

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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.

This circular is not an offer of, nor is it intended to invite offers for, shares or other securities of the Company including the Additional Units (as defined herein).



CONNECTED TRANSACTION

PROPOSED PLACING OF GUARANTEED SENIOR NOTES AND WARRANTS TO SHENZHEN INVESTMENT LIMITED

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



A letter from the independent committee (the “Independent Board Committee”) of the board of directors of the Company concerning the connected transaction is set out on page 16 of this circular. A letter from Optima Capital Limited, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 29 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 Monday, 10 December 2007 at 10:00 a.m. is set out on pages 46 to 47 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

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

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DEFINITIONS

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

“%”	per cent.
“2008 Senior Notes”	the 9% senior notes due 2008 with a principal amount of US\$77.5 million issued pursuant to the Deed Poll Amended and Restated on 6 July 2006 of the Company
“Additional Units”	500 Units to be issued and sold to HSBC by the Company upon exercise of the Option by HSBC
“Additional Units Closing Date”	10:00 a.m. (London Time) on the day stated in the Exercise Notice as the date of payment and delivery of the Additional Units (which is currently expected to be 20 December 2007)
“Additional Units Purchase Price”	the purchase price for each Unit stated in the Purchase Agreement, being US\$100,000, multiplied by the number of Additional Units, plus the portion of interest payable on the Additional Units on the next Interest Payment Date of the Notes that is attributable to the period commencing on the Original Issue Date and ending on the Additional Units Closing Date.
“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
“Closing Date”	the date of payment and delivery of the Initial Units, being 8 November 2007
“Company”	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Exercise Notice”	the notice that will be issued by HSBC to the Company if HSBC decides to exercise the Option

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Indenture”	the indenture dated 8 November 2007 entered into among the Company, the Subsidiary Guarantors and HSBC as trustee, pursuant to which the Initial Units were issued and the Additional Units are to be issued
“Independent Board Committee”	an independent committee of the Board, comprising Mr. LAW Kin Ho, Mr. TANG Lap Yan and Mr. WONG Kai Cheong, established to advise the Independent Shareholders on the Placing
“Independent Shareholders”	Shareholders other than the Investor and its associates (as defined in the Listing Rules)
“Independent Shareholders’ Approval”	the approval of the Independent Shareholders to be sought in the SGM for the Placing
“Independent Third Party(ies)”	independent third party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, which is/are independent of the Company and its connected persons
“Initial Purchaser”	HSBC
“Initial Units”	1,000 Units issued and sold to HSBC as Initial Purchaser by the Company on 8 November 2007
“Interest Payment Dates”	8 May and 8 November of each year, commencing 8 May 2008 (each an “Interest Payment Date”)
“Investor”	Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company

DEFINITIONS

“Latest Practicable Date”	20 November 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
“Non-Guarantor Subsidiaries”	subsidiaries of the Company organized under the laws of the PRC, which are the principal operating subsidiaries of the Company
“Notes”	the approximately US\$150 million principal amount of 12% Guaranteed Senior Notes due 2012 issued, or to be issued, by the Company
“Offering Circular”	the final offering circular in relation to the issue of the Initial Units dated 30 October 2007
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Placing
“Option”	the option granted to HSBC by the Company pursuant to the terms of the Purchase Agreement, whereby the Company may be required by HSBC to issue and sell to HSBC the Additional Units at the Additional Units Purchase Price
“Original Issue Date”	the date on which the Initial Units were issued under the Indenture, being 8 November 2007
“Other Equity Rights”	share options in respect of Shares which may fall to be issued under the share option scheme of the Company adopted by the Company at its annual general meeting held on 24 September 2002
“Placing”	the proposed placing of the Additional Units to the Investor pursuant to the Placing Agreement subject to the exercise of the Option by HSBC

DEFINITIONS

“Placing Agreement”	the placing agreement entered into between HSBC and the Investor in relation to the sale of the Additional Units on 30 October 2007
“PRC”	the People’s Republic of China, excluding for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchase Agreement”	the purchase agreement entered into between the Company, the Subsidiary Guarantors and HSBC as Initial Purchaser in relation to the Initial Units and Additional Units on 30 October 2007
“Resolution”	the resolution proposed to, and if thought fit, to be passed by the Independent Shareholders at the SGM
“Securities Act”	United States Securities Act of 1933, as amended
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Monday, 10 December 2007 at 10:00 a.m. to consider and, if thought fit, to approve the Placing
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees of the obligations of the Company under the Indenture by the Subsidiary Guarantors

DEFINITIONS

“Subsidiary Guarantors”	Coastal Realty (China) Company Limited, Coastal Realty Development Co. Limited, Coastal Realty Management Company Limited, Direct Pole Limited, Dragon Gain Investment Limited, Fenhall Development Limited, Fenson Development Limited, Frenwick Development Limited, Globe Gain Limited, Grand Team Development Limited, Greaton Development Limited, Joinwell Investment Limited, Pearl Square Enterprises Limited, Pendle Company Limited, Smooth Land Limited, Tacklemate Investment Limited, Coastal Realty (BVI) Limited, Coastal Realty Consultancy Limited, Kenco Group Limited, and Kings Crown Holdings Ltd., all being subsidiaries of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Trustee”	HSBC
“Unit(s)”	Units, each consisting of US\$100,000 principal amount of Notes and 74,415 Warrants
“US\$”	United States dollars, the lawful currency of the United States
“Warrant Agreement”	the agreement dated 8 November 2007 entered into between the Company and HSBC as warrant agent
“Warrant Shares”	the Shares issuable on exercise of the Warrants
“Warrants”	the 111,622,500 Warrants constituted by way of the Warrant Agreement

For the purpose of this circular, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rates of RMB1.00 to HK\$1.00. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any other rate or at all.

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. Hu Aimin

Mr. Zhang Yijun

Mr. Zhang Huaqiao

Independent non-executive Directors:

Mr. Tang Lap Yan

Mr. Law Kin Ho

Mr. Wong Kai Cheong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Suite 1708, 17th Floor

One Exchange Square

8 Connaught Place

Central

Hong Kong

22 November 2007

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

PROPOSED PLACING OF GUARANTEED SENIOR NOTES AND WARRANTS TO SHENZHEN INVESTMENT LIMITED

INTRODUCTION

Further to the announcements of the Company dated 15 October and 1 November 2007, on 30 October 2007 (after close of trading hours of the Stock Exchange), the Company, together with the Subsidiary Guarantors, entered into the Purchase Agreement with HSBC in connection with the issue and sale of 1,500 Units consisting of US\$150 million principal amount of 12% Guaranteed Senior Notes due 2012 and 111,622,500 Warrants for 111,622,500 Shares.

LETTER FROM THE BOARD

The Company has granted to HSBC the Option, exercisable at any time up to and including the date that is 60 days after the Original Issue Date, pursuant to which HSBC may require the Company to issue and sell to HSBC the Additional Units. The Additional Units will be sold by the Company to the Initial Purchaser on the understanding that the Additional Units will be immediately resold by the Initial Purchaser to the Investor under the Placing Agreement.

