

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



ISSUE OF CONVERTIBLE BONDS

A notice convening a special general meeting of Coastal Greenland Limited to be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 21 July 2006 at 9:00 a.m. is set out on pages 21 to 22 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if you so wish.

* for identification purpose only

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DEFINITIONS

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

“Adjustments”	adjustments of the Conversion Price, details of which are set out under the paragraph headed “Adjustments of Conversion Price” under the section headed “Issue of Convertible Bonds” of this circular
“Agreement”	the binding financing term sheet and agreement dated 16 June 2006 entered into between the Company as issuer and the Subscriber as subscriber in relation to the issue of the convertible notes
“Announcement”	the announcement of the Company dated 20 June 2006 in relation to the proposed issue of convertible notes and proposed issue of senior bonds
“Average Current Market Price”	the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days ending on the dealing day immediately preceding such date
“Board”	the board of Directors
“Capital Distribution”	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 subject to certain exceptions
“CB Closing”	closing for the subscription of the Convertible Bonds
“CB Closing Date”	the date of CB Closing also being the date of issue of the Convertible Bonds
“CB Share Charge”	charge by Coastal Realty BVI by way of second fixed 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 all the moneys, obligations and liabilities of the Company under or in respect of the Convertible Bonds and all amounts payable by the Company under this charge

DEFINITIONS

“CB Subscription Agreement”	subscription agreement dated 30 June 2006 entered into between the Company as the issuer and the Subscriber as subscriber in relation to the issue of the Convertible Bonds
“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
“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
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Conversion Price”	the price at which Shares will be issued upon conversion of Convertible Bonds, 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 Bonds or on mandatory conversion
“Convertible Bonds”	unlisted senior secured convertible bonds with an aggregate principal amount of US\$40 million due 2009 to be issued by the Company to the subscriber or its nominee(s) pursuant to the CB Subscription Agreement
“Directors”	the directors of the Company
“Early Redemption Amount”	the principal amount of each of the Convertible Bonds (with a denomination of US\$1 million each) plus a premium for each Convertible Bond rounded to the nearest cent determined in accordance with the following formula:

$$\text{Premium} = \text{US\$1,000,000} \times 0.45 \times \frac{\text{Days Outstanding}}{1260}$$

where Days Outstanding means the number of days from, and including, 19 July 2006 to, but excluding, the date for redemption, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Notes”	Merrill Lynch Senior Notes and Mellon HBV Senior Notes
“Latest Practicable Date”	30 June 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Latest Practicable Date
“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 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\$40 million in aggregate principal amount of the Convertible Bonds

DEFINITIONS

“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
“Security Trustee”	The Hongkong and Shanghai Banking Corporation Limited as security trustee
“SGM”	the special general meeting of the Company to be convened on Friday, 21 July 2006 to consider and, if thought fit, approve the CB Subscription Agreement and the transactions contemplated thereunder
“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.
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules
“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

DEFINITIONS

“Xinghai Bay Project”	a planned commercial and residential development project of the Group 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 circular of US\$1.00 to HK\$7.7676 is for illustrative purposes only.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chan Boon Teong (*Chairman*)

Mr. Jiang Ming

(*Vice Chairman and Managing Director*)

Mr. Tao Lin

Mr. Cheng Wing Bor

Mr. Lin Chen Hsin

Non-executive Director:

Mr. Zheng Hong Qing

Independent non-executive Directors:

Mr. Tang Lap Yan

Mr. Law Kin Ho

Mr. Wong Kai Cheong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business in Hong Kong:*

Suite 1708, 17th Floor

One Exchange Square

8 Connaught Place

Central

Hong Kong

5 July 2006

To the Shareholders

Dear Sir or Madam,

ISSUE OF CONVERTIBLE BONDS

INTRODUCTION

On 20 June 2006, the Board announced that the Company had entered into a legally binding Agreement with the Subscriber in relation to the issue of the convertible notes with an aggregate principal amount of US\$39.5 million to US\$65.0 million due 2009.

The Company indicated that it would publish a further announcement upon the execution of the formal subscription agreement in relation to the issue of convertible notes and announce the final terms and conditions of the subscription agreement in relation to the convertible notes.

* for identification purpose only

LETTER FROM THE BOARD

On 3 July 2006, the Board announced that the Company and the Subscriber had entered into the CB Subscription Agreement in relation to the issue of the Convertible Bonds in the amount of US\$40 million.

Save as to the changes in (i) the date of issue of the Convertible Bonds; (ii) the conditions precedent in the CB Subscription Agreement; (iii) the amount which the Subscriber may redeem upon exercising the put option as set out in the paragraph headed “Put option”; and (iv) the amount which the holder(s) of the Convertible Bonds may redeem upon the change of control of the Company as set out in the paragraph headed “Change of control” and the finalising of (i) the principal amount of the Convertible Bonds; and (ii) the transferability of the Convertible Bonds, there are no material differences between the principal terms of the Agreement and the CB Subscription Agreement.

