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# THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in Coastal Greenland Limited (the “**Company**”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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 on the whole or any part of the contents of this circular.

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**CGI**  
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)

## DISCLOSEABLE AND CONNECTED TRANSACTION

**Independent financial adviser to the  
Independent Board Committee and the Independent Shareholders**



**VXL FINANCIAL SERVICES LIMITED**

卓越企业融资有限公司

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A letter from the independent board committee is set out on page 21 of this circular. A letter from VXL Financial Services Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 22 to 30 of this circular.

A notice convening a special general meeting of the Company to be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 17 August 2007 at 10:00 a.m. is set out on pages 42 to 43 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

1 August 2007

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:*

|                  |  |
|------------------|--|
| “AG Coastal”     | AG Coastal Ltd., a company incorporated in the British Virgin Islands with limited liability and the holding company of AG Coastal Dalian Ltd.   |
| “AG Shenyang I”  | Able Well Assets Limited (to be renamed as AG Shenyang I (BVI) Limited), a company incorporated in the British Virgin Islands with limited liability and the purchaser to the Goldwide Agreement |
| “AG Shenyang II” | AG Shenyang II (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and the purchaser to the Kenco Agreement   |
| “Angelo Gordon”  | funds managed by or affiliates of Angelo, Gordon & Co., L.P.   |
| “Board”          | the board of Directors   |
| “Business Days”  | a day on which banks in Hong Kong are open for business other than a Saturday or a Sunday  |
| “Call Option”    | the call option for Coastal Realty to purchase the equity interests of AG Shenyang II in Project Co II from AG Shenyang II within one year of the date of the Kenco Shareholders Deed            |
| “CGDCL”          | 沿海綠色家園發展(瀋陽)有限公司 (Coastal Greenland Development (Shenyang) Company Limited), a company established in the PRC and an indirect wholly owned subsidiary of the Company                             |
| “Coastal Realty” | Coastal Realty Development Co. Limited, a company incorporated in Hong Kong, an indirect wholly owned subsidiary of the Company and the vendor to the Goldwide Agreement and the Kenco Agreement |
| “Company”        | Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange  |

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## DEFINITIONS

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|------------------------------|---|
| “connected persons”          | has the meaning ascribed to this term under the Listing Rules   |
| “Directors”                  | the directors of the Company  |
| “Disposals”                  | the Goldwide Disposal and the Kenco Disposal  |
| “Goldwide”                   | Goldwide Group Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “Goldwide Agreement”         | the sale and purchase agreement dated 29 June 2007 and entered into between AG Shenyang I, Coastal Realty and the Company for the sale and purchase of the Goldwide Sale Shares   |
| “Goldwide Completion”        | completion of the sale and purchase of the Goldwide Sale Shares in accordance with the Goldwide Agreement   |
| “Goldwide Disposal”          | the proposed disposal by Coastal Realty of the Goldwide Sale Shares subject to and upon the terms and conditions of the Goldwide Agreement  |
| “Goldwide Group”             | Goldwide and its subsidiary(ies) or where the context so requires, in respect of the period before Goldwide became the holding company of its present subsidiaries, the companies that are the present subsidiaries of Goldwide |
| “Goldwide Sale Shares”       | eight shares of US\$1.00 each in the share capital of Goldwide, representing 80% of the entire issued share capital of Goldwide, which is legally and beneficially owned by Coastal Realty                                      |
| “Goldwide Shareholders Deed” | shareholders’ deed in relation to the rights and obligations of shareholders of Goldwide to be entered into among AG Shenyang I, Coastal Realty, Goldwide and the Company on Goldwide Completion                                |
| “Group”                      | the Company and its subsidiaries  |
| “Hong Kong”                  | the Hong Kong Special Administrative Region of the People’s Republic of China   |

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## DEFINITIONS

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| “Independent Board Committee” | the independent committee of the Board, comprising the independent non-executive Directors, formed for the purpose of advising Independent Shareholders in relation to the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option |
| “Independent Shareholders”    | Shareholders which are not required to abstain from voting at the general meeting to approve a connected transaction   |
| “Innovative Marketing”        | Innovative Marketing and Strategy (Shenzhen) Ltd., a company established in the PRC and a wholly owned subsidiary of the Company   |
| “Kenco”                       | Kenco Group Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “Kenco Agreement”             | the sale and purchase agreement dated 29 June 2007 and entered into between AG Shenyang II, Coastal Realty and the Company for the sale and purchase of the Kenco Sale Shares  |
| “Kenco Completion”            | completion of the sale and purchase of the Kenco Sale Shares in accordance with the Kenco Agreement  |
| “Kenco Disposal”              | the proposed disposal by Coastal Realty of the Kenco Sale Shares subject to and upon the terms and conditions of the Kenco Agreement   |
| “Kenco Group”                 | Kenco and its subsidiary(ies) or where the context so requires, in respect of the period before Kenco became the holding company of its present subsidiaries, the companies that are the present subsidiaries of Kenco                               |
| “Kenco Sale Shares”           | two shares of US\$1.00 in the share capital of Kenco, representing 20% of the entire issued share capital of Kenco, which is legally and beneficially owned by Coastal Realty  |
| “Kenco Shareholders Deed”     | shareholders’ deed in relation to the rights and obligations of shareholders of Kenco to be entered into among AG Shenyang II, Coastal Realty, Kenco and the Company on Kenco Completion   |

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## DEFINITIONS

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|---------------------------------|---|
| “Latest Practicable Date”       | 30 July 2007, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular  |
| “Listing Rules”                 | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Multi Earning”                 | Multi Earning Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Goldwide  |
| “Phase I Project”               | phase I development of the Project which consists of above ground gross floor area of not less than 299,400 square metres of amongst other things communal facilities space of not more than 1,000 square metres, residential space and retail space, but excluding parking space and school and hospital space (if any)        |
| “Phase II Project”              | phase II development of the Project which consists of above ground gross floor area of not less than 178,000 square metres of amongst other things communal facilities space of not more than 500 square metres, office space, SOHO, retail space and hotel, but excluding parking space and school and hospital space (if any) |
| “PRC”                           | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Project”                       | the project for developing mixed-use property known as Shenyang Coastal International Plaza located at the Central Business Center of Hunnan New District, Shenyang, Liaoning Province, PRC   |
| “Project Co I”                  | 瀋陽榮天房地產開發有限公司 (Shenyang Rong Tian Real Estate Development Ltd.), a company established in the PRC   |
| “Project Co II”                 | 瀋陽沿海榮天置業有限公司 (Shenyang Coastal Rong Tian Reality Ltd.), a company established in the PRC  |
| “Project Co II Completion Date” | six months of Goldwide Completion or on or before such later date as may be agreed between the parties  |

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## DEFINITIONS

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|-----------------------------------|--|
| “Project I Services”              | the services to be provided by Innovative Marketing to Project Co I pursuant to the Project I Management Agreement   |
| “Project I Management Agreement”  | project management agreement in relation to the services to be provided by Innovative Marketing to Project Co I to be entered into among Project Co I, Innovative Marketing and the Company on Goldwide Completion                                 |
| “Project II Management Agreement” | project management agreement in relation to the services to be provided by Innovative Marketing to Project Co II to be entered into among Project Co II, Innovative Marketing and the Company on Kenco Completion                                  |
| “Put Option”                      | the put option for AG Shenyang II to sell its equity interests in Project Co II to Coastal Realty within one year of the date of the Kenco Shareholders Deed   |
| “Resolutions”                     | the resolutions to be passed by the Independent Shareholders at the special general meeting to be convened by the Company to approve the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option |
| “SFO”                             | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “SGM”                             | the special general meeting of the Company which will be held on Friday, 17 August 2007 at 10:00 a.m. to consider and approve the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option  |
| “Shareholders”                    | holders of the shares of HK\$0.10 each in the capital of the Company   |
| “Smooth Land”                     | Smooth Land Limited, a company incorporated in Hong Kong and wholly owned by Kenco   |
| “Super Investment”                | Super Investment Development Limited, a company incorporated in Hong Kong with limited liability   |
| “Super Investment Disposal”       | the proposed disposal by Coastal Realty of 50% of the entire issued share capital of Super Investment  |