On 30 October 2007 (after close of trading hours of the Stock Exchange), HSBC and the Investor entered into the Placing Agreement for the sale and purchase of the Additional Units in consideration for the Additional Units Purchase Price. The obligations of HSBC to sell and the Investor to buy the Additional Units are conditional upon the Company obtaining the Independent Shareholders' Approval. The Investor is a substantial shareholder of the Company, holding approximately 22.7% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Placing constitutes a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with details of the Placing, the recommendation of the Independent Board Committee and the advice from Optima Capital to the Independent Board Committee and the Independent Shareholders in relation to the Placing.

THE PURCHASE AGREEMENT

Date: 30 October 2007

Parties: (a) the Company, as the Issuer
(b) the Subsidiary Guarantors
(c) HSBC, as the Initial Purchaser

HSBC, the sole lead manager and sole bookrunner in respect of the offer and sale of the Initial Units and the Additional Units, was the Initial Purchaser of the Initial Units and will be the Initial Purchaser of the Additional Units. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, HSBC, including its ultimate beneficial owners, is an Independent Third Party and not a connected person of the Company.

The Initial Units were sold by the Initial Purchaser to not less than six investors that are Independent Third Parties.

The Company has granted to HSBC the Option, exercisable at any time up to and including the date that is 60 days after the Original Issue Date, pursuant to which HSBC may require the Company to issue and sell to HSBC the Additional Units. In the event that the sale of the Additional Units to the Investor does not happen within 75 days of the Original Issue Date for any reason or that the Placing Agreement is terminated pursuant to the terms thereof,

LETTER FROM THE BOARD

the subscription rights under the Warrants and the Warrant Agreement under which they will be issued will be amended to increase the entitlement upon exercise of the Warrants from one Warrant Share per Warrant to 1.5 Warrant Shares per Warrant. Warrants exercised prior to any such amendment will not be entitled to more than one Warrant Share per Warrant.

If the Purchase Agreement is terminated, the Placing Agreement will automatically terminate. The Initial Units were issued on the Closing Date and, subject to the foregoing, the Additional Units are expected to be issued on the Additional Units Closing Date.

Upon the issue of the Initial Units, the Notes and Warrants constituting the Initial Units were immediately separated. Upon the issue of the Additional Units to the Initial Purchaser, the Notes and Warrants constituting the Additional Units, will be immediately separated.

The Closing Date was 8 November 2007, Hong Kong time. The Additional Units Closing Date is expected to be on or around 20 December 2007, Hong Kong time.

Information relating to the principal terms of the Notes and the Warrants can be found at Appendices 1 and 2 respectively.

The closing price of the Shares on 20 November 2007, being the Latest Practicable Date was HK\$1.80 and the exercise price per Warrant Share (subject to adjustment) is HK\$2.46. The Exercise Price represents:

- (a) a premium of approximately 36.7% to the closing price per Share of HK\$1.80 as quoted on the Stock Exchange on the Latest Practicable Date; and
- (b) a premium of approximately 33.0% to the average closing price per Share of HK\$1.85 as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Latest Practicable Date.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Purchase Agreement, the Warrant Agreement and the Indenture are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

THE PLACING AGREEMENT

Date: 30 October 2007

Parties: (1) HSBC
(2) the Investor

LETTER FROM THE BOARD

- Units sold: The Additional Units consisting of US\$50 million principal amount of 12% Guaranteed Senior Notes due 2012 and 37,207,500 Warrants for 37,207,500 Shares
- Consideration: The Additional Units Purchase Price.
- The consideration was arrived at after arm's length negotiations between the parties. The Investor will settle the consideration in cash.
- Settlement date: The Additional Units Closing Date.
- Conditions of settlement:
- (1) Completion of the offering of the Initial Units as contemplated by the Offering Circular;
 - (2) receipt by the Company of the Independent Shareholders' Approval; and
 - (3) exercise and closing of the Option under the Purchase Agreement.
- Termination: If HSBC is unable to exercise the Option in accordance with the Purchase Agreement within five business days following the date the Independent Shareholders' Approval is publicly announced by the Company in accordance with the Listing Rules, or is otherwise unable to close the Option in accordance with the Purchase Agreement, in either case for any reason beyond the reasonable control of HSBC, or the Independent Shareholders' Approval is not received within 60 days from the date of completion of the offering as contemplated by the Offering Circular, either party may terminate the Placing Agreement by written notice to the other party. Upon termination, the rights and obligations of the parties under the Placing Agreement shall lapse and be of no further effect and, in such event, the parties shall be released from such obligations without any liability save as to any antecedent breach occurring before such termination.
- Governing law: The Placing Agreement is governed by and construed in accordance with the laws of Hong Kong.

LETTER FROM THE BOARD

In connection with the Placing, Coastal International Holdings Limited, a substantial shareholder of the Company, has given an irrevocable undertaking dated 29 October 2007 to HSBC that it shall vote and procure the voting of the Shares held by it as beneficial owner in favour of the resolution to approve the Placing and the transactions contemplated thereby to be proposed at the SGM.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Placing are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Save for the issue of the Initial Units, the Company has not conducted any fund raising exercise during the past twelve months immediately preceding the date of this circular.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE UNITS AND THE PLACING

The Company is a property development company with geographically-diverse properties and development projects in the PRC. To implement its strategies and continue its growth, the Company is seeking additional property acquisitions. The issue of the Initial Units and placing of the Additional Units (consisting of Notes and detachable Warrants) will provide financial support for the Company's business growth and future development. Having considered the prevailing market conditions, the Company is of the view that the issuance of the Initial Units and placing of the Additional Units is a desirable way for the Company to raise financing and will facilitate the Company to diversify its channels of debt financing. The Company also believes that, as the Notes have been rated by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, the issuance of the Initial Units and placing of the Additional Units (consisting of Notes and detachable Warrants) will help the Company to enhance its profile in the debt market.

The Company intends to use part of the proceeds to redeem the 2008 Senior Notes, therefore the issue of the Initial Units and the Placing will assist to refinance the Company's existing debt and the longer maturity period of Notes will better match the Company's project development and cashflow requirements. The Notes are a fixed rate US\$ debt and therefore the Company will have locked-in a longer term fixed rate debt, as opposed to seeking funds in an increasing interest rate environment within the PRC. The US\$ denominated Notes will also permit the Company to benefit from any future appreciation of the RMB.

LETTER FROM THE BOARD

USE OF PROCEEDS

It is expected that the net proceeds from the offering of the Initial Units and the Additional Units, after deducting the underwriting discount and other estimated expenses payable in connection with the issue of the Initial Units and Additional Units, will be approximately US\$142 million. The Company intends to use the net proceeds for the following purposes:

- (i) approximately US\$77.5 million to redeem the 2008 Senior Notes; and
- (ii) the remaining balance to be used to finance property acquisitions and for general corporate purposes, including working capital.

