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**CGL**  
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)

## **ISSUE OF SENIOR NOTES AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

On 30 March 2006, the Company entered into the Subscription Agreement with the Subscribers in relation to the issue and subscription of the Senior Notes in the amount of US\$40 million (equivalent to approximately HK\$312 million) which are secured by the Share Charge and the Account Charge.

The net proceeds after deducting the relevant expenses from the issue of the Senior Notes is approximately US\$36.53 million (equivalent to approximately HK\$285 million). The Company plans to use the whole amount of the net proceeds from the Senior Notes in the development of the Project.

Reference is made to the announcements of the Company dated 12 July 2005, 2 August 2005, 3 August 2005 and 10 November 2005. Pursuant to the Announcements, Convertible Bonds and Initial Notes in the aggregate principal amount of US\$12.5 million (equivalent to approximately HK\$97.5 million) and US\$17.5 million (equivalent to approximately HK\$136.5 million) were issued by the Company on 5 August 2005.

On 30 March 2006, the Company entered into the Subscription Agreement with the Subscribers in relation to the issue and subscription of the Senior Notes in the amount of US\$40 million (equivalent to approximately HK\$312 million), which are interchangeable with the Initial Notes and secured by the Share Charge and the Account Charge.

### **THE SUBSCRIPTION AGREEMENT**

#### **Date**

30 March 2006

#### **Issuer**

The Company

## **Subscribers**

Three institutional subscribers which are not connected with each other.

To the best of the Directors' knowledge, each of the Subscribers and their respective 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.

## **Placing Agent**

Merrill Lynch Far East Limited is the Placing Agent. The terms and conditions of the Subscription Agreement were arrived at after arm's length negotiations between the Company, the Placing Agent and the Subscribers. The Placing Agent is independent of and not connected with the Company and its connected persons.

## **Principal amount**

US\$40 million (equivalent to approximately HK\$312 million).

## **Conditions**

Closing of the Subscription Agreement is conditional upon:

- 1) the execution of the Deed Poll, the Account Charge and the Share Charge, each in a form satisfactory to the Subscribers, the holders of the Initial Notes and the Company on or prior to the Closing Date;
- 2) on or prior the Closing Date, the Company having delivered to the Subscribers and the holders of the Initial Notes legal opinions dated on the Closing Date and issued by:
  - i) legal advisers as to Bermuda law;
  - ii) legal advisers as to British Virgin Islands law; and
  - iii) legal advisers as to Hong Kong law,each in a form and substance satisfactory to the Subscribers, and such other board and shareholders' resolutions, consents, authorities and documents relating to the issue of the Senior Notes as the Subscribers may reasonably require;
- 3) on the Closing Date:
  - 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 the Closing Date with references 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 Closing Date; and
  - iii) there having been delivered to the Subscribers a certificate, dated as of the Closing Date, of a duly authorised officer of the Company to such effect;

- 4) on the Closing Date, 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 Group as a whole, which, in the reasonable opinion of any of the Subscribers, is material and adverse and which makes it, in the reasonable opinion of any of the Subscribers, impracticable to market the Senior Notes or proceed with the issue on the terms and in the manner contemplated by such Subscribers;
- 5) on the Closing Date, the security in respect of the Securities subject to the Share Charge dated 5 August 2005 between Coastal Realty BVI and Mellon HBV Alternative Strategies LLC shall have been released and there shall have been delivered to the Security Trustee:
  - 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 the Security Trustee's favour or to the Security Trustee's order;
  - iii) an undated contract note 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 the Subscribers;
  - v) the declaration of trust executed by Jiang Ming, an executive Director, dated 23 December 1994 in relation to one original share of Coastal Realty Development; and
  - vi) such other documents as the Security Trustee and for the Subscribers 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 note or letters of resignation shall not be filled or dated prior to the Enforcement Date; and

- 6) on or prior to the Closing Date, as soon as reasonably practicable after any appointment of any further director of Coastal Realty Development deliver to the Security Trustee:
  - i) the substitute or additional director's undated resignation in blank (in form and substance satisfactory to the Security Trustee) duly signed by such newly appointed director(s); and
  - ii) letters of authorisation from each of such directors in form and substance satisfactory to the Security Trustee (provided that such undated resignations in blank shall not be filled or dated prior to the Enforcement Date).

## **Closing**

Closing took place on 4 April 2006.

No application will be made for listing of, or permission to deal in, the Senior Notes on the Stock Exchange or any other stock exchange. The Senior Notes do not carry any rights to convert into Shares.

## **PRINCIPAL TERMS OF THE SENIOR NOTES**

### **Interest**

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

### **Security**

The Senior Notes are secured by the Share Charge over the Securities and the Account Charge.

The Group may undergo a reorganisation within the Group, in which certain subsidiaries of Coastal Realty Development may be transferred to Coastal Realty Investment, a wholly owned subsidiary of the Company. 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 of the Company 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 Senior Notes will mature on 5 August 2008.