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## DEFINITIONS

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|------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited  |
| “VXLFS”          | VXL Financial Services Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders |
| “HK\$”           | Hong Kong dollars, the lawful currency for the time being of Hong Kong   |
| “RMB”            | Renminbi, the lawful currency for the time being of the PRC  |
| “US\$”           | United States dollars, the lawful currency for the time being of the United States of America  |
| “%”              | per cent.  |

# 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*)

Mr. Tao Lin

Mr. Cheng Wing Bor

Mr. Lin Chen Hsin

Mr. Wu Xin (*Managing Director*)

Mr. Xin Xiangdong

*Non-executive Directors:*

Mr. Zheng Hong Qing

Mr. Oliver P. Weisberg

Mr. William F. Harley III (alias Mickey Harley)

Mr. Hu Aimin

Mr. Zhang Yijun

Mr. Zhang Huaqiao

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

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

Suite 1708, 17th Floor

One Exchange Square

8 Connaught Place

Central

Hong Kong

*Independent non-executive Directors:*

Mr. Tang Lap Yan

Mr. Law Kin Ho

Mr. Wong Kai Cheong

1 August 2007

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTION

### INTRODUCTION

On 10 July 2007, the Board announced that on 29 June 2007, Coastal Realty, AG Shenyang I and the Company entered into the Goldwide Agreement in relation to the sale of the Goldwide Sale Shares for an aggregate cash consideration of US\$ equivalent to approximately RMB288,000,000 (equivalent to approximately HK\$288,000,000). The US\$ amount is dependent on the rate of exchange one Business Day prior to the payment of deposit and the Goldwide Completion.

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## LETTER FROM THE BOARD

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On 10 July 2007, the Board also announced that on 29 June 2007, Coastal Realty, AG Shenyang II and the Company entered into the Kenco Agreement in relation to the sale of the Kenco Sale Shares for an aggregate cash consideration of US\$ equivalent to approximately RMB42,720,000) (equivalent to approximately HK\$42,720,000). The US\$ amount is dependent on the rate of exchange one Business Day prior to the payment of deposit and the Kenco Completion.

The purpose of this circular is to provide you with details of the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option, the recommendation of the Independent Board Committee, the advice from VXLFS to the Independent Board Committee and the Independent Shareholders in relation to the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option and to give you the notice of the SGM to be convened for the purpose of considering and, if thought fit, approving the the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option by way of poll.

### GOLDWIDE AGREEMENT

**Date:** 29 June 2007

**Parties:**

- (1) Vendor and warrantor: Coastal Realty
- (2) Purchaser: AG Shenyang I
- (3) Guarantor and warrantor: the Company

AG Shenyang I is principally engaged in investment holding. The holding company of AG Shenyang I is Angelo Gordon.

As AG Shenyang I is an associate of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment, an indirectly non-wholly owned subsidiary of the Company, AG Shenyang I is a connected person of the Company.

Coastal Realty is an indirect wholly owned subsidiary of the Company incorporated in Hong Kong and is principally engaged in investment holdings.

### Asset to be disposed

Pursuant to the Goldwide Agreement, AG Shenyang I has agreed to acquire and Coastal Realty has agreed to sell the Goldwide Sale Shares, representing 80% of the entire issued share capital of Goldwide.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date and prior to the Goldwide Completion, the entire issued share capital of Goldwide was beneficially owned by Coastal Realty.

Immediately upon the Goldwide Completion, the entire issued share capital of Goldwide will be beneficially owned as to 20% by Coastal Realty and 80% by AG Shenyang I. Coastal Realty has no current intention to dispose the remaining 20% of the issued share capital of Goldwide.

### **Consideration**

The aggregate cash consideration for the Goldwide Disposal is US\$ equivalent to RMB288,000,000) (equivalent to approximately HK\$288,000,000) and shall be payable in cash by AG Shenyang I in the following manner:

- (i) US\$ equivalent to approximately RMB19,153,242 (equivalent to approximately HK\$19,153,242) as deposit within 24 hours of the signing of the Goldwide Agreement; and
- (ii) the balance of US\$ equivalent to approximately RMB268,846,758 (equivalent to approximately HK\$268,846,758) on the date of the Goldwide Completion.

The US\$ amount is dependent on the rate of exchange one Business Day prior to the payment of deposit and the Goldwide Completion.

The consideration was determined with reference to the 80% equity interests of Goldwide, the net asset value of Goldwide of approximately HK\$312,158,000 as at 31 March 2007 and a premium of approximately HK\$38,274,000.

The consideration for the Goldwide Disposal and the payment terms were arrived at after arm's length negotiations between the parties to the Goldwide Agreement by taking into account, among other matters, the net asset value of Goldwide as at 31 March 2007. The Directors (including the independent non-executive Directors) consider the payment terms and other terms and conditions of the Goldwide Disposal to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the deposit of US\$ equivalent to approximately RMB19,153,242 (equivalent to approximately HK\$19,153,242) was received by Coastal Realty.

### **Conditions**

The Goldwide Completion is conditional upon, among other things, the passing by the Shareholders who are allowed to vote under the Listing Rules at a special general meeting of the Company to be convened and held of an ordinary resolution to approve the Goldwide Agreement and the transactions contemplated hereunder.

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## LETTER FROM THE BOARD

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If the conditions are not fulfilled (or waived by AG Shenyang I) prior to 28 August 2007 (or such other date as may be agreed by AG Shenyang I and Coastal Realty), the Goldwide Agreement shall cease and determine, subject to the right of AG Shenyang I to proceed with the Phase I Project and the parties to the Goldwide Agreement shall agree to proceed with the Phase I Project on terms and conditions similar to the Goldwide Agreement.

### **Completion**

Completion will take place on the third Business Days after the fulfillment or waiver, as the case may be, of all the conditions as agreed by AG Shenyang I and Coastal Realty (or such other date as may be agreed by AG Shenyang I and Coastal Realty).

On Completion, (i) Coastal Realty, AG Shenyang I, Goldwide and the Company will enter into the Goldwide Shareholders Deed which sets out the operation and management of Goldwide Group and the rights and obligations of Coastal Realty and AG Shenyang I, in particular, the temporary ownership of Project Co II and a right of exit exercisable by AG Shenyang I to sell its interests in Goldwide to Coastal Realty if 95% of the total saleable gross floor area of Phase I Project has been sold; and (ii) Project Co I, Innovative Marketing and the Company will enter into the Project I Management Agreement. For further details in relation to the Project I Management Agreement, please refer to the section headed “Project I Management Agreement” below.

Upon Completion, Goldwide will cease to become a subsidiary of the Company and the accounts of Goldwide will be equity accounted into the consolidated financial statements of the Company. On the Goldwide Completion, (i) AG Shenyang I, Coastal Realty, Goldwide and the Company will enter into the Goldwide Shareholders Deed which will set out the operation and management of Goldwide Group and the rights and obligations of AG Shenyang I and Coastal Realty; and (ii) Project Co I, Innovative Marketing and the Company will enter into the Project I Management Agreement.

### **Restructuring**

Coastal Realty shall:

- (1) procure CGDCL to transfer its equity interest in Project Co I which holds the assets to Phase I Project to Multi Earning; and
- (2) procure Project Co I to transfer its equity interest in Project Co II which holds the assets to Phase II Project to Smooth Land.

### **Guarantee**

Under the Goldwide Agreement, the Company has agreed to guarantee the due and punctual return of the deposit together with interest paid to Coastal Realty pursuant to the terms of the Goldwide Agreement.

## PROJECT I MANAGEMENT AGREEMENT

- Parties:**
- (1) Project Co I
  - (2) Innovative Marketing
  - (3) The Company

As Project Co I is an associate of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment, an indirectly non-wholly owned subsidiary of the Company, Project Co I is a connected person of the Company.

Innovative Marketing is an indirect wholly owned subsidiary of the Company established in the PRC and is principally engaged in the planning, design, permitting, contract letting, contract administration and post-completion of construction projects.

### Obligation to perform services

Innovative Marketing shall perform the services relating to the planning, design, permitting, contract letting, contract administration and post-completion of the Phase I Project and to Project Co I's reasonable satisfaction.

### Condition

Completion of the Project I Management Agreement is conditional upon, if necessary, the passing by the Shareholders who are allowed to vote under the Listing Rules at a special general meeting of the Company to be convened and held of an ordinary resolution to approve the Project I Management Agreement and the transactions contemplated thereunder.