Pending application of the net proceeds, the Company intends to invest the net proceeds in certain temporary cash investments.

GENERAL MANDATE

The Warrant Shares for the Placing will be issued under the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the annual general meeting on 11 September 2007 (the “AGM”) subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM, being 558,116,571 Shares (representing 20% of 2,790,582,857 shares of the Company in issue as at the date of the AGM). Up to the date of this circular no Shares have been issued under the general mandate.

In aggregate, immediately after the issue of the Initial Units and the Additional Units and assuming full exercise of the Warrants, the general mandate would be utilized by approximately 20%, and thereafter, 446,494,071 Shares, representing approximately 80% of the general mandate would remain unutilized.

APPLICATION FOR LISTING

An application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Warrant Shares to be issued upon the exercise of the Warrants issued pursuant to the issue of the Additional Units.

LETTER FROM THE BOARD

GENERAL

Effects on shareholding structure

The Company has in issue various rights to require it to issue Shares, being the Other Equity Rights. The following table shows the effect on the issued share capital of the Company on exercise of the Warrants (issued pursuant to the issue of the Initial Units and the proposed issue of the Additional Units) and Other Equity Rights and assumes no other Shares will be issued at any material time:

	Before issue of the Units		Immediately after issue of the Units but before exercise of any Warrants and Other Equity Rights		Immediately after issue of the Units and full exercise of the Warrants but before exercise of any Other Equity Rights		Immediately after issue of the Units (with no sale of the Additional Units) and full exercise of the Warrants but before exercise of any Other Equity Rights		Immediately after issue of the Units (with no sale of the Additional Units) and full exercise of the Warrants and full exercise of all Other Equity Rights		Immediately after issue of the Units and full exercise of the Warrants and full exercise of all Other Equity Rights	
	Approx.		Approx.		Approx.		Approx.		Approx.		Approx.	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Coastal International Holdings Limited and its subsidiaries	1,027,890,527	36.8	1,027,890,527	36.8	1,027,890,527	35.4	1,027,890,527	35.4	1,027,890,527	33.9	1,027,890,527	33.9
Shenzhen Investment Limited	634,092,857	22.7	634,092,857	22.7	671,300,357	23.1	634,092,857	21.8	634,092,857	20.9	671,300,357	22.2
Warrant holders (excluding Shenzhen Investment Limited)	-	-	-	-	74,415,000	2.6	111,622,500	3.8	111,622,500	3.7	74,415,000	2.5
Other Equity Rights holders (Note 1)	-	-	-	-	-	-	-	-	125,940,000	4.2	125,940,000	4.2
Public Shareholders	1,128,599,473	40.4	1,128,599,473	40.4	1,128,599,473	38.9	1,128,599,473	38.9	1,128,599,473	37.3	1,128,599,473	37.3
Total	2,790,582,857	100	2,790,582,857	100	2,902,205,357	100	2,902,205,357	100	3,028,145,357	100	3,028,145,357	100

Note:

- These are share options in respect of Shares which may fall to be issued under the share option scheme of the Company adopted by the Company at its annual general meeting held on 24 September 2002.

The Company has no other convertible securities for the purposes of Rule 15.02(1) of the Listing Rules.

As the Shares to be issued on exercise of the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights are not expected to exceed 20% of the issued share capital of the Company at the time when the Warrants are issued, the Company is and will be in compliance with Rule 15.02(1) of the Listing Rules.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Investor is a substantial shareholder of the Company, holding 634,092,857 Shares representing approximately 22.7% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Placing constitutes a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

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

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Placing, and Optima Capital, an independent financial adviser has been appointed by the Company to advise the Independent Board Committee and Independent Shareholders.

Pursuant to Chapter 14A of the Listing Rules, the Investor and its associates (as defined in the Listing Rules) are required to abstain from voting for the Resolution. No other Shareholder is required to abstain from voting for the Resolution.

INDEPENDENT BOARD COMMITTEE

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 established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Placing. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Placing.

SGM

Set out on pages 46 to 47 is a notice convening the SGM to be held at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Monday, 10 December 2007 at 10:00 a.m. at which relevant resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Placing and the transactions contemplated thereunder. The voting on the Resolution will be taken by way of poll.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later 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 should you so wish.

PROCEDURE FOR DEMANDING A POLL AT GENERAL MEETING

The procedures by which the Shareholders may demand a poll at the SGM are set out as follows.

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

- (a) the chairman of the meeting; or
- (b) 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) 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) 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 the shares conferring that right; or
- (e) if required by the Listing Rules, any Directors holding proxies if such aggregate proxies held individually or collectively by the Directors account for 5% or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposition manner to that instructed in those proxies.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the terms of the Placing are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Resolution as set out in the notice of SGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular which contains its views in relation to the Placing; and (ii) the letter from Optima Capital, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Placing and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Optima Capital is set out on pages 17 to 29 of this circular.

The Independent Board Committee, having taken into account the advice of Optima Capital, considers that the Placing was entered into on normal commercial terms, and that the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix 3 to this circular.

Yours faithfully,
For and on behalf of the Board of
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)

22 November 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

**PROPOSED PLACING OF GUARANTEED SENIOR NOTES
AND WARRANTS TO
SHENZHEN INVESTMENT LIMITED**

We refer to the circular of the Company dated 22 November 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 on the terms of the Placing, and whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Placing was entered into on normal commercial terms; and (ii) the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the 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 17 to 29 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 15 of the Circular and the additional information set out in the Appendices to the Circular.

Having considered the terms of the Placing and the advice of Optima Capital, we are of the opinion that (i) the Placing is on normal commercial terms; and (ii) the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders in connection with the Placing, which has been prepared for the purpose of inclusion in this circular.



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

22 November 2007

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION

PROPOSED PLACING OF GUARANTEED SENIOR NOTES AND WARRANTS TO SHENZHEN INVESTMENT LIMITED

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms in relation to the Placing, for which the Independent Shareholders' approval is being sought. Details of the Placing Agreement are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 22 November 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 October 2007, the Company, together with the Subsidiary Guarantors, entered into the Purchase Agreement with HSBC in connection with the issue of 1,500 Units consisting of US\$150 million principal amount of 12% Guaranteed Senior Notes due 2012 and 111,622,500 Warrants for 111,622,500 Shares. Pursuant to the Purchase Agreement, an option has been granted to HSBC by the Company in accordance with the terms of Purchase Agreement, whereby the Company may be required by HSBC to issue and sell to HSBC 500 Units at the purchase price stated in the Purchase Agreement plus accrued interest, to the date of closing of such issuance and sale.