### **Transferability**

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

### **Early redemption**

On or at any time after 5 August 2007, the Company may redeem the Senior Notes, in whole but not in part, 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 Senior Notes. The notice will be irrevocable after it is given to the relevant holder(s) of the Senior Notes.

Following the occurrence of a change of control of the Company, the holder of each Senior Note will have the right at such holder's option, to require the Company to redeem all or some only of such holders' Senior Notes on the 14th day after the Relevant Event Put Date at its principal amount plus accrued interest. The holder of the relevant Senior Notes must give a written notice requiring redemption together with the Senior Notes certificate evidencing the Senior Note to be redeemed by not later than the Relevant Event Put Date.

CIH is interested in approximately 48.83% of the entire issued share capital of the Company. The entire issued share capital of CIH 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).

## **Negative pledge**

Save as provided in the terms and conditions of the Senior Notes, the Company undertakes that, so long as any of the Senior Notes remains outstanding or any amount is due in relation to any Senior Note or the Deed Poll, it will not, and will procure that none of its subsidiaries to create any encumbrance on their respective present or future assets or revenues to secure any indebtedness of the Company or any other subsidiary or associate of the Company.

## **TERMS OF THE CONVERTIBLE BONDS AS AMENDED PURSUANT TO THE RESTATED DEED POLL**

### **Exchange right**

Pursuant to the Supplemental Deed Poll, if Mellon HBV does not subscribe, or if other subscribers do not subscribe, for at least US\$20 million (equivalent to approximately HK\$156 million) of Additional Notes on or before 31 March 2006, the Company may, at its option, at any time within the period of one month after 31 March 2006, cancel each of the tranche 2 Convertible Bonds with an aggregate principal of US\$3.125 million (equivalent to approximately HK\$24.38 million) and the tranche 4 Convertible Bonds with an aggregate principal of US\$3.125 million (equivalent to approximately HK\$24.38 million), provided that, in consideration thereof, the Company shall concurrently issue, and deliver to or to the order of Mellon HBV or other subscribers the Notes (and certificates in respect of such Notes), which shall rank pari passu with the already issued and outstanding Initial Notes and in particular shall entitle holder(s) to the full amount of interest on the next interest payment date in respect of the Initial Notes, in an aggregate principal amount equal to the aggregate principal amount of such cancelled tranches together with evidence that the register of holder(s) of such Initial Notes has been amended to reflect such further issuance.

Upon the restatement of the Deed Poll, the Company will no longer have the right to exchange the Convertible Bonds into Notes.

### **Early redemption**

Prior to the restatement of the Deed Poll, the Convertible Bonds cannot be redeemed prior to the date of maturity.

Upon the restatement of the Deed Poll, following the occurrence of a change of control of the Company, the holder of each Convertible Bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holders' Convertible Bonds on the 14th day after the Relevant Event Put Date at its principal amount plus accrued interest. The holder of the relevant Convertible Bonds must give a written notice requiring redemption together with the Convertible Bonds certificate evidencing the Convertible Bonds to be redeemed by not later than the Relevant Event Put Date.

## **Negative pledge**

Save as provided in the terms and conditions of the Convertible Bonds, the Company undertakes that, so long as any of the Convertible Bonds remains outstanding or any amount is due in relation to any Convertible Bond or the Deed Poll, it will not, and will procure that none of its subsidiaries to create any encumbrance on their respective present or future assets or revenues to secure any indebtedness of the Company or any other subsidiary or associate of the Company.

Save as disclosed in this announcement, there are no other material changes to the terms of the Convertible Bonds.

## REASONS FOR THE ISSUE OF THE SENIOR NOTES

The Directors consider that the issue of the Senior Notes is an appropriate means of raising additional funds for the operations of the Company, which is a commercial exercise in the normal course of the business of the Company.

After taking into account of the aggregate value of the Senior Notes and the funding requirement for the development of the Project, the Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscribers, are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The Directors consider the terms and conditions of the Subscription to be on normal commercial terms.

Save as to the information in relation to the proposed issue of the convertible bonds as disclosed in the announcement of the Company dated 23 March 2006, the Company has not conducted any further negotiations with the potential subscriber, Supreme Link Limited.

The following table summarises the fund raising activities of the Company for the 12 months immediately preceding the date of this announcement:

<b>Date of initial announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
12 July 2005	Issue of Convertible Bonds and Initial Notes	US\$29.2 million (equivalent to approximately HK\$228 million)	Development of the 2005 Project	US\$29.2 million (equivalent to approximately HK\$228 million) was used in the development of the 2005 Project

## USE OF PROCEEDS

The net proceeds is approximately US\$36.53 million (equivalent to approximately HK\$285 million). The Group is planning to develop the Project. The Company plans to use the whole amount of the net proceeds from the Senior Notes in the development of the Project. Currently, the Group is formulating the overall design and development plan for the Project. As at the date of this announcement, the date of commencement of construction and the date of completion of the Project is yet to be determined.