### Term

The Project I Management Agreement has a term of five years or until the date of completion of the Phase I Project, whichever is the earliest. As Innovative Marketing will perform its duties under the Project I Management Agreement until the completion of the Phase I Project which will be more than three years, the independent financial adviser has advised on the reasons why the term of the Project I Management Agreement shall exceed three years and will confirm that it is normal business practice for similar type of contracts to be of such duration in the letter from VXLFS, the text of which is set out on pages 22 to 30 of this circular.

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## LETTER FROM THE BOARD

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### **Fees**

Innovative Marketing shall be entitled to paid service fees equal to (1) 4% of the total costs and expenses incurred by Project Co I, for development, design, construction, fit-out, statutory construction supervision, marketing, sales, leasing and property management of the Phase I Project, but excluding, among other things, all expenses relating to land acquisition for the Phase I Project, tax and finance costs for shareholders' loans minus (2) the payroll cost.

### **Annual caps**

The annual cap for the Project I Services in the amount of HK\$15 million for each of the five years ending on 31 March 2012 is estimated by the Directors after taking into account (i) the total construction area and the estimated costs of the Phase I Project, which the fees relating to the Project I Services are calculated based on; and (ii) the proceeds from performing similar management projects by the Group in the PRC previously.

Should the Project I Services to Project Co I exceed HK\$15 million in any year during the term of the Project I Management Agreement, the parties to the Project I Management Agreement will enter into separate agreements for those services which exceed the annual amount of HK\$15 million and the Company will make separate announcements and will comply with all relevant requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) consider the annual caps to be fair and reasonable.

### **INFORMATION ON GOLDWIDE**

Goldwide is principally engaged in investment holding and its subsidiaries are principally engaged in the investment holding and property development in Shenyang, the PRC.

According to the unaudited consolidated management accounts of Goldwide as at 31 March 2007, which is prepared in accordance with generally accepted accounting principles in Hong Kong, Goldwide had no turnover, no net profit before taxation and extraordinary items and no net profit after taxation and extraordinary items.

As at 31 March 2007, the principal assets of Goldwide Group was land for development of approximately HK\$312,158,000 and there were no material liabilities of Goldwide Group. The unaudited net assets of Goldwide Group amounted to approximately HK\$312,158,000 as at 31 March 2007.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE GOLDWIDE DISPOSAL

Based on the above unaudited net assets of approximately HK\$249,726,000 and the consideration for the Goldwide Disposal of RMB288,000,000 (equivalent to approximately HK\$288,000,000), it is estimated that the gain on Goldwide Disposal is approximately HK\$38,274,000.

The liabilities of the Group will not be affected and the assets of the Group will be increased by approximately HK\$38,274,000 as a result of the Goldwide Disposal.

### KENCO AGREEMENT

**Date:** 29 June 2007

**Parties:** (1) Vendor and warrantor : Coastal Realty  
(2) Purchaser: AG Shenyang II  
(3) Guarantor and warrantor: the Company

AG Shenyang II is principally engaged in investment holding. The holding company of AG Shenyang II is Angelo Gordon.

As AG Shenyang II is an associate of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment, an indirectly non-wholly owned subsidiary of the Company, AG Shenyang II is a connected person of the Company.

### Asset to be disposed

Pursuant to the Kenco Agreement, AG Shenyang II has agreed to acquire and Coastal Realty has agreed to sell the Kenco Sale Shares, representing 20% of the entire issued share capital of Kenco.

As at the Latest Practicable Date and prior to the Kenco Completion, the entire issued share capital of Kenco is beneficially owned by Coastal Realty.

Immediately upon the Kenco Completion, the entire issued share capital of Kenco will be beneficially owned as to 80% by Coastal Realty and 20% by AG Shenyang II. Coastal Realty has no current intention to dispose the remaining 80% of the issued share capital of Kenco.

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## LETTER FROM THE BOARD

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### Consideration

The aggregate cash consideration for the Kenco Disposal is US\$ equivalent to RMB42,720,000 (equivalent to approximately HK\$42,720,000) and shall be payable in cash by AG Shenyang II in the following manner:

- (i) US\$ equivalent to approximately RMB2,846,758 (equivalent to approximately HK\$2,846,758) as deposit within 24 hours of the signing of the Kenco Agreement; and
- (ii) the balance of US\$ equivalent to approximately RMB39,873,242 (equivalent to approximately HK\$39,873,242) on the date of the Kenco Completion.

The US\$ amount is dependent on the rate of exchange one Business Day prior to the payment of deposit and the Kenco Completion.

The consideration was determined with reference to the 20% equity interests of Kenco, the net asset value of Kenco of approximately HK\$185,585,000 as at 31 March 2007 and a premium of approximately HK\$5,603,000.

The consideration for the Kenco Disposal and the payment terms were arrived at after arm's length negotiations between the parties to the Kenco Agreement by taking into account, among other matters, the net asset value of Kenco as at 31 March 2007. The Directors (including the independent non-executive Directors) consider the payment terms and other terms and conditions of the Kenco Disposal to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the deposit of US\$ equivalent to approximately RMB2,846,758 (equivalent to approximately HK\$2,846,758) was received by Coastal Realty.

### Conditions

The Kenco Completion is conditional upon, among other things:

- (1) the passing by the Shareholders who are allowed to vote under the Listing Rules at a special general meeting of the Company to be convened and held of an ordinary resolution to approve the Kenco Agreement and the transactions contemplated hereunder; and
- (2) the Goldwide Completion.

If the conditions are not fulfilled (or waived by AG Shenyang II) prior to six months from the Goldwide Completion (or such other date as may be agreed by AG Shenyang and Coastal Realty), the Kenco Agreement shall cease and determine.

### Completion

Completion will take place on the third Business Days after the fulfillment or waiver, as the case may be, of all the conditions as agreed by AG Shenyang II and Coastal Realty (or such other date as may be agreed by AG Shenyang II and Coastal Realty).

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## LETTER FROM THE BOARD

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On Completion, (i) Coastal Realty, AG Shenyang II, Kenco and the Company will enter into the Kenco Shareholders Deed which sets out the operation and management of Kenco Group and the rights and obligations of Coastal Realty and AG Shenyang II, in particular, the Put Option, the Call Option and a right of exit exercisable by AG Shenyang II to sell its interests in Kenco to Coastal Realty if 95% of the total saleable gross floor area of Phase II Project has been sold; and (ii) Project Co II, Innovative Marketing and the Company will enter into the Project II Management Agreement. For further details in relation to the Put Option, the Call Option and the Project II Management Agreement, please refer to the section headed “Put Option”, “Call Option” and “Project II Management Agreement” below respectively.

Upon Completion, Kenco will continue to be a subsidiary of the Company and the accounts of Kenco will be consolidated to the consolidated financial statements of the Company. On the Kenco Completion, (i) AG Shenyang II, Coastal Realty, Kenco and the Company will enter into the Kenco Shareholders Deed which will set out the operation and management of Kenco Group and the rights and obligations of AG Shenyang II and Coastal Realty; and (ii) Project Co II, Innovative Marketing and the Company will enter into the Project II Management Agreement.

### **Guarantee**

Under the Kenco Agreement, the Company has agreed to guarantee the due and punctual return of the deposit together with interest paid to Coastal Realty pursuant to the terms of the Kenco Agreement.

### **PUT OPTION**

AG Shenyang II shall have the option to sell its equity interests in Project Co II to Coastal Realty within one year of the date of the Kenco Shareholders Deed.

The exercise price of the Put Option shall be determined as the investment amount of AG Shenyang II in Project Co II plus a 6.5% annual compound rate interest calculated from the date of the Kenco Shareholders Deed.

Coastal Realty shall not within five years (after having acquired all of the equity interests of AG Shenyang II in Project Co II) procure Project Co II to engage in any business directly or indirectly in competition with Project Co I without the prior written consent of AG Shenyang I, unless AG Shenyang I ceases to be an investor in Phase I Project.

### **CALL OPTION**

Coastal Realty shall have the option to purchase the equity interests of AG Shenyang II in Project Co II from AG Shenyang II within one year of the date of the Kenco Shareholders Deed.

The exercise price of the Call Option shall be determined as the investment amount of AG Shenyang II in Project Co II plus a 6.5% annual compound rate interest calculated from the date of the Kenco Shareholders Deed.