On 30 October 2007, HSBC and the Investor entered into the Placing Agreement for the sale and purchase of the Additional Units (representing 500 Units) in a consideration of US\$50 million. The obligations of HSBC to sell and the Investor to buy the Additional Units are conditional upon the Company obtaining the Independent Shareholders' Approval. The Investor is a substantial shareholder of the Company, holding approximately 22.7% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Placing constitutes a connected transaction for the Company under the Listing Rules and is subject to independent shareholders' approval requirements of Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Placing and

the transactions contemplated thereunder at the SGM. At the SGM, the Investor and its associates (as defined in the Listing Rules) will be required to abstain from voting on the Resolution to be proposed to approve the Placing and the transactions contemplated thereunder. Such resolution will be taken by way of poll.

As advised by the management of the Company, in order to implement the Company's strategies and to continue its growth, the Company has been seeking additional property acquisitions. The Directors consider that the issue of the Notes and the Warrants will provide financial support for the Company's growth and future development. Therefore, having considered the prevailing market conditions, the Directors believe that the issuance of the Notes and the Warrants is a desirable way for the Company to raise funds and will facilitate the Company to diversify its channels of debt financing.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong, has been established to make a recommendation to the Independent Shareholders as regards whether the Placing is on normal commercial terms and whether the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Optima Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the issue of Notes (including the Additional Units)

On 30 October 2007, the Company, together with the Subsidiary Guarantors, entered into the Purchase Agreement with HSBC in connection with the issue of 1,500 Units consisting of US\$150 million principal amount of 12% Guaranteed Senior Notes due 2012 and 111,622,500

Warrants for 111,622,500 Shares. Pursuant to the Purchase Agreement, an option has been granted to HSBC by the Company in accordance with the terms of Purchase Agreement, whereby the Company may be required by HSBC to issue and sell to HSBC 500 Units at the purchase price stated in the Purchase Agreement plus accrued interest, to the date of closing of such issuance and sale. On the same date, HSBC and the Investor entered into the Placing Agreement for the sale and purchase of the Additional Units in a consideration of US\$50 million.

The Company intends to use the net proceeds from the issuance partly to redeem the 2008 Senior Notes in amount of approximately US\$77.5 million (equivalent to approximately HK\$603.0 million). We are advised by the management of the Company that it is the Company's strategy to repay the short-term debt which is due next year and it is expected that the 2008 Senior Notes would have to be refinanced when they mature in August 2008. The longer maturity period of the Notes can assist the Company to finance the existing short term debt, better matching the Company's longer term project developments and cashflow requirements. Taking into account the business of the Group which is long term in nature, we consider that it is justifiable for the Company to finance the short-term borrowings (the 2008 Senior Notes) by the long-term borrowings (the Notes due in 2012) of the Group.

We are also advised by the management of the Company that one of the Company strategies is to expand its land bank from the current Gross Floor Area ("GFA") of 4.9 million square meters to 8 to 9 million square meters in the next three to five years while completing 1 to 2 million square meters of GFA every year. The additional land bank will be located in the six PRC regions that the Company is currently investing. The Directors are of the view that expanding the land bank is essential for the Company's growth. Accordingly, we consider that the net proceeds from the issuance are important for implementation of business strategy and sustaining the growth of the Company.

The Company is a property development company with geographically-diverse properties and development projects in the PRC. Development projects are taken up by the Company in the major cities of the six major economic areas in the PRC, namely the northeastern, northern, central, eastern, southern and southwestern regions. The Company currently has property developments in 10 major cities including Beijing, Shanghai and Wuhan. Set out below is our analysis of the relevant property markets in the PRC.

(i) Property development in Beijing, Shanghai and Wuhan

The Beijing residential property market experienced significant growth in the eight years between 1999 and 2006. According to the China Statistical Yearbook 2007, GFA of approximately 26.1 million square meters was sold in 2006. Compared to 606.3 million square meters of residential GFA sold in the PRC, the Beijing residential property market represented 4.3% of the total volume sold in the PRC in 2006. According to the Statistics Bureau of Beijing, sales volume in the residential property market increased significantly between 2001 and 2006. Revenue of approximately RMB216 billion from the sale of residential properties in Beijing in 2006 represented an increase of 307.5% over 2001. In

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the past two years, revenue from property development in Beijing was one of the major sources of income for the Company. The growth of the property market in Beijing can enhance the revenue of the Company from the city.

Shanghai is one of China's largest ports and, as such, has developed into an international trade and financial center. Economically, Shanghai has experienced strong growth in GDP, annual consumer expenditures and annual disposable income per capita. Shanghai is playing a prominent position in China's real estate market growth. The city has been the most active in China, in terms of transactions and price movements. With a population of approximately 17.4 million, residential property sales in Shanghai reached RMB258 billion in 2006, higher than that of Beijing by RMB42 billion. According to the Statistics Bureau of Shanghai, this figure represented an increase of 316.1% over 2001.

According to the Statistics Bureau of Wuhan, the amount of residential properties completed increased by 7.2% from 2005 to a total of 7.7 million square meters in 2006. GFA of approximately 9.1 million square meters of residential properties was sold in 2006, representing a 9.0% increase over 2005. Revenue from the sale of residential properties in Wuhan in 2006 was approximately RMB41.8 billion, representing an increase of 533.3% over 2001.

(ii) Real Estate Sales Revenue in PRC

The table below shows the real estate sales revenue in PRC from 2001 to 2006 with reference to the China Statistical Yearbook 2006 and China Statistical Abstract 2007.

	GFA Completed <i>Million sq.m.</i>	GFA Sold <i>Million sq.m.</i>	Total Sales <i>RMB billions</i>
2001	298.7	224.1	486.0
2002	349.8	268.1	603.0
2003	414.6	337.2	796.0
2004	424.6	382.3	1,038.0
2005	534.2	554.9	1,758.0
2006	530.2	606.3	2,051.0

The upward trend of the property industry in the PRC is evidenced by the growth of the revenues from the sale of properties. As shown in the table, the total revenue from real property sales in the PRC increased from approximately RMB486.0 billion in 2001 to approximately RMB2,051.0 billion in 2006. During the same period, total GFA sold in the PRC increased from approximately 224.1 million square meters in 2001 to approximately 606.3 million square meters in 2006.

Based on the above, we consider the growth of the property market in the PRC can facilitate the Company's implementation of its strategies and enhance the expected sales revenue.

2. Principal terms of the Placing Agreement, the Notes and the Warrants

Set out below are the principal terms of the Placing Agreement, the Notes and the Warrants summarised from the information set out in the “Letter from the Board” and Appendices 1 and 2 of this circular.

A. *The Placing Agreement:*

Date	: 30 October 2007
Issuer	: the Company
Initial Purchaser	: HSBC
Subscriber	: the Investor
Units sold	: 500 Units (or the Additional Units)
Consideration	: The Additional Units Purchase Price

B. *Principal terms of the Notes:*

Issue price	: US\$100,000 per Unit
Maturity date	: 8 December 2012
Interest	: The Notes will bear interest at 12% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrear
Subsidiary Guarantees	: Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of premium, if any, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances.