The modification of the principal terms of the Agreement in the CB Subscription Agreement was made upon further negotiation between the Company and the Subscriber to finalise the procedures and the details in the CB Subscription Agreement.

The purpose of this circular is to provide you with the information relating to issue of the Convertible Bonds and the notice of SGM, at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the CB Subscription Agreement and the transactions contemplated thereunder.

ISSUE OF CONVERTIBLE BONDS

On 30 June 2006, the Company and the Subscriber have entered into the CB Subscription Agreement in relation to the issue of the Convertible Bonds in the amount of US\$40 million.

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 principal 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 of the Company and are third parties independent of the Company and its subsidiaries and connected persons of the Company.

LETTER FROM THE BOARD

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of US\$40 million at the Conversion Price by the holder(s) of the Convertible Bonds, the Company will issue an aggregate of 443,862,857 new Shares, representing (i) approximately 20.06% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.71% of the issued share capital of the Company as enlarged by the exercise of the conversion rights in full of the conversion rights attaching to the Convertible Bonds.

Principal terms of the CB Subscription Agreement and the Convertible Bonds are as follows:

Issuer	The Company
Subscriber	The Subscriber or its nominee(s)
Principal Amount	In an aggregate principal amount of US\$40 million.
Date of issue	19 July 2006 or such other date (including an earlier date) as the Company and the Subscriber may agree.
Maturity Date	30 December 2009. The Convertible Bonds 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 Bonds for cash at the Early Redemption Amount, plus accrued and unpaid interest, if any, at any time from 30 June 2009 to the Maturity Date.
Conversion	The Convertible Bonds 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 Bonds.

In addition, conversion into Conversion Shares will be automatic and mandatory in the following circumstances:

- (i) conversion of 30% of the Principal Amount (to the extent not already converted or redeemed) will be effected if between 1 July 2007 and the Maturity Date, the VWAP exceeds HK\$1.30 subject to Adjustments;

LETTER FROM THE BOARD

(ii) conversion of a further 30% of the Principal Amount (to the extent not already converted or redeemed) will be effected if between 1 July 2008 and the Maturity Date, the VWAP exceeds HK\$1.60 subject to Adjustments; and

(iii) conversion of a further 30% of the Principal Amount (to the extent not already converted or redeemed) will be effected if between 1 July 2009 and the Maturity Date, the VWAP exceeds HK\$1.90 subject to Adjustments.

Coupon The Convertible Bonds will bear interest at the rate of 4.75% per annum payable semi-annually in arrears.

Ranking The Convertible Bonds will rank pari-passu and without any preference or priority among themselves.

Security The Convertible Bonds will be secured by second priority security interests in respect of the Securities.

Transferability The Convertible Bonds may be freely transferred or assigned to any third parties.

The Company will notify the Stock Exchange upon becoming aware of any dealings in the Convertible Bonds by a connected person of the Company.

Conversion Price The Convertible Bonds may be converted into Conversion Shares at the initial Conversion Price of HK\$0.70 per Share.

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 the Announcement;

LETTER FROM THE BOARD

- (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 the Announcement;
- (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 the Announcement; and
- (iv) a premium of approximately 12.90% over the closing price per Share as quoted on the Stock Exchange of HK\$0.62 on the Latest Practicable Date.

Adjustments of Conversion Price

The Adjustments were intended to adjust the Conversion Price upon the occurrence of any event that changes the nominal value of the Shares and has a dilutive effect on the value of the Shares. The Conversion Price is subject to adjustment upon the occurrence of the following events:

- (i) any alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) (a) the issue of Shares by the Company credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account), including, Shares paid up out of distributable profits or reserves and/or share premium account issued (except any script dividend) and which would not have constituted a Capital Distribution and (b) in the case of an issue of Shares by way of a script dividend where the Average Current Market Price of such Shares exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a Capital Distribution;

LETTER FROM THE BOARD

- (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 of, 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 the Average Current Market Price 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;
- (vi) subject to sub-paragraph (vii), the issue (otherwise than as mentioned in sub-paragraph (iv) above) by the Company of any Shares (other than Shares issued on the exercise of conversion rights attaching to the Convertible Bonds 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 the Average Current Market Price on the last dealing day preceding the date of announcement of the terms of such issue;

LETTER FROM THE BOARD

(vii) 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 attaching to the Convertible Bonds 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 and for which consideration receivable by the Company for such issuances when aggregated is less than US\$25 million;