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## LETTER FROM THE BOARD

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Coastal Realty shall not within five years (after having acquired all of the equity interests of AG Shenyang II in Project Co II) procure Project Co II to engage in any business directly or indirectly in competition with Project Co II without the prior written consent of AG Shenyang I, unless AG Shenyang I ceases to be an investor in Phase I Project.

As AG Shenyang I will become a minority shareholder of Project Co II upon the Kenco Completion and AG Shenyang I will not be responsible for the management of the Phase II Project, it was a requirement of AG Shenyang I for the Put Option to be included in the Kenco Shareholders Deed. In return for Coastal Realty to provide the Put Option to AG Shenyang I, Coastal Realty required the Call Option to be included in the Kenco Shareholders Deed.

### PROJECT II MANAGEMENT AGREEMENT

- Parties:**
- (1) Project Co II
  - (2) Innovative Marketing
  - (3) The Company

### Obligation to perform services

Innovative Marketing shall perform the services relating to the planning, design, permitting, contract letting, contract administration and post-completion of the Phase II Project and to Project Co II's reasonable satisfaction.

### Term

The Project II Management Agreement does not have any fixed term. As Innovative Marketing will perform its duties under the Project II Management Agreement until the completion of the Phase II Project.

### Fees

Innovative Marketing shall be entitled to paid service fees equal to (1) 4% of the total costs and expenses incurred by Project Co II, for development, design, construction, fit-out, statutory construction supervision, marketing, sales, leasing and property management of the Phase II Project, but excluding, among other things, all expenses relating to land acquisition for the Phase II Project, tax and finance costs for shareholders' loans minus (2) the payroll cost.

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## LETTER FROM THE BOARD

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### INFORMATION ON KENCO

Kenco is principally engaged in investment holding and its subsidiaries are principally engaged in the investment holding and property development in Shenyang, the PRC.

According to the unaudited consolidated management accounts of Kenco as at 31 March 2007, which is prepared in accordance with generally accepted accounting principles in Hong Kong, Kenco had no turnover, no net profit before taxation and extraordinary items and no net profit after taxation and extraordinary items.

As at 31 March 2007, the principal assets of Kenco Group was land for development of approximately HK\$185,585,000 and there were no material liabilities of Kenco Group. The unaudited net assets of Kenco Group amounted to approximately HK\$185,585,000 as at 31 March 2007.

### FINANCIAL EFFECT OF THE KENCO DISPOSAL

Based on the above unaudited net assets of approximately HK\$37,117,000 and the consideration for the Kenco Disposal of RMB42,720,000 (equivalent to approximately HK\$42,720,000), it is estimated that the gain on Kenco Disposal is approximately HK\$5,603,000.

The liabilities of the Group will not be affected and the assets of the Group will be increased by approximately HK\$5,603,000 as a result of the Kenco Disposal.

### REASONS FOR THE DISPOSALS

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

The estimated net proceeds receivable by the Group for the Disposals will amount to approximately HK\$330,000,000. The Directors intend to utilise the net proceeds from the Disposals as general working capital of the Group.

The Directors believe that the Disposals will provide the Group with (i) an opportunity to co-operate with an international fund management company such as Angelo Gordon, which have international experience in the international capital markets for real estate; and (ii) the proceeds from the Disposals can be used to finance the general working capital of the Group.

Taking into account the benefits of the Disposals as described above, the Board is of the view that the terms of the Disposals are fair and reasonable and the Disposals are in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATION

As set out in the announcement of the Company dated 6 February 2007, Coastal Realty, AG Coastal Dalian Ltd. and the Company entered into the Super Investment Agreement on 27 January 2007 in relation to the sale and purchase of 50% of the entire issued share capital of Super Investment. Pursuant to Chapter 14A of the Listing Rules, AG Shenyang I and AG Shenyang II are associates of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment, an indirectly non-wholly owned subsidiary of the Company. AG Shenyang I and AG Shenyang II are connected persons of the Company.

The Super Investment Agreement, the Goldwide Agreement and the Kenco Agreement were entered into by the Company with parties connected and associated with one another. As such, the Goldwide Disposal and the Kenco Disposal when aggregated with the Super Investment Disposal constitute non-exempted connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. The Goldwide Disposal and the Kenco Disposal when aggregated with the Super Investment Disposal also constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules. The granting of Put Option and the exercise of the Call Option also constitute non-exempted connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. The granting of the Put Option and the exercise of the Call Option also constitute a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

Pursuant to Rule 14A.35, the Project I Services constitute continuing connected transactions on the part of the Company under the Listing Rules and are exempted from Independent Shareholder's approval requirements.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong, all being the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option. VXLFS has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option.

### SGM

A notice convening the SGM to be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 17 August 2007 at 10:00 a.m. is set out on pages 42 to 43 on this circular.

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## LETTER FROM THE BOARD

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Ordinary resolutions will be proposed at the SGM to approve the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option by Independent Shareholders by way of poll. The Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option is subject to, among others, the approval by the Independent Shareholders at the SGM to be taken by way of a poll.

Pursuant to Chapter 14A of the Listing Rules, AG Coastal and its associates are required to abstain from voting for the Resolutions. As at the Latest Practicable Date, AG Coastal and its associates are not interested in any Share. As such, no Shareholder is required to abstain from voting for the Resolutions.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### **PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING**

According to bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a 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
- (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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the terms of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option 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 resolutions as set out in the notice of the SGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option; and (ii) the letter from VXLFS, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from VXLFS is set out on pages 22 to 30 of this circular.

The Independent Board Committee, having taken into account the advice of VXLFS, considers that the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option was entered into on normal commercial terms, and that the terms of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in relation to the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
On behalf of the Board  
**Coastal Greenland Limited**  
**Chan Boon Teong**  
*Chairman*



**CGI**  
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)

1 August 2007

*To the Independent Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 1 August 2007 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolutions regarding the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option.

VXLFS has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 22 to 30 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 20 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option and the advice of VXLFS, we are of the opinion that the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option were on normal commercial terms and the terms of the Goldwide Disposal, the Kenco Disposal, the Put Option and the Call Option are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercise of the Call Option.

Yours faithfully,  
Independent Board Committee of  
**Coastal Greenland Limited**

**Tang Lap Yan**  
*Independent*  
*non-executive Director*

**Law Kin Ho**  
*Independent*  
*non-executive Director*

**Wong Kai Cheong**  
*Independent*  
*non-executive Director*

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## LETTER FROM VXLFS

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*The following is the text of a letter of advice from VXLFS to the Independent Board Committee and the Independent Shareholders in respect of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercising of the Call Option prepared for incorporation in this Circular.*

**VXL Financial Services Limited**

Unit 3618, 36th Floor  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong



1 August 2007

*To the Independent Board Committee and  
the Independent Shareholders of  
Coastal Greenland Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment, as approved by the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercising of the Call Option, details of which are set out in the circular of the Company dated 1 August 2007 (the “Circular”) to the Shareholders of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 29 June 2007, (i) Coastal Realty, AG Shenyang I and the Company entered into the Goldwide Agreement in relation to the sale of the Goldwide Sale Shares; and (ii) Coastal Realty, AG Shenyang II and the Company entered into the Kenco Agreement in relation to the sale of the Kenco Sale Shares. Upon Kenco Completion, Coastal Realty, AG Shenyang II, Kenco and the Company will entered into the Kenco Shareholders Deed which sets out, among other things, the Put Option and the Call Option.

Pursuant to Chapter 14A of the Listing Rules, AG Shenyang I and AG Shenyang II are associates of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment, an indirectly non-wholly owned subsidiary of the Company. AG Shenyang I and AG Shenyang II are connected persons of the Company.

The Super Investment Agreement, the Goldwide Agreement and the Kenco Agreement were entered into by the Company with parties connected and associated with one another. As such, the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the

exercising of the Call Option when aggregated with the Super Investment Disposal constitute non-exempted connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. The Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercising of the Call Option when aggregated with the Super Investment Disposal also constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

Upon the Goldwide Completion, Project Co I, Innovative Marketing and the Company will enter into the Project I Management Agreement. Project Co I is an associate of AG Coastal and AG Coastal is interested in 50% of the entire issued share capital of Super Investment. Project Co I is then the connected person of the Company. As such, Project I Services constitute continuing connected transactions for the Company under the Listing Rules and are exempted from Independent Shareholder's approval requirements. As the Project I Management Agreement has a term of five years or until the date of completion of the Phase I Project (whichever is earlier) which exceed three years as stipulated under Rule 14A.35(1) of the Listing Rules, we will explain why a longer period for the Project I Management Agreement is required and confirm that it is normal business practice for contracts of this type to be of such duration.