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Optional redemption : At any time prior to 8 November 2010, the Company may at its option redeem the Notes, in whole but not in part, at particular redemption prices varied by different timing of the redemption. At any time prior to 8 November 2009, the Company may only redeem up to 35% of the principal amount of the Notes with the proceeds from certain sales of the Company's capital stock.

Ratings : The Notes have been rated B2 by Moody's Investors Service, Inc. and B by Standard & Poor's Ratings Services.

In order to assess the fairness and reasonableness of the key terms of the Notes, we have researched certain recent issues of notes by listed issuers in Hong Kong since 1 November 2006, being 12 months prior to the date of the Placing Agreement. The comparables are all companies identified by us in our research on notes issued during the said period by searching through published information on the Stock Exchange's website. Set out below is a summary of the key terms of the comparables.

Issuer	Date of announcement	Principal amount (US\$)	Ratings of the notes	Interest rate (per annum)	Maturity (years)	Number of warrants attached	Optional redemption by the issuers
Neo-China Group (Holdings) Limited ("Neo-China") (stock code:563)	18 July 2007	400,000,000	B1/B+	9.75	7	264,000,000	Allowed
Hong Long Holdings Limited ("Hong Long") (stock code:1383)	21 September 2007	90,000,000	Not rated	12.5	5	81,000,000	Allowed
The Company	1 November 2007	150,000,000	B2/B	12	5	111,622,500	Allowed

Source: the Stock Exchange

(i) Interest rate

The notes issued by Neo China and Hong Long (the “Comparables”) carry interest rates of 9.75% and 12.5% per annum respectively. The interest rate of 12% per annum for the Notes is within the range of the Comparables. The lower interest rate of the notes issued by Neo China may reflect its higher credit rating relative to that of the Notes. The notes of Neo China are rated B+ while the Notes are rated B by Standard & Poor’s Ratings Services. Accordingly, we consider that the interest rate of the Notes is in line with that of the similar notes in the market. Taking into account the current trend of appreciation of Renminbi against US dollars, Renminbi may continue to strengthen against the US dollars in future. If this is the case, the interest of the Notes paid in US dollars by the Group may be partly compensated by the appreciation of Renminbi because all major assets of the Group are located in the PRC and will generate Renminbi revenue to the Group.

(ii) Redemption

As mentioned above, at any time prior to 8 November 2010, the Company may at its option redeem the Notes at particular redemption prices varied by different timing of the redemption. We note that the redemption mechanism of the Notes is in line with that of the Comparables, allowing the issuers to redeem the notes prior to the maturity of the notes at a similar pricing mechanism.

(iii) Guarantee and security

The Company has agreed for the benefit of the holders of the Notes, to charge or cause the initial Subsidiary Guarantor pledgors to pledge the capital stock of certain initial Subsidiary Guarantors in order to secure the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor pledgors under their Subsidiary Guarantees. Under the Subsidiary Guarantees, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of premium, if any, and interest on, and all other amounts payable under, the Notes. We are of the view that the grant of security and subsidiary guarantees is usual of this type and is in line with the market practice. We note that similar terms in relation to security pledged and subsidiary guarantees are also found in the notes issued by the Comparables.

The Comparables are principally engaged in property development in China which is similar to the business of the Company. In addition, based on the information provided by the Company and other public information, we note that the Comparables and the Company have similar credit ratings. It should however be noted that the above analysis should only be used for reference only and the notes issued by the Comparables cannot be exactly compared with the Notes given the differences in (a) the principal amount of the notes issued; (b) amount of detachable warrants issued; (c) the liquidity of these securities; and (d) the financial position of the issuers.

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C. *Principal terms of the Warrants:*

Issuer : the Company

General : *Total Warrants:*

111,622,500 Warrants, which, when exercised, will entitle the holders thereof to be issued up to an aggregate of 111,622,500 Shares, representing approximately 4% of the existing issued share capital of the Company and approximately 3.85% of the share capital of the Company as enlarged by the issue of all potential Warrant Shares.

Warrants attached to the Additional Units:

37,207,500 Warrants, which, when exercised, will entitle the holders thereof to be issued up to an aggregate of 37,207,500 Shares, representing approximately 1.33% of the existing issued share capital of the Company and approximately 1.28% of the share capital of the Company as enlarged by the issue of all potential 37,207,500 Warrant Shares.

Each Warrant initially will be exercisable for up to one Warrant Share, subject to adjustment in certain circumstances.

Exercise Price : The Warrants have an initial notional Exercise Price, subject to reset and adjustment in certain circumstances, of HK\$2.46 per Share.

On the first anniversary of the Original Issue Date, the Exercise Price will be reset to an amount equal to 110% of the Current Market Price if such Current Market Price is less than the closing price on the Original Issue Date provided that the Reset Exercise Price shall not be less than 50% of the initial Exercise Price.

Manner of Exercise : The Warrants will only be exercisable on a cashless basis. The holder so surrendering Warrants for exercise will be entitled to receive a number of Warrant Shares equal to (a) the number of Warrants being exercised times (b) the amount obtained by dividing (x) the excess of the Market Price in effect on the date of exercise over the Exercise Price in effect on the date of exercise by (y) such Market Price.

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Exercise Period : From (and including) the Original Issue Date to (and including) 4:00 p.m. (Hong Kong time) on 8 November 2012.

Expiration : Warrants not previously exercised will expire at 4:00 p.m. (Hong Kong time) on 8 November 2012.

(i) Dilution effect

As the Exercise Price is set greater than the reference market prices set out below, the Warrants were out of the money as at the Latest Practicable Date. Therefore, there was no immediate dilution effect to the existing Shareholders and as aforesaid even if all Warrants are exercised in full, the holders will be entitled to be issued up to an aggregate of 111,622,500 Shares, representing approximately 4% of the existing issued share capital of the Company and approximately 3.85% of the enlarged share capital of the Company. Therefore, we are of the view that the expected dilution effect of the Warrant Shares is minimal.

(ii) Exercise price

The following table sets out the historical monthly/period highest and lowest closing prices of the Shares since 1 November 2006, being 12 months prior to the date of the entering into of the Placing Agreement.

Month	Highest closing price of the month/ period (HK\$)	Lowest closing price of the month/ period (HK\$)	Month/ period end closing price (HK\$)	Average daily closing price of the month/ period (HK\$)
2006				
November	1.21	1.10	1.19	1.15
December	1.40	1.17	1.27	1.30
2007				
January	1.26	1.08	1.09	1.16
February	1.21	1.09	1.15	1.15
March	1.30	1.10	1.10	1.20
April	1.26	1.14	1.21	1.19
May	1.32	1.24	1.29	1.28
June	1.78	1.30	1.63	1.46
July	1.70	1.51	1.54	1.62
August	1.51	1.26	1.38	1.37
September	2.21	1.39	2.09	1.80
October (up to 30 October 2007 (the “Last Full Trading Day”))	2.55	2.11	2.27	2.31

Source: Bloomberg

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The above table shows that the Exercise Price of HK\$2.46 falls within the range of the highest and lowest closing prices of the Shares between HK\$1.08 and HK\$2.55 and it approaches to the highest closing price of HK\$2.55. The table also shows that the average daily closing prices of the Shares for the twelve months period ranged between HK\$1.15 and HK\$2.31. We note that the Exercise Price is above this range. These price ranges reflect that the Exercise Price is determined with reference to the prevailing market prices.