(viii) 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 (viii), the issue wholly for cash by any member of the Group (otherwise than as mentioned in sub-paragraph (iv), (v), (vi) or (vii) above) or (at the direction or request of or pursuant to any arrangements with any member of the Group) 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 the Average Current Market Price on the last dealing day preceding the date of announcement of the terms of issue of such securities;

LETTER FROM THE BOARD

- (ix) 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 the Average Current Market Price on the last dealing day preceding the date of announcement of the proposals for such modification;
- (x) the issue, sale or distribution by or on behalf of any member of the Group or (at the direction or request of or pursuant to any arrangements with any member of the Group) any other person of any securities in connection with an offer by or on behalf of any member of the Group 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)-(viii) (except where the Conversion Price to be adjusted under sub-paragraphs (iv)-(viii) above); and
- (xi) 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 of the Company 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;

LETTER FROM THE BOARD

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 advised by the auditors of the Company to be in their opinion appropriate to give the intended result.

Conditions

The issue of the Convertible Bonds is subject to:

- (i) the trust deed, paying and conversion agency agreement and the CB Share Charge having been executed by all parties thereto on or prior to the CB Closing Date;
- (ii) the holders of the Mellon HBV Convertible Bonds and Initial Notes to have consented to the issue of the Convertible Bonds, agreed to waive any covenant breaches due to such issue and consent to the execution of the CB Share Charge;
- (iii) on the CB Closing Date, there shall have been delivered to the Subscriber, each in a form reasonably satisfactory to the Subscriber, opinions of:
 - (a) legal advisers as to Bermuda law;
 - (b) legal advisers as to British Virgin Islands law;
and
 - (c) legal advisers as to Hong Kong law,

and such other board and shareholders resolutions, consents, authorities and documents relating to the issue of the Convertible Bonds, as the Subscriber may reasonably require;

LETTER FROM THE BOARD

- (iv) on or prior to the CB Closing Date any required shareholder approvals in connection with the issue of the Convertible Bonds will have been obtained and be in full force and effect;
- (v) on the CB Closing Date:
 - (a) the representations and warranties of the Company in the CB Subscription Agreement being true and correct in all material respects at and as if made on the CB Closing Date with references to the facts and circumstances then subsisting;
 - (b) the Company having performed, in all material respects, all of its obligations under the CB Subscription Agreement to be performed on or before the CB Closing Date; and
 - (c) there having been delivered to the Subscriber a certificate, dated as of the CB Closing Date, of a duly authorised officer of the Company to such effect;
- (vi) on the CB 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 the Subscriber, is material and adverse and which makes it, in the reasonable opinion of the Subscriber, impracticable to market the Convertible Bonds or proceed with the issue on the terms and in the manner contemplated by the Subscriber;
- (vii) on or prior to the CB Closing Date, there shall have been delivered to the Subscriber, a copy of the Form C1 relating to, and a copy of the Stock Exchange's listing approval of, the Conversion Shares; and

LETTER FROM THE BOARD

(viii) the Subscriber shall have been satisfied with the results of its due diligence investigations on the Group for the purposes of its subscription of the Convertible Bonds.

Other than Condition (ii) above, none of the above conditions has been fulfilled as at the Latest Practicable Date.

Right of first refusal

The Company agrees to a right of refusal made available to the Subscriber for a period of 105 days subsequent to the date of the CB Subscription Agreement allowing the Subscriber a right of first refusal to participate as the subscriber in respect of any capital raising transactions in excess of US\$10 million. The right of first refusal shall terminate upon the issue of the Convertible Bonds on the CB Closing Date.

Board representation

At the option of Citadel Equity Fund Ltd., Citadel Equity Fund Ltd. may nominate up to two non-executive Directors to the Board during the period the Convertible Bonds are outstanding.

Change of control

The holder(s) of the Convertible Bonds may require the Company to redeem the Convertible Bonds upon a change of control of the Company at a price equal to 102.5% of the Early Redemption Amount plus accrued and unpaid interest to the date of redemption.

For further details in relation to the Mellon HBV Convertible Bonds and the Initial 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.

REASONS FOR ISSUE OF CONVERTIBLE BONDS

The Board considered that the proposed issue of the Convertible Bonds provided the Company a timely opportunity to raise additional funds for the operations of the Group. The net proceeds after deducting the relevant expenses from the issue of the Convertible Bonds will be approximately US\$37.8 million. The Company plans to use the net proceeds from the issue of the Convertible Bonds as to approximately US\$25.4 million for the purpose of future investments and as to approximately US\$12.4 million for the general working capital of the Group. As at the Latest Practicable Date, no specific investment has been identified by the Directors.

