed as set out above, the effect on the shareholdings of the Company are as follows:

	As at the date of this announcement		Assuming full conversion of Tranche I Bonds only		Assuming full conversion of Tranche II Bonds only		Assuming full conversion of both Tranche I Bonds and Tranche II Bonds	
	Approx %	Number of Shares held	Approx %	Number of Shares held	Approx %	Number of Shares held	Approx %	Number of Shares held
Coastal International Holdings Limited (Note 1)	23.64	497,600,000	20.75	497,600,000	20.75	497,600,000	18.50	497,600,000
Coastal Enterprise Group Limited (Note 2)	23.00	484,210,527	20.19	484,210,527	20.19	484,210,527	18.00	484,210,527
Glory View Investments Limited (Note 3)	2.19	46,080,000	1.92	46,080,000	1.92	46,080,000	1.71	46,080,000
The Subscriber	-	-	12.20	292,500,000	12.20	292,500,000	21.75	585,000,000
Public shareholders (Note 4)	51.17	1,077,359,473	44.94	1,077,359,473	44.94	1,077,359,473	40.04	1,077,359,473
Total	100.00	2,105,250,000	100.00	2,397,750,000	100.00	2,397,750,000	100.00	2,690,250,000

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 above table does not take into account of the convertible bonds issued by the Company to Mellon HBV in August 2005, of which the principal amount of US\$9.375 million remain outstanding as at the date of this announcement, entitling Mellon HBV to subscribe for a maximum of 178,750,000 Shares upon full conversion (subject to adjustments). As at the date of this announcement, Mellon HBV is holding 81,250,000 Shares representing about 3.86% of the entire share capital of the Company currently in issue. Assuming full conversion of the 178,750,000 Shares, Mellon HBV will hold an aggregate of 260,000,000 Shares, representing about 12.35% of the entire share of capital of the Company currently in issue. Further assuming full conversion of both Tranche I Bonds and Tranche II Bonds thereafter, public shareholders (excluding Mellon HBV) will hold 996,109,473 Shares representing about 37.03% of the entire share capital of the Company then in issue.

GENERAL

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

The Group is in a preliminary exploration stage considering whether a possible diversification of the business of the Group into financial-related business is feasible or not. The Group currently has not conducted any such financial-related business and if such circumstances arise, further announcement will be made by the Company.

As at the date of this announcement, the Board comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Lin Chen Hsin, Mr. Cheng Wing Bor 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.

RECENT INCREASES IN SHARE PRICE AND TRADING VOLUME

The Board has noted the increases in the price and trading volume of the shares of the Company on 21 March 2006 and wish to state that save the proposed issue of the Proposed Convertible Bonds as disclosed in this announcement, the Board is not aware of any reasons for such increases.

Save the proposed issue of the Proposed Convertible Bonds as disclosed in this announcement, the Board confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, and neither is the Board aware of any other matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by order of the Board, the Directors individually and jointly accept responsibility for the accuracy of this statement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 March 2006.

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

Hong Kong, 23 March 2006

* *for identification purpose only*

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*