Date/Period	Closing price/average closing price per Share for the period (HK\$)	Premium of the exercise price over the closing/average closing price
The Latest Practicable Date	1.80	36.7%
The Last Full Trading Day	2.27	8.4%
10 trading days up to and including the Last Full Trading Day	2.22	10.8%
20 trading days up to and including the Last Full Trading Day	2.31	6.4%
40 trading days up to and including the Last Full Trading Day	2.05	20.0%
60 trading days up to and including the Last Full Trading Day	1.82	35.2%

The above table shows that the exercise price represents (1) a premium ranging from 6.4% to 35.2% over the average closing prices for the 10, 20, 40 and 60 trading periods; and (2) a premium of 8.4% and 36.7% over the closing prices as at the Last Full Trading Day and the Latest practicable Date respectively. We understand that exercise price of a typical warrant issue is to be set at a premium to prevailing market prices so as to allow the investors to enjoy upside in equity should the underlying securities perform. We also note that the notes issued by Hong Long have similar reset mechanism on exercise price as the Notes do. Based on our analysis above, we consider that the exercise price of the Warrants under the Placing Agreement is determined in line with market practice.

(iii) Manner of exercise

The manner of exercise, i.e. on a cashless basis, for the warrants issued by the Comparables and the Warrants is alike. The cashless basis is also adopted by the Comparables, meaning that the issuers will not receive any cash upon exercise. The warrants issued by Neo-China are to be exercised on a cashless basis while the warrants of Hong Long can be exercised on a cash or cashless basis at the option of warrant holders. Accordingly, the cashless basis as a manner of exercise for warrants is not uncommon. The Warrants can be seen as sweeteners for the potential investors

of the Notes in the offering. Given that the Warrants can increase the attractiveness of the offering of the Notes and that the dilution effect of the Warrants is limited, we consider the manner of exercise for the Warrants is acceptable.

Apart from the fact that the terms of Notes and Warrants under the Placing Agreement is in line with the market, the terms of the Units issued by the Company to the independent investors under the Purchase Agreement and that of the Additional Units issued to the Investor under the Placing Agreement are the same. On this basis, we concur with the Directors that the terms of the Units offered to the Investor is no less favourable than those offered to independent third parties.

3. Financial effects

(i) Working capital

The Group's working capital position will be strengthened as a result of the increase in cash and bank balances from the net proceeds of the issue of the Notes. Based on the audited consolidated financial statements of the Company for the year ended 31 March 2007, the Group had net current assets of HK\$5,687.5 million, comprising current assets of HK\$9,197.5 million (including cash and bank balances of HK\$952.7 million) and current liabilities of HK\$3,510.0 million. Taking into account the 2008 Senior Notes due in August 2008, the net current assets would be approximately HK\$5,084.5 million, reduced by the principal amount of the 2008 Senior Notes. After completion of the issue of the Notes and redemption of the 2008 Senior Notes and assuming other factors which may affect the net current assets remain unchanged, the Group's working capital would be increased by approximately HK\$1,104.8 million, of which HK\$501.8 million would be cash and bank balances.

(ii) Gearing position

Based on the audited consolidated financial statements of the Company for the year ended 31 March 2007 and taking into account the conversion of the US\$40 million (or approximately HK\$311.2 million) convertible bonds in July 2007, the net borrowings of the Group (interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits) amounted to approximately HK\$2,526.2 million. Accordingly, the net debt to equity ratio is approximately 89.0%. Upon completion of the issue of the Notes and redemption of the 2008 Senior Notes, the net borrowings of the Group and the net debt to equity ratio would remain the same.

(iii) Net asset value

No material effects on the net asset value of the Group will be resulted by reason only of the issue of the Notes.

(iv) Interest

The Notes bear interest of 12% per annum and the total annual interest of the Notes would be approximately HK\$140 million. The 2008 Senior Notes bear interest of 9% per annum and the total annual interest of the 2008 Senior Notes would be approximately HK\$54.3 million. Out of the total net proceeds of the Notes of US\$142 million, US\$77.5 million will be used to redeem the 2008 Senior Notes. Accordingly, interest of an additional amount of approximately HK\$85.7 million would be incurred. As set out in the annual report of the Company for the year ended 31 March 2007, the total interest of the Group amounted to HK\$327.2 million, of which HK\$292.4 million was capitalized in properties under development. The use of proceeds after redemption of the 2008 Senior Notes of approximately US\$64.5 million (or approximately HK\$501.8 million) will be used to finance property acquisitions and for general corporate purposes. We are advised by the management of the Company that the allocation of the aforesaid use is yet to be determined. Accordingly, we are not in the position to determine the effect of the interest on the earnings of the Group. However, taking into account the net proceeds from the issuance are important for implementation of business strategy and sustaining the growth of the Company, we consider the additional interest incurred from the Notes is acceptable.

(v) Relating to the Warrants

Given the Warrant Shares to be issued upon exercise of the Warrants represent less than 4% of the enlarged issued share capital of the Company, we concur with the Directors' view that the issue of Warrants would not have material impact on the financial position of the Group.

Shareholders should note that the above analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the issue of the Notes and Warrants.

4. Other Benefits

The Directors believe that the issuance of the Notes and Warrants will help the Company to enhance its profile in the debt market as the Notes have been rated B2 and B by Moody's Investors Service, Inc and Standard & Poor's Ratings Services respectively. The Directors also aim to widen investor base through the offering of the Notes. Recently, the worldwide interest rate has been volatile. The issue of Notes can lock the financing of the Group in a fixed rate for a longer term as opposed to floating rate, which is less certain and might increase the interest cost of the Company. We consider such is beneficial to the Group's cashflow planning. As the Notes are denominated in US dollars, the Company can also take advantage of the current and, possibly forthcoming, Renminbi appreciation. Taking into account the aforesaid benefits, the scale of the fund raising exercise and that no significant dilution will be imposed to the independent shareholders, we concur with the Directors' view that the issuance of the Notes and the Warrants is a desirable way for the Company to raise financing and will facilitate the Company to diversify its channels of financing.