The Independent Board Committee comprising Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Goldwide Disposal, the Kenco Disposal, the granting of the Put Option and the exercising of the Call Option. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and Independent Shareholders with an independent opinion and recommendation in this regard.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular and supplied to us by the Company, and the opinion expressed by and the representations of the Directors and management of the Company. We have assumed that all the information and representations provided to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and continue to be so up to the date of SGM and may be relied upon. We have also assumed that all opinions made by the Directors in the Circular were made reasonably after due and careful enquiry and were based on honestly-held opinion. We have also relied on the responsibility statement set out in Appendix II to the Circular that the Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the information provided and referred to in the Circular misleading.

We have reviewed currently available information and documents, which are available under the present circumstances, and have performed all reasonable steps to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in

the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of the Company, Goldwide, Kenco, Coastal Realty, AG Shenyang I, AG Shenyang II, Project Co I, Project Co II and Innovative Marketing and any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation regarding the Disposals, the granting of the Put Option and the exercising of the Call Option, we have taken into consideration the following principal factors and reasons:

#### **1. Background to and reasons for the Disposals**

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

Coastal Realty is an indirect wholly owned subsidiary of the Company incorporated in Hong Kong and is principally engaged in investment holdings. As at the Latest Practicable Date and prior to the Disposals, the entire issued share capital of Goldwide and Kenco are beneficially owned by Coastal Realty.

AG Shenyang I and AG Shenyang II are principally engaged in investment holding. The holding company of AG Shenyang I and AG Shenyang II is Angelo Gordon.

Goldwide is principally engaged in investment holding and its subsidiaries are principally engaged in the investment holding and property development in Shenyang, the PRC.

Innovative Marketing is an indirect wholly owned subsidiary of the Company established in the PRC and is principally engaged in the planning, design, permitting, contract letting, contract administration and post-completion of construction projects.

Kenco is principally engaged in investment holding and its subsidiaries are principally engaged in the investment holding and property development in Shenyang, the PRC.

On 29 June 2007, Coastal Realty, AG Shenyang I and the Company entered into the Goldwide Agreement in which AG Shenyang I has agreed to purchase and Coastal Realty has agreed to sell the Goldwide Sale Shares, representing 80% of the entire share capital of Goldwide, for an aggregate cash consideration of US\$ equivalent to approximately RMB288,000,000 (equivalent to approximately HK\$288,000,000) (“Goldwide Consideration”). Upon Goldwide Completion, Goldwide will cease to be a subsidiary of the Company and the entire issued share capital of Goldwide will be beneficially owned as to 20% by Coastal Realty and 80% by AG Shenyang I.

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## LETTER FROM VXLFS

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On Goldwide Completion, (i) Coastal Realty, AG Shenyang I, Goldwide and the Company will enter into the Goldwide Shareholders Deed which sets out the operation and management of Goldwide Group and the rights and obligations of Coastal Realty and AG Shenyang I, in particular, the temporary ownership of Project Co II and a right of exit exercisable by AG Shenyang I to sell its interests in Goldwide to Coastal Realty if 95% of the total saleable gross floor area of Phase I Project has been sold; and (ii) Project Co I, Innovative Marketing and the Company will enter into the Project I Management Agreement.

Pursuant to the Goldwide Agreement, as part of the restructuring process, Coastal Realty shall (1) procure CGDCL to transfer its equity interest in Project Co I which holds the assets to Phase I Project to Multi Earning; and (2) procure Project Co I to transfer its equity interest in Project Co II which holds the assets to Phase II Project to Smooth Land.

On the same day, Coastal Realty, AG Shenyang II and the Company entered into the Kenco Agreement in which AG Shenyang II has agreed to purchase and Coastal Realty has agreed to sell the Kenco Sale Shares, representing 20% of the entire capital of Kenco, for an aggregate cash consideration of US\$ equivalent to approximately RMB42,720,000 (equivalent to approximately HK\$42,720,000) (“Kenco Consideration”).

Upon Kenco Completion, Kenco will continue to be a subsidiary of the Company and the entire share capital of Kenco will be beneficially owned as to 80% by Coastal Realty and 20% by AG Shenyang II. The accounts of Kenco will be consolidated to the consolidated financial statements of the Company. On Kenco Completion, (i) Coastal Realty, AG Shenyang II, Kenco and the Company will enter into the Kenco Shareholders Deed which sets out the operation and management of Kenco Group and the rights and obligations of Coastal Realty and AG Shenyang II, in particular, the Put Option and the Call Option and a right of exit exercisable by AG Shenyang II to sell its interests in Kenco to Coastal Realty if 95% of the total saleable gross floor area of Phase II Project has been sold; and (ii) Project Co II, Innovative Marketing and the Company will enter into the Project II Management Agreement.

As referred to in the letter from the Board contained in the Circular (“Letter from the Board”), the Directors believe that the Disposals will provide the Group with (i) an opportunity to cooperate with an international fund management company such as Angelo Gordon, which have international experience in the international capital markets for real estate; and (ii) the proceeds from the Disposals can be used to finance the general working capital of the Group.

We note from the website of Angelo Gordon that it is an investment management firm found in 1988 with over 10 years experience in the real estate investment business and has a significant property and geographic expertise across the United States, Canada and Asia.

As discussed in the annual report of the Company for the year ended 31 March 2007, the austerity measures imposed on the real estate sector in the PRC, which include on areas of property development orientation, taxation, financing and land supply, are expected to bring to the real estate industry a more stable and sustainable market in the long term. With more stringent requirements and financial demands imposed on property developers, the management of the Company expected that smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources.

Upon completion of the Disposals, the Group will further strengthen its co-operation with Angelo Gordon established following the completion of the Super Investment Disposal, which have international experience in the international capital markets for real estate and provide additional financial resources to the Group for furtherance of its operation and strengthening of the Group's position in the real estate industry in the PRC.

As such, we concur with the view of the Board that the Disposals are in the interests of the Company and the Shareholders as a whole.

## **2. Principal terms of the Goldwide Agreement and Kenco Agreement**

### *2.1 Consideration for the Disposals*

The Goldwide Consideration and the payment terms were arrived at after arm's length negotiations between the parties to the Goldwide Agreement taking into account, among other matters, the net asset value of Goldwide as at 31 March 2007. The Goldwide Consideration is US\$ equivalent to RMB288,000,000 (equivalent to approximately HK\$288,000,000) and was determined with reference to the 80% equity interests of Goldwide, the net asset value of Goldwide of approximately HK\$312,158,000 as at 31 March 2007 and a premium of approximately HK\$38,274,000 (or approximately 15.33% premium over the unaudited net asset value of the Goldwide Sale Shares of approximately HK\$249,726,000).

As at the Latest Practicable Date, a deposit of US\$ equivalent to approximately RMB19,153,242 (equivalent to approximately HK\$19,153,242) was received by Coastal Realty for the Goldwide Disposal.

The Kenco Consideration and the payment terms were arrived at after arm's length negotiations between the parties to the Kenco Agreement taking into account, among other matters, the net asset value of Kenco as at 31 March 2007. The Kenco Consideration is US\$ equivalent to RMB42,720,000 (equivalent to approximately HK\$42,720,000) and was determined with reference to the 20% equity interests of Kenco, the net asset value of Kenco of approximately HK\$185,585,000 as at 31 March 2007 and a premium of approximately HK\$5,603,000 (or approximately 15.10% premium over the unaudited net asset value of the Kenco Sale Shares of approximately HK\$37,117,000).

As at the Latest Practicable Date, a deposit of US\$ equivalent to approximately RMB2,846,758 (equivalent to approximately HK\$2,846,758) was received by Coastal Realty for the Kenco Disposal.

We note from the Letter from the Board that the principal assets of Goldwide Group and Kenco Group was land for development (the "Property") of approximately HK\$312,158,000 and HK\$185,585,000 respectively as at 31 March 2007. Save for the Property, there were no material assets or liabilities recorded in the accounts of Goldwide Group and Kenco Group as at 31 March 2007. According to the unaudited consolidated

management accounts of Goldwide and Kenco respectively as at 31 March 2007, both Goldwide and Kenco had no turnover, no net profit before taxation and extraordinary items and no net profit after taxation and extraordinary items.