## ADDITIONAL NOTES

The Company has stated in the Announcements that Mellon HBV may, at its discretion, subscribe or procure other parties to subscribe on a best effort basis Additional Notes of up to US\$20 million (equivalent to approximately HK\$156 million). As at the date of this announcement, Mellon HBV has not subscribed any Additional Notes. Upon the restatement of the Deed Poll, Mellon HBV will not have the right to subscribe for the Additional Notes.

## DEFINITIONS

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

“Account Charge”	the account charge between the Company, the Security Trustee and The Hongkong and Shanghai Banking Corporation Limited as the account bank in relation to the interest bearing account at The Hongkong and Shanghai Banking Corporation Limited established in the name of the Security Trustee (for the Company) but under the control of the Security Trustee for the benefit of the holders of the Bonds and the Security Trustee
“Additional Notes”	9% senior notes with a principal amount of up to US\$20 million (equivalent to approximately HK\$156 million) due 2008 to be issued by the Company pursuant to the 2005 Subscription Agreement and to be subscribed by or procured to be subscribed by Mellon HBV on a best effort basis
“Announcements”	the announcements of the Company dated 12 July 2005, 2 August 2005, 3 August 2005 and 10 November 2005 in relation to the issue of the Convertible Bonds and the Initial Notes
“associates”	has the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange
“Bonds”	Senior Notes, Initial Notes and Convertible Bonds
“CIH”	Coastal International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Closing Date”	4 April 2006
“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

“Convertible Bonds”	convertible bonds with an aggregate principal amount of US\$12.5 million (equivalent to approximately HK\$97.5 million) issued by the Company to Mellon HBV Master Global Event Driven Fund LP pursuant to the 2005 Subscription Agreement of which US\$9.375 million (equivalent to approximately HK\$73 million) remains outstanding and is held by Mellon HBV Master Global Event Driven Fund LP as at the date of this announcement
“Deed Poll”	the deed poll dated 5 August 2005 as modified from time to time and as amended and restated on the Closing Date, which constitutes the Bonds
“Directors”	the directors of the Company
“Enforcement Date”	following an event of default having occurred in respect of any of the Bonds, the date on which the Security Trustee is directed by the holders of not less than 75% in aggregate principal amount of the Bonds that the Enforcement Date has occurred, 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
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Initial 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 Master Global Event Driven Fund LP on 5 August 2005 pursuant to the 2005 Subscription Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mellon HBV”	Mellon HBV Alternative Strategies LLC, a company incorporated in the United States of America with limited liability
“Notes”	Senior Notes and Initial Notes
“Placing Agent”	Merrill Lynch Far East Limited, licensed to carry on business in types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 “	a planned commercial and residential development project with a site area of approximately 34,001 square metres at Zone A, lot 3, 6, 7 and 8, Xinghai Bay, Sha Hekou District, Dalian, Liaoning Province, the PRC
“Relevant Event Put Date”	60 days following a change of control of the Company or 60 days following the date upon which notice is given to holders of the Bonds by the Company in relation to the change of control of the Company
“Securities”	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
“Security Trustee”	The Hongkong and Shanghai Banking Corporation Limited as the security trustee
“Senior Notes”	9% senior notes with a principal amount of US\$40 million (equivalent to approximately HK\$312 million) due 2008 issued by the Company to the Subscribers pursuant to the Subscription Agreement when issued will be interchangeable and be consolidated with the Initial Notes
“Share Charge”	charge by Coastal Realty BVI by way of first charge, to the Security Trustee 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 Coastal Realty BVI under or in respect of the Bonds, the Account Charge, the Swap (provided that the total amount of moneys, obligations and liabilities of Coastal Realty BVI in respect of the Swap secured by the Share Charge shall be limited to US\$1 million (equivalent to approximately HK\$7.8 million)) and all amounts payable by Coastal Realty BVI under the Share Charge
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	three institutional subscribers, which are not connected with each other, subscribing for the Senior Notes pursuant to the Subscription Agreement

“Subscription Agreement”	subscription agreement entered into between the Company and the Subscribers dated 30 March 2006 in relation to the subscription of the Senior Notes
“Supplemental Deed Poll”	the supplemental deed poll dated 10 November 2005 which constitutes the Bonds
“Swap”	the interest rate and currency swap at prevailing rate to be entered into between the Company and Merrill Lynch Capital Services, Inc.
“2005 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
“2005 Subscription Agreement”	subscription agreement dated 7 July 2005 entered in between the Company and Mellon HBV and announced by the Company on 12 July 2005
“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, 4 April 2006

\* *For identification purpose only*

*As at the date of this announcement, the board of Directors 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.*

*Please also refer to the published version of this announcement in  
The Standard and Sing Tao Daily.*