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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)

**PROPOSED ISSUE OF CONVERTIBLE NOTES,
PROPOSED ISSUE OF SENIOR BONDS
AND
RESUMPTION OF TRADING**

Proposed issue of Convertible Notes

The Board announces that the Company has on 16 June 2006 entered into a legally binding Agreement relating to the issue of unlisted senior secured convertible notes due 2009 in an aggregate principal amount of US\$39.5 million to US\$65.0 million.

Assuming the Principal Amount is US\$39.5 million, the net proceeds after deducting the relevant expenses from the issue of the Convertible Notes will be approximately US\$37.4 million. The Company plans to use the net proceeds from the issue of the Convertible Notes as to approximately US\$25.0 million for the purpose of future investments and as to approximately US\$12.4 million for the general working capital of the Group. Assuming the Principal Amount is US\$65.0 million, the net proceeds after deducting the relevant expenses from the issue of the Convertible Notes will be approximately US\$62.9 million. The Company plans to use the net proceeds from the issue of the Convertible Notes as to approximately US\$40.0 million for the purpose of future investments and as to approximately US\$22.9 million for the general working capital of the Group.

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 19 June 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 21 June 2006.

PROPOSED ISSUE OF CONVERTIBLE NOTES

The Board wishes to announce that the Company has on 16 June 2006 entered into a legally binding Agreement with the Subscriber in relation to the issue of the Convertible Notes. The Subscriber is one of the entities for which Citadel Limited Partnership serves as portfolio manager and Citadel Investment Group, L.L.C. provides administrative and investment-related services. Citadel Investment Group L.L.C. was founded in 1990. Affiliates of Citadel Investment Group L.L.C., including the Subscriber, deploy investment capital across a highly diversified set of proprietary investment strategies in all major asset classes in all the world's principle markets. Citadel Investment Group L.L.C. and its affiliates maintain offices in Hong Kong, Chicago, New York, San Francisco, Tokyo and London.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from the interests of Citadel Horizon S.a.r.l., a subsidiary of the Subscriber, in 15,710,000 Shares, the Subscriber, Citadel Limited Partnership and their 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 Convertible Notes are as follows:

Issuer	The Company
Subscriber	The Subscriber or its nominee(s)
Principal Amount	In an aggregate principal amount of US\$39.5 million to US\$65.0 million to be determined by the Company and the Subscriber.
Date of Issue	To be issued no later than 10 July 2006.
Maturity Date	On the later of the date 3.5 years from the Date of Issue or 30 December 2009. The Convertible Notes will be redeemed at a price equal to 145% of the Principal Amount.
Put option	The Subscriber will have the option to require the Company to redeem the Convertible Notes for cash at the then outstanding principal amount, plus accrued and unpaid interest, if any, on the put date being a date falling on or after the later of the date 3 years from the Date of Issue and 30 June 2009 and prior to the Maturity Date.
Conversion	<p>The Convertible Notes will be convertible, in whole or in part and on one or more occasions, into Conversion Shares at any time at the option of the holder(s) of the Convertible Notes.</p> <p>In addition, conversion into Conversion Shares will be automatic and mandatory in the following circumstances:</p> <ul style="list-style-type: none">i) conversion of 30% of the Principal Amount will be effected if between 1 July 2007 and the Maturity Date, the VWAP exceeds HK\$1.30 subject to Adjustments;ii) conversion of a further 30% of the Principal Amount will be effected if between 1 July 2008 and the Maturity Date, the VWAP exceeds HK\$1.60 subject to Adjustments; andiii) conversion of a further 30% of the Principal Amount will be effected if between 1 July 2009 and the Maturity Date, the VWAP exceeds HK\$1.90 subject to Adjustments.
Coupon	The Convertible Notes will bear interest at the rate of 4.75% per annum payable semi-annually in arrears.
Ranking	The Convertible Notes will rank pari-passu with the Senior Notes and Mellon HBV Convertible Bonds indebtedness obligations and will be equal in right of payment with all existing and future unsubordinated secured indebtedness.
Security	The Convertible Notes will be secured by second priority security interests in respect of the Securities.

Conversion Price

The Convertible Notes may be converted into Conversion Shares at the initial Conversion Price of HK\$0.70 per Share. The Conversion Price is subject to adjustment upon the occurrence of any event that has a dilutive or concentrative effect on the value of the Shares, including rights issues, dividend distributions, stock splits, bonus issues, distribution in species or the occurrence of certain other analogous events that results in a dilution or concentration of the rights of the Shareholders. Further details of the Adjustments will be disclosed in the circular to be published in relation to the proposed issue of the Convertible Notes.