Having considered that (i) Goldwide Group and Kenco Group are principally engaged in property development, which are asset-based businesses; and (ii) there were no track records of profit and loss for Goldwide Group and Kenco Group to make reference to, we are of the view that the basis for determining the Goldwide Consideration and the Kenco Consideration with reference to the net asset value of Goldwide Group and Kenco Group respectively in proportion to the equity interests to be disposed of, which is 80% of Goldwide and 20% of Kenco, are fair and reasonable.

Given that the Property was the principal assets of Goldwide Group and Kenco Group and which constitutes a material part of the net asset value of Goldwide Group and Kenco Group respectively, in order for us to assess the fairness and reasonableness of the consideration for the Disposals, we have taken into account the appraised market value of the Property as at 15 July 2007 of RMB560,000,000 (equivalent to approximately HK\$560,000,000) as referred to in the valuation report in appendix I to this Circular issued by the independent professional valuer (“Valuation Report”).

We have reviewed the Valuation Report and discussed with the independent professional valuer to understand the methodology and assumptions used in the valuation of the Property. As stated in the Valuation Report, the independent professional valuer has adopted the direct comparison approach for the market value of the Property. As at the date of the valuation, construction or development has not commenced on the Property. We note that the aggregate consideration for the Disposals represents a premium of approximately 2.43% over the proportionate value of the Property under the Disposal based on the appraised market value of the Property as stated in the Valuation Report.

Given Goldwide Consideration and Kenco Consideration are (i) at premium to the unaudited net asset value of the Goldwide Sale Shares and Kenco Sale Shares respectively; (ii) in aggregate at premium of approximately 2.43% to the proportionate market value of the Property as stated in the Valuation Report; and (iii) the basis for which the Goldwide Consideration and Kenco Consideration were arrived at with reference to the respective interests to be acquired based on the net asset value of Goldwide and Kenco, we concur with the view of the Directors’ view that the Goldwide Consideration and Kenco Consideration to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### *2.2 Put Option and Call Option*

Pursuant to the Kenco Agreement, Coastal Realty, AG Shenyang II, Kenco and the Company will enter into the Kenco Shareholders Deed in which (i) AG Shenyang II shall have the option to sell its equity interests in Project Co II to Coastal Realty within one

year of the date of the Kenco Shareholder Deed; and (ii) Coastal Realty shall have the option to purchase the equity interests of AG Shenyang II in Project Co II from AG Shenyang II within one year of the date of the Kenco Shareholders Deed.

Coastal Realty shall not within five years (after having acquired all of the equity interests of AG Shenyang II in Project Co II) procure Project Co II to engage in any business directly or indirectly in competition with Project Co I without the prior written consent of AG Shenyang I, unless AG Shenyang I ceases to be an investor in Phase I Project.

The exercise price of the Put Option and the Call Option shall be determined as the investment amount of AG Shenyang II in Project Co II plus a 6.5% annual compound rate interest (“Kenco Option Premium”) calculated from the date of the Kenco Shareholders Deed. We understand from the management of the Company that the granting of the Put Option and the exercising of the Call Option provides flexibility for both Coastal Realty and AG Shenyang II to purchase or sell the 20% equity interests in Kenco within 1 year depending on the performance of the property market and the business strategies of Coastal Realty and Shenyang II. As such, the exercise price of the Put and Call Option will be on the investment amount of AG Shenyang II in Project Company II together with an interest which is to be accrued for the exercise period of the Put Option and the Call Option.

We further understand from the management of the Company that the Kenco Option Premium was determined after arm’s length negotiation between Coastal Realty, AG Shenyang II, Kenco and the Company with reference to the one year lending rate announced by the People’s Bank of China. We note that the Kenco Option Premium approximates the one year lending rate announced by the People’s Bank of China of 6.84% which represents the level of general borrowing cost of the Company.

Having considered that (i) the Company is provided with reciprocal option as that offered to AG Shenyang II and the Put Option and Call Option have the same exercise price and exercise period; (ii) the Kenco Option Premium approximates the one year lending rate announced by the People’s Bank of China of 6.84% which represents the level of general borrowing cost of the Company; and (iii) the granting of the Put Option and the exercising of the Call Option provides a flexibility for both Coastal Realty and AG Shenyang II to purchase or sell the 20% equity interest in Kenco with regard to the performance of the property market and their respective business strategies from time to time within 1 year, we are of the view that the granting of the Put Option and exercising of the Call Option is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

### **3. Financial effects of the Disposals**

#### *3.1 Profit and loss account*

We note from the Letter from the Board that the estimated gain on the Disposals to be approximately HK\$43.87 million, in which the gain for the Goldwide Disposal and the Kenco Disposal is estimated to be approximately HK\$38.27 million and approximately HK\$5.60 million respectively.

### *3.2 Net assets*

As at 31 March 2007, the unaudited net assets of the Goldwide Group and Kenco Group was approximately HK\$312.16 million and HK\$185.59 million respectively. We note from the Letter from the Board that upon completion of the Goldwide Disposal and the Kenco Disposal, the liabilities of the Group will not be affected and the assets of the Group will be increased by approximately HK\$38.27 million and approximately HK\$5.60 million respectively. Accordingly, upon completion of the Disposals, the net assets of the Group will be increased by approximately HK\$43.87 million.

### *3.3 Working capital*

As stated in the Letter from the Board, the Directors intend to utilize the net proceeds from the Disposals of approximately HK\$330 million as general working capital of the Group. As such, upon completion of the Disposals, the proceeds from the Disposal will improve the cash position and liquidity of the Group of the same amount.

Having considered that the Disposals will have positive financial effects of the Group on net assets, profit and loss and working capital of the Group, we are of the view that the Disposals will be in the interests of the Group and the Independent Shareholders as a whole.

## **4. Duration of the Project I Management Agreement**

Upon Goldwide Completion, Project Co I, Innovative Marketing and the Company will enter into the Project I Management Agreement. Pursuant to the Project I Management Agreement, Innovative Marketing shall perform the services relating to the planning, design, permitting, contract letting, contract administration and post-completion of the Phase I Project and to Project Co I's reasonable satisfaction. The Project I Management Agreement has a term of five years or until the date of completion of the Phase I Project, whichever is the earlier.

We understand from the management of the Company that the maximum term of five years of the Project I Management Agreement is determined with reference to the estimated duration of Phase I Project, which is expected to be around 5 years. Should the term of the Project I Management Agreement be fixed for term not in line with the expected Phase I Project duration, it may run the risk of lacking of continuity of the management and administration of Phase I Project following the expiration of the Project I Management Agreement, thus adversely affect the operation of the Goldwide Group.

In view of the above and having considered the term of Project I Management Agreement is in line with the expected duration of Phase I Project, we are of the view that the Project I Management Agreement having a term of five years or until the date of completion of the Phase I Project is required and we consider that it is of normal business practice for contracts of this type to be of such duration.

## **RECOMMENDATION**

Having taken into account the principal factors and reasons as discussed above, we consider that the terms of the Goldwide Disposal, the Kenco Disposal, the granting of the Put

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## LETTER FROM VXLFS

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Option and the exercising of the Call Option are (i) on normal commercial terms and in the ordinary and usual course of the Company's business; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Resolutions.

Yours faithfully,  
For and on behalf of  
**VXL Financial Services Limited**  
**Gary Mui**  
*Executive Director*  
*Head of Corporate Finance*

*The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited and addressed to the Company in connection with its valuation as at 15 July 2007 of the captioned property for the purpose of inclusion in this circular.*



10th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

1 August 2007

The Directors  
Coastal Greenland Limited  
Room 1708  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Dear Sirs,

**Re: The proposed residential/commercial development (Shenyang International Plaza) situated at No. 8 Tiantan South Street, Hunnanxin District, Shenyang, Liaoning Province, the People's Republic of China**

Instructions, Purpose &  
Date of Valuation

In accordance with the instruction of Coastal Greenland Limited (the "Company") for us to value the captioned property held by the Company and/or its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 15 July 2007 (the "date of valuation").

## Definition of Market Value

Our valuation of the property represents its Market Value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

## Valuation Bases &amp; Assumptions

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

We have relied on the information given by the Group and the opinion of its PRC legal adviser, Beijing Union Law Office, regarding the title of the property and the interest of the property. The status of title and grants of major approvals and licences, in accordance with the information provided by the Group and the PRC legal opinion are set out in the notes in the valuation certificate.