LETTER FROM THE BOARD

The issue of the Convertible Bonds is subject to approval by the Shareholders. Provided that the Company obtains the approval of the Shareholders at the SGM, the Directors expect the Company to issue the Convertible Bonds on or about 22 July 2006.

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

The following table summarises all the fund raising activities of the Group within 12 months prior to the Latest Practicable Date:

Date of initial announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
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 Bonds. 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.

LETTER FROM THE BOARD

CHANGES OF SHAREHOLDING

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

	As at the Latest Practicable Date	%	Upon full conversion of the Convertible Bonds	%
Controlling Shareholders				
Coastal International Holdings Limited (“CIH”) (Note 1)	497,600,000	22.49	497,600,000	18.73
Coastal Enterprise Group Limited (Note 2)	484,210,527	21.88	484,210,527	18.23
Glory View Investments Limited (Note 3)	46,080,000	2.08	46,080,000	1.73
Sub-total	<u>1,027,890,527</u>	<u>46.45</u>	<u>1,027,890,527</u>	<u>38.69</u>
Lin Chen Hsin (Note 4)	480,000	0.02	480,000	0.02
Public Shareholders (Note 5)	1,168,819,473	52.82	1,168,819,473	43.99
Holder(s) of the Convertible Bonds and its associates	15,710,000	0.71	459,572,857	17.30
Total	<u>2,212,900,000</u>	<u>100.00</u>	<u>2,656,762,857</u>	<u>100.00</u>

Notes:

- 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).
- The Shares are beneficially owned by Coastal Enterprise Group Limited, the entire issue share capital of which is beneficially owned by CIH.
- The Shares are beneficially owned by Glory View Investments Limited, the entire issued share capital of which is beneficially owned by CIH.
- The Shares are beneficially owned by Lin Chen Hsin who is a Director.
- As at the Latest Practicable Date, 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. Assuming that Mellon HBV does not dispose of any of its existing Shares, that the Company does not issue any further Shares and that Mellon HBV fully converts the outstanding Mellon HBV Convertible Bonds prior to the full conversion of the Convertible Bonds, Mellon HBV will become a substantial shareholder of the Company. However, if Mellon HBV fully converts the outstanding Mellon HBV Convertible Bonds after the full conversion of the Convertible Bonds, Mellon HBV will not become a substantial shareholder of the Company unless it acquires Shares in addition to its existing holding of Shares.

LETTER FROM THE BOARD

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 Bonds.

SGM

The notice convening the SGM is set out on pages 21 to 22 of this circular. At the SGM, an ordinary resolution will be proposed to approve the CB Subscription Agreement and the transactions contemplated thereunder by way of poll. The Directors will seek a specific mandate from the Shareholders at the SGM to allot and issue the Conversion Shares. As at the Latest Practicable Date, 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 and is in control and entitled to exercise control over the voting rights in respect of such Shares. Other than Citadel Horizon S.a.r.l., the Subscriber, its ultimate beneficial owner and their associates do not have any interest in the Shares. Other than Citadel Horizon S.a.r.l., no Shareholder has any material interests in the CB Subscription Agreement. Citadel Horizon S.a.r.l. will be required to abstain from voting for the relevant resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM. An announcement of the results of the SGM will be made by the Company after the SGM.

A form of proxy for use at the SGM is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

PROCEDURES FOR THE DEMAND BY POLL

Under bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the terms of the CB Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the CB Subscription Agreement and the transactions contemplated thereunder.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of the Board
Coastal Greenland Limited
Chan Boon Teong
Chairman

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of the shareholders of Coastal Greenland Limited (the “**Company**”) will be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 21 July 2006 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the subscription agreement (the “**CB Subscription Agreement**”) dated 30 June 2006 and entered into between the Company as issuer and Citadel Equity Fund Ltd. as subscriber in relation to the proposed issue of the senior secured convertible bonds (the “**Convertible Bonds**”) with an aggregate principal amount of US\$40 million due 2009 (a copy of which has been produced to this Meeting marked “A” and signed by the chairman of this Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors (the “**Directors**”) of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary or expedient for the implementation of and giving effect to the CB Subscription Agreement and the transactions contemplated thereunder;
- (c) the Convertible Bonds to be issued by the Company in accordance with the terms and conditions of the CB Subscription Agreement and the transactions contemplated thereunder be and are hereby approved; and
- (d) any one or more Directors be and are hereby authorised to take all steps necessary or expedient in its opinion to implement and/or give effect to the issue of the Convertible Bonds including but not limited to the allotment and issue of ordinary shares of HK\$0.10 each in the share capital of the Company of which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bonds.”

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

Hong Kong, 5 July 2006

* for identification purpose only

NOTICE OF SGM

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

*Head office and principal place
of business in Hong Kong:*
Suite 1708, 17th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.