The Conversion Price represents:

- i) a premium of approximately 29.63% over the closing price per Share as quoted on the Stock Exchange of HK\$0.54 on 16 June 2006, being the last trading day of the Shares on the Stock Exchange prior to the date of this announcement;
- ii) a premium of approximately 29.63% over the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$0.54 for the five consecutive trading days up to and including 16 June 2006, being the last trading day of the Shares on the Stock Exchange prior to the date of this announcement; and
- iii) a premium of approximately 18.64% over the average of the closing prices per Share as quoted on the Stock Exchange of approximately HK\$0.59 for the ten consecutive trading days up to and including 16 June 2006, being the last trading day of the Shares on the Stock Exchange prior to the date of this announcement.

Conditions

The issue of the Convertible Notes are subject to, inter alia:

- i) full documentation for funding and issuance of the Convertible Notes must be executed on or before 30 June 2006 (unless extended by the Subscriber). Settlement and final funding must occur on or before 10 July 2006 (unless extended by the Subscriber);
- ii) any required shareholder approvals will be sought, delivered, and effected no later than 7 July 2006 (unless extended by the Subscriber);
- iii) any required creditor consents or creditor waivers by Mellon HBV and holders of the Senior Notes will be sought, delivered, and effected;
- iv) if necessary, satisfactory intercreditor agreement with Mellon HBV and holders of the Senior Notes enabling full and timely issuance of the Convertible Notes will be sought, delivered, and effected; and
- v) during the period beginning from the signing of the Agreement until funding of the Convertible Notes, the Company agrees not to pursue or discuss any capital raising activities for the Company in excess of US\$5 million.

In the event that the closing of the Agreement does not take place due to breach of the terms and conditions of the Agreement by the Company or the Subscriber, the Company or the Subscriber shall be liable to liquidated damages in the amount of 1.875% of the Principal Amount payable within 15 days to the other party. In the event that closing of the Agreement does take place due to the reasonable material discrepancy found in due diligence or a material mis-reporting of the audited financial statement of the Company identified by the Subscriber, the Subscriber may terminate the Agreement and the Agreement shall cease and determine and the Subscriber shall not be liable to any liquidated damages.

- Right of first refusal The Company agrees to a right of refusal made available to the Subscriber for a period of 3.5 months subsequent to date of the signing of the Agreement allowing the Subscriber to refuse any capital raising transactions in excess of US\$10 million. The Subscriber will release the Company of its right of refusal at time of closing of the formal agreement. In the event of a breach of any terms of the Agreement by the Company, the Subscriber's right of refusal shall remain in force.
- Board representation At the option of the Subscriber, the Subscriber may appoint up to two non-executive Directors to the Board during the period the Convertible Notes are outstanding.
- Change in control The holders of the Convertible Notes may require the Company to redeem the Convertible Notes upon a change in control of the Company at a price equal to 102.5% of the outstanding principal amount of the Convertible Notes, plus accrued and unpaid interest to the date of redemption.

For further details in relation to the Mellon HBV Convertible Bonds and the Senior Notes, please refer to the announcements of the Company dated 12 July 2005, 2 August 2005, 3 August 2005, 10 November 2005 and 4 April 2006.

PROPOSED ISSUE OF SENIOR BONDS

In addition to the proposed issue of the Convertible Notes, it is the intention of the Company and the Subscriber for the Company to issue senior bonds with an aggregate principal amount of not less than US\$20 million to the Subscriber. As at the date of this announcement, the Company and the Subscriber have not arrived at any agreement on the material terms of the Senior Bonds. In any event, the issue of the Senior Bonds will not be conditional upon the issue of the Convertible Notes. Assuming the aggregate principal amount of the Senior Bonds is US\$20 million, the net proceeds after deducting the relevant expenses from the issue of the Senior Bonds will be approximately US\$18.9 million. The Company plans to use the net proceeds from the issue of the Senior Bonds for the purpose of future investments. As at the date of this announcement, no specific investment has been identified by the Directors. The proposed issue of the Senior Bonds may or may not eventually proceed. Further announcement will be made by the Company when and where necessary.