In undertaking our valuation of the property which is situated in the People’s Republic of China (the “PRC”), we have, unless otherwise stated, valued it on the basis that transferable land use rights in respect of the property for respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the grantee or the user of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

**Method of Valuation**

In forming our opinion of the market value of the property, we have valued it by Direct Comparison Approach by making reference to the comparable sale evidence as available on the market.

**Source of Information**

We have relied to a very considerable extent on the information given by the Group and its PRC legal advisor and have accepted advice given to us on such matters as planning approval or statutory notices, easements, tenure, identification of property, date of completion, particulars of occupancy, development scheme, construction costs, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**Title Investigation**

We have been provided with copies of documents in relation to the title to the property. However, we have not been able to carry out searches to verify the ownership of the property or to ascertain any amendment which may not appear on the copies supplied to us.

|                 |  |
|-----------------|--|
| Site Inspection | We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurement to verify the site areas of the property and we have assumed that the areas shown on the documents handed to us are correct. |
| Currency        | Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.   |

We enclose herewith our valuation certificate for your attention.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K. F. Chan**  
*Registered Professional Surveyor (GP)*  
*China Real Estate Appraiser*  
*MSc, M.H.K.I.S., M.R.I.C.S.*  
*Director*

*Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has 19 years of experience in valuation of properties in the PRC.*

VALUATION CERTIFICATE

| Property  | Description and tenure  | Particulars of occupancy  | Capital value in existing state as at 15 July 2007 |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
|---|---|---------------------------|--|---------------------------|------------------------|---|--------------|------------|----------|--|----------|--|--|--|-----------|---|-----------|--|------------|------------|-----------|---|------------------------|------------|-----------|---|------------------------|------------|-----------|--|-----------------------|------------|-----------|--|----------------|
| The proposed residential/commercial development (Shenyang International Plaza) situated at No. 8 Tiantan South Street, Hunnanxin District, Shenyang, Liaoning Province, the PRC | <p>The property comprises 2 pieces of adjoining sites with a total site area of approximately 89,400.23 sq.m. (962,304 sq.ft.).</p> <p>According to the proposed development scheme provided by the Company, the property is planned to be developed into a retail/hotel/office/residential development in 3 zones with the gross floor areas as below:</p> <table><tr><th>Zone</th><th>Uses</th><th>Gross Floor Area<br/>sq.m.</th><th>Basement Area<br/>sq.m.</th></tr><tr><td>A</td><td>Office/Hotel</td><td>178,152.86</td><td>5,531.38</td></tr><tr><td></td><td>Basement</td><td></td><td></td></tr><tr><td></td><td>Car Parks</td><td>–</td><td>26,237.10</td></tr><tr><td></td><td>Sub-total:</td><td>178,152.86</td><td>31,768.48</td></tr><tr><td>B</td><td>Residential/Commercial</td><td>140,330.00</td><td>28,113.76</td></tr><tr><td>C</td><td>Residential/Commercial</td><td>159,077.00</td><td>19,084.00</td></tr><tr><td></td><td>Total of Zone A, B, C</td><td>477,559.86</td><td>78,966.24</td></tr></table> | Zone                      | Uses   | Gross Floor Area<br>sq.m. | Basement Area<br>sq.m. | A | Office/Hotel | 178,152.86 | 5,531.38 |  | Basement |  |  |  | Car Parks | – | 26,237.10 |  | Sub-total: | 178,152.86 | 31,768.48 | B | Residential/Commercial | 140,330.00 | 28,113.76 | C | Residential/Commercial | 159,077.00 | 19,084.00 |  | Total of Zone A, B, C | 477,559.86 | 78,966.24 | There are various buildings erected on the property which are pending for demolition. The remaining portion of the property is vacant. | RMB560,000,000 |
| Zone  | Uses  | Gross Floor Area<br>sq.m. | Basement Area<br>sq.m.                             |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
| A   | Office/Hotel  | 178,152.86                | 5,531.38   |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
|   | Basement  |                           |  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
|   | Car Parks   | –                         | 26,237.10  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
|   | Sub-total:  | 178,152.86                | 31,768.48  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
| B   | Residential/Commercial  | 140,330.00                | 28,113.76  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
| C   | Residential/Commercial  | 159,077.00                | 19,084.00  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |
|   | Total of Zone A, B, C   | 477,559.86                | 78,966.24  |                           |                        |   |              |            |          |  |          |  |  |  |           |   |           |  |            |            |           |   |                        |            |           |   |                        |            |           |  |                       |            |           |  |                |

The property upon completion will provide altogether approximately 1,475 car parking spaces in basement.

The land use rights of the property have been granted for respective terms to expire on 10 April 2046 and 10 April 2056 for commercial and residential uses.

Notes:

- (1) In the course of our valuation, we have valued the property as a bare site; we have assumed that the demolition and relocation costs of the property have been fully settled.
- We had also issued to the Company a Property Valuation Certificate dated 11 June 2007 in respect of the valuation of the property as at 31 March 2007 at RMB532,000,000.
- (2) According to 2 Certificates for the Use of State-owned Land Nos. (2007) 019 and (2007) 020 issued by Shenyang Land Resources Bureau on 14 February 2007, the land use rights of the property, comprising a total site area of 89,400.23 sq.m., are vested in Shenyang Rong Tian Real Estate Development Ltd. (瀋陽榮天房地產開發有限公司), an indirect wholly owned subsidiary of the Company, for terms due to expire on 10 April 2046 and 10 April 2056 for commercial and residential uses respectively.

- (3) According to Grant Contract of Land Use Rights No. (2004) dated 2 June 2004 entered into between The People's Republic of China Liaoning Province Shenyang City Hunnanxin District Management Committee (Party A) and Liaoning Yong Tian Real Estate Development Ltd. (遼寧榮天房地產開發有限公司) (See Note 4 below) (Party B), Party B agreed to purchase the property, comprising a site area of 59,400.23 sq.m., at a consideration of RMB34,630,616.39.

- (4) According to 2 Supplementary Letters dated 26 December 2005 and 13 February 2007 respectively, Party A has agreed to change the grantee of the property from Party B to Shenyang Yong Tian Real Estate Development Ltd. (Party C) (瀋陽榮天房地產開發有限公司), an indirect wholly owned subsidiary of the Company. The consideration has been revised to RMB42,226,410.63. The details of the Supplementary Letters are as follows:

|                  |   |   |
|------------------|---|---|
| Site Area        | : | 57,643.53 (residential)<br>31,756.70 (commercial)   |
| Plot Ratio       | : | Greater than or equal to 5.61   |
| Building Density | : | Smaller than or equal to 50%  |
| Land Use Term    | : | 40 years from 11 April 2006 to 10 April 2046 (commercial)<br>50 years from 11 April 2006 to 10 April 2056 (residential) |

- (5) According to 2 Planning Permits for Construction Land Nos. 2007 (010) and 2007 (011) issued on 13 February 2007, the construction works of the property for site areas of 31,756.70 sq.m. and 57,643.50 sq.m. respectively have been permitted.

- (6) According to 2 Notices of Planning Permit for Construction Works issued by Shenyang City Planning and Land Resources Bureau Hunnanxin District Branch, the following construction scales have been consented by Shenyang City Planning and Land Resources Bureau Hunnanxin District:

| Name of Construction                    | Development   | Construction Scale<br>(sq.m.)                |
|---|---|--|
| Composite Commercial District Zone A    | Hotels, office buildings, car park                    | 209,921.34 (including 31,690.00 underground) |
| Composite Commercial District Zone B, C | Commercial buildings, residential buildings, car park | 346,604.76 (including 47,197.80 underground) |

- (7) In the course of our valuation, we have assumed that the proposed development scheme provided by the Company has been approved by the relevant government authorities.

- (8) According to Business Licence No. 2101122102108(1-1), Shenyang Rong Tian Real Estate Development Ltd. (瀋陽榮天房地產開發有限公司) has been incorporated with a registered capital of RMB 8,000,000 for a valid operation period from 19 January 2006 to 18 January 2021.