RECOMMENDATION

Having taken into account the principal factors and reasons as discussed above, and in particular,

- (i) that the net proceeds from the issue of Notes can facilitate the implementation of the business strategy and support the growth of the Company;
- (ii) that the terms of the Notes and Warrants are in line with those issued by Hong Kong listed issuers with similar credit ratings;
- (iii) the terms of the Notes issued to the independent investors are the same as those issued to the Investor; and
- (iv) the issuance of Notes and Warrants can widen investor base of the Company, enhance the Company's profile in debt market and diversify its channels of financing.

we consider that the Placing is on normal commercial terms and the terms of the Placing are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM to approve the Placing and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Mei H. Leung
Chairman

PRINCIPAL TERMS OF THE NOTES

Each Unit will include US\$100,000 principal amount of Notes and 74,415 Warrants for 74,415 Shares. A summary of the principal terms of the Notes is set out below.

Issuer:	The Company
Issue price:	US\$100,000 per Unit
Notes offered:	US\$150 million principal amount of 12% Guaranteed Senior Notes
Maturity date:	8 November 2012
Interest:	The Notes will bear interest at 12% per annum from the Original Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable semiannually in arrears.
Interest payment dates:	8 May and 8 November of each year, commencing 8 May 2008 (each an “Interest Payment Date”)
Subsidiary Guarantees:	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances.
Ranking of Subsidiary Guarantee:	The Subsidiary Guarantee of each Subsidiary Guarantor will be a general obligation of such Subsidiary Guarantor, senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee, ranks at least pari passu with all other unsecured, unsubordinated indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law) and effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor.

Ranking of the Notes:	The Notes will be general obligations of the Company, which are guaranteed by the Subsidiary Guarantors on a senior basis (subject to certain limitations described in the Offering Circular), senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law) and effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Optional redemption:	At any time prior to 8 November 2010, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium to be calculated in accordance with the terms set out in the Indenture as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
	At any time on or after 8 November 2010, the Company may redeem the Notes, in whole or in part, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to (but not including) the redemption date.
	At any time prior to 8 November 2009, the Company may redeem up to 35% of the principal amount of the Notes with the proceeds from certain sales of the Company's capital stock at a redemption price of 112% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.
Repurchase of Notes upon change of control:	Upon the occurrence of a change of control triggering event as described in the Indenture, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for taxation reasons: Subject to certain exceptions set out in the Indenture, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in, amendments to, application or interpretation of specified tax laws or certain other circumstances.

Covenants: The Indenture governing the Notes and the Subsidiary Guarantees will limit the ability of the Company and Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on the Company's capital stock, or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make inter-company loans or advances;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in the Indenture. The Directors are of the view that those qualifications and exceptions are of normal commercial terms comparable to the covenants in substantially similar transactions in the market. Accordingly, the Directors consider that as part of the consideration under the Purchase Agreement, the transactions contemplated under the Purchase Agreement and Indenture are in the interest of the Company and its shareholders as a whole despite the fact that such covenants may have an impact, but not a material impact, on the Company's operation.

Transfer restrictions:

The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale.

Form, denomination and registration:

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$100,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by a global note registered in the name of a nominee of a common depository for Euroclear and Clearstream. Certificates for the Notes will not be issued in exchange for beneficial interests in the global note. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as any of the Notes are listed on the SGX-ST.

Ratings:

The Notes have been rated B2 by Moody's Investors Service, Inc. and B by Standard & Poor's Ratings Services.

Listing:

Approval in-principle has been received for the listing of the Notes on the SGX-ST.

Governing law:

The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York, the United States.

WARRANTS

A summary of the principal terms of issue of the Warrants is set out below.

Issuer:	The Company.
General:	<p>111,622,500 Warrants, which, when exercised, will entitle the holders thereof to be issued up to an aggregate of 111,622,500 Shares, which would represent approximately 4% of the existing issued share capital of the Company and approximately 3.85% of the share capital of the Company as enlarged by the issue of all potential Warrant Shares.</p> <p>Each Warrant initially will be exercisable for up to one Warrant Share, subject to adjustment in certain circumstances.</p> <p>The Warrant Shares will be issued under the Company's existing general mandate granted by shareholders of the Company in the annual general meeting on 11 September 2007.</p>
Exercise Price:	<p>The Warrants have an initial notional exercise price, subject to reset and adjustment in certain circumstances (the "Exercise Price"), of HK\$2.46 per Share.</p> <p>The initial notional Exercise Price of HK\$2.46 represents:</p> <ul style="list-style-type: none">(i) a premium of approximately 36.7% to the closing price per Share of HK\$1.80 as quoted on the Stock Exchange on the Latest Practicable Date; and(ii) a premium of approximately 33.0% to the average closing price per Share of HK\$1.85 as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Latest Practicable Date.
Exercise Period:	From (and including) the Original Issue Date to (and including) 4:00 p.m. (Hong Kong time) on 8 November 2012.

Expiration:	Warrants not previously exercised will expire at 4:00 p.m. (Hong Kong time) on 8 November 2012.
Manner of Exercise:	<p>The Warrants will only be exercisable on a cashless basis. The holder so surrendering Warrants for exercise will be entitled to receive a number of Warrant Shares equal to (i) at any time that a Corporate Investment Failure (as defined below) has not occurred, (a) the number of Warrants being exercised times (b) the amount obtained by dividing (x) the excess of the Market Price in effect on the date of exercise over the Exercise Price in effect on the date of exercise by (y) such Market Price, and (ii) at any time after a Corporate Investment Failure Event has occurred, (a) 1.5 times the number of Warrants being exercised times (b) the amount obtained by dividing (x) the excess of the Market Price in effect on the date of exercise over the Exercise Price in effect on the date of exercise by (y) such Market Price. A “Corporate Investment Failure Event” shall have occurred if (a) the Placing Agreement is terminated pursuant to the terms thereof or (b) the sale of the Additional Units to the Investor does not happen within 75 days of the date of the Warrant Agreement for any reason. “Market Price” means the volume weighted average traded price of the Shares as published in the Daily Quotation sheet of the Stock Exchange or the equivalent quotation sheet of an Alternative Stock Exchange (as defined in the Warrant Agreement) or any successor service for the five (5) Trading Days (as defined in the Warrant Agreement) ending on the Trading Day immediately preceding the date on which the applicable Warrant is exercised. The Warrants will not be exercisable for any Warrant Shares unless the then current Market Price exceeds the then current Exercise Price.</p>
Voting Rights:	Holders of the Warrants will not have voting rights in respect of the Warrant Shares.