REASONS FOR ISSUE OF CONVERTIBLE NOTES

The Board considered that the proposed issue of the Convertible Notes provided the Company a timely opportunity to raise additional funds for the operations of the Group. Assuming the Principal Amount is US\$39.5 million, the net proceeds after deducting the relevant expenses from the issue of the Convertible Notes will be approximately US\$37.4 million. The Company plans to use the net proceeds from the issue of the Convertible Notes as to approximately US\$25.0 million for the purpose of future investments and as to approximately US\$12.4 million for the general working capital of the Group. Assuming the Principal Amount is US\$65.0 million, the net proceeds after deducting the relevant expenses from the issue of the Convertible Notes will be approximately US\$62.9 million. The Company plans to use the net proceeds from the issue of the Convertible Notes as to approximately US\$40.0 million for the purpose of future investments and as to approximately US\$22.9 million for the general working capital of the Group. As at the date of this announcement, no specific investment has been identified by the Directors.

The Directors (including the independent non-executive Directors) consider that the Agreement is entered into upon normal commercial terms (including the redemption price of 145% of the Principal Amount) following arm's length negotiations between the Company and the Subscriber and that the terms of the Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the issue of the Convertible Notes will strengthen the financial position of the Group, in particular, the working capital and cash flow position of the Group.

Further announcement will be made by the Company upon execution and closing of the formal agreement in relation to the issue of the Convertible Notes, in which further details (including the transferability of the Convertible Notes and the finalised Principal Amount) as to the final terms and conditions of the formal agreement will be disclosed in compliance with the Listing Rules.

The following table summarises all the fund raising activities of the Group within 12 months prior to the date of this announcement:

Date of initial announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
12 July 2005	Issue of Mellon HBV Convertible Bonds	Approximately US\$12.2 million	Development of the Xinqiao Project	The proceeds have all been used in the Xinqiao Project
12 July 2005	Issue of Mellon HBV Senior Notes	Approximately US\$17.0 million	Development of the Xinqiao Project	The proceeds have all been used in the Xinqiao Project
4 April 2006	Issue of Merrill Lynch Senior Notes	Approximately US\$36.53 million	Development of the Xinghai Bay Project	Approximately US\$12 million was used in the Xinghai Bay Project and the balance will be used in the Xinghai Bay Project in due course

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the Convertible Notes. 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

Calculating for conversion of the Convertible Notes, the effect on the shareholdings of the Company is as follows:

	As at the date of this announcement		Upon full conversion of the Convertible Notes (assuming the Principal Amount is US\$39.5 million)		Upon full conversion of the Convertible Notes (assuming the Principal Amount is US\$65.0 million)	
		%		%		%
Controlling Shareholders						
Coastal International Holdings Limited (“CIH”) (Note 1)	497,600,000	22.49	497,600,000	18.76	497,600,000	16.94
Coastal Enterprise Group Limited (Note 2)	484,210,527	21.88	484,210,527	18.25	484,210,527	16.49
Glory View Investments Limited (Note 3)	46,080,000	2.08	46,080,000	1.73	46,080,000	1.57
Sub-total	1,027,890,527	46.45	1,027,890,527	38.74	1,027,890,527	35.00
Lin Chen Hsin (Note 4)	480,000	0.02	480,000	0.02	480,000	0.02
Public Shareholders (Note 5)	1,168,819,473	52.82	1,168,819,473	44.06	1,168,819,473	39.79
Holder(s) of the Convertible Notes and its associates	15,710,000	0.71	455,852,857	17.18	739,995,714	25.19
Total	2,212,900,000	100.00	2,653,042,857	100.00	2,937,185,714	100.00

Notes:

1. The Shares are beneficially owned by CIH, the entire issued share capital of which is beneficially owned as to 20% by Chan Boon Teong, 35% by Jiang Ming, 12% by Tao Tin, 5% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issue share capital of which is beneficially owned by Jiang Ming).
2. The Shares are beneficially owned by Coastal Enterprise Group Limited, the entire issue 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 Lin Chen Hsin who is a Director.

5. As at the date of this announcement, the outstanding principal amount of the Mellon HBV Convertible Bonds is US\$6.25 million. 97,500,000 Shares will be allotted and issued to holder of the Mellon HBV Convertible Bonds upon the exercising of the conversion rights attaching to the Mellon HBV Convertible Bonds. Assuming the holder of the Mellon HBV Convertible Bonds exercises the conversion rights attaching to the Mellon HBV Convertible Bonds in full, the Shares held by public Shareholders will still be more than 25% of the enlarged issued share capital of the Company.