- (9) The opinion of the Company's legal advisor on PRC law state, inter alias that:

- (i) The land use rights of the property are vested in Shenyang Rong Tian Real Estate Development Ltd. (瀋陽榮天房地產開發有限公司);
- (ii) The land premium of the property has been fully settled;
- (iii) The land use rights of the property is not subject to any mortgage;
- (iv) Shenyang Rong Tian Real Estate Development Ltd. (瀋陽榮天房地產開發有限公司) has obtained the relevant Planning Permits for Construction Land and Notices of Planning Permit for Construction Works for the development of the property.

- (10) The status of the title and grant of major approvals and licences of the property in accordance with the PRC legal opinion and the information provided by the Group, are as follows:

|  |     |
|--|-----|
| Certificate for the Use of State-owned Land              | Yes |
| Grant Contract of Land Use Rights and Supplement Letters | Yes |
| Planning Permit for Construction Land                    | Yes |
| Notice of Planning Permit for Construction Works         | Yes |
| Business Licence   | Yes |

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

## 2. DISCLOSURE OF INTERESTS

### Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

| Name of director                       | Number or<br>attributable<br>number of<br>shares held or<br>short positions | Number or<br>attributable<br>number of<br>underlying<br>shares held or<br>short positions | Capacity            |  | Approximate<br>percentage or<br>attributable<br>percentage of<br>shareholding<br>(%) |
|--|---|---|---------------------|--|--|
|  |   |   | Beneficial<br>owner | Interest of<br>controlled<br>corporation |  |
| Chan Boon Teong<br>(Notes 1, 2, 3 & 4) | 1,027,890,527 (L)   | 6,400,000 (L)   | 6,400,000 (L)       | 1,027,890,527 (L)                        | 44.67  |
| Jiang Ming<br>(Notes 1, 2, 3 & 5)      | 1,027,890,527 (L)   | 6,400,000 (L)   | 6,400,000 (L)       | 1,027,890,527 (L)                        | 44.67  |
| Tao Lin<br>(Notes 1, 2, 3 & 6)         | 1,027,890,527 (L)   | 6,400,000 (L)   | 6,400,000 (L)       | 1,027,890,527 (L)                        | 44.67  |
| Cheng Wing Bor<br>(Notes 1, 2, 3 & 7)  | 1,027,890,527 (L)   | 6,400,000 (L)   | 6,400,000 (L)       | 1,027,890,527 (L)                        | 44.67  |
| Lin Chen Hsin<br>(Notes 1, 2, 3 & 8)   | 1,029,490,527 (L)   | 1,600,000 (L)   | 2,080,000 (L)       | 1,027,890,527 (L)                        | 44.48  |

L: Long Position

*Notes:*

1. 497,600,000 Shares are beneficially owned by Coastal International Holdings Limited (“CIH”), of which the entire issued voting share capital is held as to 20% by Chan Boon Teong, 35% by Jiang Ming, 12% by Tao Lin, 5% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming). These 497,600,000 shares represent an aggregate of 21.49% of the issued share capital of the Company.
2. 46,080,000 Shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 Shares represent an aggregate of 1.99% of the issued share capital of the Company.
3. 484,210,527 Shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 Shares represent an aggregate of 20.91% of the issued share capital of the Company.
4. The interests in 6,400,000 Shares represent 6,400,000 Shares to be allotted and issued upon the exercise of the share options granted to Chan Boon Teong under the Share Option Scheme.
5. The interests in 6,400,000 Shares represent 6,400,000 Shares to be allotted and issued upon the exercise of the share options granted to Jiang Ming under the Share Option Scheme.
6. The interests in 6,400,000 Shares represent 6,400,000 Shares to be allotted and issued upon the exercise of the share options granted to Tao Lin under the Share Option Scheme.
7. The interests in 6,400,000 Shares represent 6,400,000 Shares to be allotted and issued upon the exercise of the share options granted to Cheng Wing Bor under the Share Option Scheme.
8. The interests in 2,080,000 Shares represent 480,000 Shares beneficially owned by Lin Chen Hsin and 1,600,000 Shares to be allotted and issued upon the exercise of the share options granted to Lin Chen Hsin under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

### 3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### 4. EXPERTS

The following are the qualification of the experts who have given opinions or advices which are contained in this circular:

| Name                           | Qualification  |
|--------------------------------|--|
| VXLFS                          | A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| DTZ Debenham Tie Leung Limited | Professional Surveyor  |

Each of VXLFS and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of VXLFS and DTZ Debenham Tie Leung Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### 7. MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Group was made up.

#### 8. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

- (b) As at the Latest Practicable Date, none of VXLFS, DTZ Debenham Tie Leung Limited and any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong. The branch share registrar and transfer office in Hong Kong of the Company is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Mr. Cheng Wing Bor. Mr. Cheng has over 20 years' experience in accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom. Before joining the Group in 1994, he worked in an international accounting firm in Hong Kong for 8 years.
- (e) The qualified accountant of the Company is Mr. Fung See Man. Mr. Fung is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (f) In the event of inconsistency, the English texts of this circular shall prevail over their respective Chinese texts.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Suite 1708, 17th Floor, One Exchange Square 8 Connaught Place, Central, Hong Kong from the date of this circular up to and including 17 August 2007 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Goldwide Agreement;
- (c) the Goldwide Shareholders Deed;
- (d) the Project I Management Agreement;
- (e) the Kenco Agreement;
- (f) the Kenco Shareholders Deed;

- (g) the Project II Management Agreement;
- (h) the sale and purchase agreement dated 27 January 2007 and entered into among Coastal Realty, AG Coastal Dalian and the Company in relation to the sale and purchase of 30% of the entire issued share capital of Super Investment Development Limited;
- (i) the letter from the Independent Board Committee, the text of which is set out on page 21 in this circular;
- (j) the written consents of the experts referred to in the paragraph headed “Experts” in this appendix;
- (k) the letter of advice from VXLFS to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 30 in this circular; and
- (l) the valuation report, the text of which is set out in Appendix I to this circular.



**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Coastal Greenland Limited (the “**Company**”) to be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Road, Central, Hong Kong on Friday, 17 August 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

## ORDINARY RESOLUTIONS

### 1. “**THAT**

- (a) the agreement (the “**Goldwide Agreement**”, a copy of which has been produced at the Meeting and signed by the chairman of the Meeting for the purpose of identification) dated 29 June 2007 and entered into between Coastal Realty Development Co. Limited (“**Coastal Realty**”), a wholly owned subsidiary of the Company, as vendor, Able Well Assets Limited as purchaser and the Company as guarantor in relation to the sale and purchase of eight shares of US\$1.00 each in the capital of Goldwide Group Limited and the transactions contemplated thereunder, be and are hereby approved; and
- (b) the directors (the “**Directors**”) of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Goldwide Agreement and the transactions contemplated thereunder.”

### 2. “**THAT**

- (a) the agreement (the “**Kenco Agreement**”, a copy of which has been produced at the Meeting and signed by the chairman of the Meeting for the purpose of identification) dated 29 June 2007 and entered into between Coastal Realty as vendor, AG Shenyang II (BVI) Limited (“**AG Shenyang II**”) as purchaser and the Company as guarantor in relation to the sale and purchase of two shares of US\$1.00 each in the capital of Kenco Group Limited (“**Kenco**”) and the transactions contemplated thereunder, be and are hereby approved;
- (b) the granting of the put option (the “**Put Option**”) by Coastal Realty to AG Shenyang II for AG Shenyang II to sell its equity interests in 瀋陽榮天置業有限公司 (Shenyang Coastal Rong Tian Reality Ltd.) (“**Project Co II**”) to Coastal Realty pursuant to the shareholders’ deed (the “**Kenco Shareholders Deed**”, a draft copy of which has been produced at the Meeting and signed by the chairman of the Meeting for the purpose of identification) to be entered into among AG Shenyang II, Coastal Realty, Kenco and the Company be and is hereby approved;

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## NOTICE OF SGM

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- (c) the exercise of the call option (the “**Call Option**”) to be granted by AG Shenyang II to Coastal Realty pursuant to the Kenco Shareholders Deed for Coastal Realty to purchase the equity interests of AG Shenyang II in Project Co II from AG Shenyang II pursuant to the Kenco Shareholders Deed be and is hereby approved; and
- (d) the Directors be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Kenco Agreement, the granting of the Put Option, the exercise of the Call Option and the transactions contemplated thereunder.”

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

Hong Kong, 1 August 2007

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
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 of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one 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. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish
3. 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 shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.