GENERAL

The Group is principally engaged in property development, property investment and provision of property management services. The Board intends to continue with the existing business of the Group upon the issue of the Convertible Notes.

The Agreement and the transactions contemplated thereunder will be subject to approval by the Shareholders at the SGM. The Directors will seek a specific mandate from the Shareholders at the SGM to allot and issue the Conversion Shares. As at the date of this announcement, to the best of the Directors' knowledge, Citadel Horizon S.a.r.l., a subsidiary of the Subscriber, is interested in 15,710,000 Shares. Other than Citadel Horizon S.a.r.l., no Shareholder has any material interests in the Agreement. Citadel Horizon S.a.r.l. will be required to abstain from voting for the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the SGM. A circular will be despatched as soon as practicable to the Shareholders containing details of the proposed issue of the Convertible Notes and a notice to convene the SGM.

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 19 June 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 21 June 2006.

DEFINITIONS

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

“Adjustments”	adjustments of the Conversion Price, details of which are set out under the paragraph headed “Conversion Price” under the section headed “Proposed issue of Convertible Notes” of this announcement
“Agreement”	the binding financing term sheet and agreement dated 16 June 2006 signed by the Company as issuer and the Subscriber as subscriber in relation to the proposed issue of the Convertible Notes
“Board”	the board of Directors
“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
“Conversion Price”	the price at which Shares will be issued upon conversion of Convertible Notes, the initial conversion price being HK\$0.70 per Share, subject to Adjustments
“Conversion Shares”	the Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes or on mandatory conversion

“Convertible Notes”	unlisted senior secured convertible notes with an aggregate principal amount of US\$39.5 million to US\$65.0 million due 2009 proposed to be issued by the Company to the Subscriber or its nominee(s) pursuant to the Agreement
“Date of Issue”	the date of issue of the Convertible Notes
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mellon HBV”	Mellon HBV Master Global Event Driven Fund LP
“Mellon HBV Convertible Bonds”	convertible bonds with an aggregate principal amount of US\$12.5 million issued by the Company to Mellon HBV pursuant to the subscription agreement dated 7 July 2005 of which US\$6.25 million remains outstanding and is held by Mellon HBV as at the date this announcement
“Mellon HBV Senior Notes”	9% senior notes, which do not carry any rights to be converted into Shares, with a principal amount of US\$17.5 million due 2008 issued by the Company to Mellon HBV pursuant to the subscription agreement dated 7 July 2005
“Merrill Lynch”	Merrill Lynch Far East Limited, the placing agent for the Merrill Lynch Senior Notes
“Merrill Lynch Senior Notes”	9% senior notes, which do not carry any rights to be converted into Shares, with a principal amount of US\$40 million due 2008 issued by the Company to three institutional subscribers pursuant to the subscription agreement dated 30 March 2006
“Principal Amount”	US\$39.5 million to US\$65.0 million in aggregate principal amount of the Convertible Notes, to be determined by the Company and the Subscriber
“Securities”	at any time, (i) all right, title and interests of Coastal Realty (BVI) Limited, a wholly-owned subsidiary of the Company, in and to such number of the shares as shall comprise 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly-owned subsidiary of the Company, and shall include any other shares of Coastal Realty Development Co. Limited which may hereafter be registered in the name of, or beneficially owned by, Coastal Realty (BVI) Limited 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 Bonds”	senior bonds, which do not carry any rights to be converted into Shares, with an aggregate principal amount of with an aggregate principal amount of not less than US\$20 million proposed to be issued by the Company to the Subscriber or its nominee(s)

“Senior Notes”	Merrill Lynch Senior Notes and Mellon HBV Senior Notes
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed issue of the Convertible Notes
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Citadel Equity Fund Ltd.
“VWAP”	the 30-day average trading volume weighted closing price per Share calculated based on the trading volumes of the Shares and the closing prices per Share as quoted on the Stock Exchange
“Xinghai Bay Project”	a planned commercial and residential development project with a site area of 34,001 square metres at Zone A, lot 3, 6, 7 and 8, Xinghai Bay, Sha Hekou District, Dalian, Liaoning Province, the People’s Republic of China
“Xinqiao Project”	the property development of the Group in Xinqiao, Songjiang District, Shanghai, the People’s Republic of China with a planned gross floor area of about 298,000 square metres which comprises mainly residential properties with ancillary facilities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America

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
Coastal Greenland Limited
Chan Boon Teong
Chairman

Hong Kong, 20 June 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.*