- Listing:** The Warrants will not be listed on the Stock Exchange or any stock exchange. The Listing Committee of the Stock Exchange has granted approval for the listing of and permission to deal in the 74,415,000 Warrant Shares issued upon the exercise of the Warrants issued and detached from the Initial Units. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the 37,207,500 Warrant Shares to be issued upon the exercise of the Warrants issued and detached from the Additional Units.
- Anti-Dilution:** The exercise price and number of Warrant Shares issuable upon exercise of the Warrants are both subject to adjustment in certain cases set out under “Adjustments” below.
- Reset:** On the first anniversary of the Original Issue Date, the Exercise Price will be reset (the “**Reset Exercise Price**”) to an amount equal to 110% of the Current Market Price of one Share on the trading day immediately preceding the first anniversary of the Original Issue Date (the “**Current Market Price**”) if such Current Market Price is less than the closing price on the Original Issue Date; provided that the Reset Exercise Price shall not be less than 50% of the initial Exercise Price of HK\$2.46 per Share.
- Taking into consideration of the terms of the Purchase Agreement, the Warrant Agreement and the Indenture as a whole, the Directors consider that the terms of the Reset Exercise Price are fair and reasonable to the Company and the shareholders of the Company as a whole.
- Adjustments:** Subject to certain exceptions as set out below in “Exceptions to adjustments”, the Exercise Price will be subject to adjustment in certain events including:
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve);
- (iii) a Capital Distribution (as defined in the Warrant Agreement) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares (in their capacity as such);
- (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer or grant by the Company to the holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price per new Share which is less than 90% of the Market Price;
- (vi) an issue wholly for cash being made by the Company or any other subsidiary of securities convertible into or exchangeable for or carrying rights or subscription for new Shares, if in any case the total Effective Consideration (as defined in the Warrant Agreement) per Share is less than 90% of the Market Price (calculated as provided in the Warrant Agreement), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of such Market Price;
- (vii) an issue being made by the Company wholly for cash or Shares (other than pursuant to a share option scheme), at a price less than 90% of the Market Price; and
- (viii) a cancellation of any Shares repurchased by the Company (other than on the Stock Exchange or any other stock exchange recognized for such purpose) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price.

Exceptions to adjustments

Except in certain limited circumstances, no adjustment will be made to the Exercise Price in respect of:

- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including subscription rights) to acquire Shares;
- (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or carrying rights to acquire, Shares to executive Directors or employees of the Company or any subsidiaries or their personal representatives pursuant to a share option scheme;
- (iii) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
- (iv) an issue of fully paid Shares by way of capitalization of all or part of the capital reserve to be established pursuant to the terms and conditions contained in the Warrant Agreement (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or rights to acquire Shares);
- (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalized and the Market Value of such Shares is not more than 110% of the amount of dividends which holders of Shares could elect to or would otherwise receive in cash; and
- (vi) the issue of the Warrants.

Any adjustments to the Exercise Price will be calculated to the nearest cent. No adjustment need be made for any of the foregoing transactions if holders of the Warrants are to participate in the transaction on a basis and with notice that the Board determines to be fair and appropriate in light of the basis and notice on which holders of Shares participate in the transaction.

Adjustment if the Additional Units are not sold:

In the event that the sale of the Additional Units to the Investor does not happen within 75 days of the Original Issue Date for any reason, the subscription rights under the Warrants and the Warrant Agreement under which they will be issued will be amended to increase the entitlement upon exercise of the Warrants from one Warrant Share per Warrant to 1.5 Warrant Shares per Warrant. Warrants exercised prior to any such amendment will not be entitled to more than one Warrant Share per Warrant.

Governing Law:

The Warrants and the Warrant Agreement will be governed by and will be construed in accordance with the laws of the State of New York, the United States.

Transfer Restrictions; Absence of Public Market for the Warrants:

The Warrants will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. The Warrants will not be offered to the public.

Book Entry:

The Warrants will initially be represented by a global Warrant to be registered in the name of a nominee of a common depository of Euroclear and Clearstream. The Warrants will be issued in book-entry form through the facilities of Euroclear and Clearstream.

Warrant Agent:

HSBC

A registered holder of Warrants does not have any rights of a Shareholder before exercise of Warrants. Accordingly, a holder has no right on the liquidation of the Company and is not entitled to any dividends or distributions or offer of future securities, before becoming a Shareholder.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. 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 Issuers contained in the Listing Rules, were as follows:

Name of director	Number or attributable number of shares held or short positions	Number or attributable number of underlying shares held or short positions	Capacity		Approximate percentage or attributable percentage of shareholding (%)
			Beneficial owner	Interest of controlled corporation	
Chan Boon Teong	140,000,000 (S)	-	-	140,000,000 (S)	5.02
(Notes 1, 2, 3, 4 & 5)	1,034,290,527 (L)	10,000,000 (L)	16,400,000 (L)	1,027,890,527 (L)	37.42
Jiang Ming	140,000,000 (S)	-	-	140,000,000 (S)	5.02
(Notes 1, 2, 3, 4 & 6)	1,034,290,527 (L)	10,000,000 (L)	16,400,000 (L)	1,027,890,527 (L)	37.42
Tao Lin	140,000,000 (S)	-	-	140,000,000 (S)	5.02
(Notes 1, 2, 3, 4 & 7)	1,027,890,527 (L)	10,000,000 (L)	10,000,000 (L)	1,027,890,527 (L)	37.19
Cheng Wing Bor	140,000,000 (S)	-	-	140,000,000 (S)	5.02
(Notes 1, 2, 3, 4 & 8)	1,034,290,527 (L)	10,000,000 (L)	16,400,000 (L)	1,027,890,527 (L)	37.42
Lin Chen Hsin	140,000,000 (S)	-	-	140,000,000 (S)	5.02
(Notes 1, 2, 3, 4 & 9)	1,029,970,527 (L)	2,500,000 (L)	4,580,000 (L)	1,027,890,527 (L)	37.00
Wu Xin	-	6,000,000 (L)	6,000,000 (L)	-	0.22

Name of director	Number or attributable number of shares held or short positions	Number or attributable number of underlying shares held or short positions	Capacity		Approximate percentage or attributable percentage of shareholding (%)
			Beneficial owner	Interest of controlled corporation	
Xin Xiangdong	-	4,000,000 (L)	4,000,000 (L)	-	0.14
Hu Aimin	-	6,000,000 (L)	6,000,000 (L)	-	0.22
Zhang Yijun	-	6,000,000 (L)	6,000,000 (L)	-	0.22
Zhang Huaqiao	-	6,000,000 (L)	6,000,000 (L)	-	0.22
Tang Lap Yan	-	2,500,000 (L)	2,500,000 (L)	-	0.09
Law Kin Ho	-	2,000,000 (L)	2,000,000 (L)	-	0.07
Wong Kai Cheong	-	2,000,000 (L)	2,000,000 (L)	-	0.07

L: Long Position

S: Short Position

Notes:

- 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 17.83% of the issued share capital of the Company.
- CIH has a short position in 140,000,000 Shares pursuant to the issue of 140,000,000 warrants to acquire 140,000,000 Shares held by CIH in the Company to an independent third party on 14 November 2007.
- 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 1. These 46,080,000 Shares represent an aggregate of 1.65% of the issued share capital of the Company.
- 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 1. These 484,210,527 Shares represent an aggregate of 17.35% of the issued share capital of the Company.
- The interests in 16,400,000 Shares represent 6,400,000 Shares beneficially owned by Chan Boon Teong and 10,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Chan Boon Teong under the Share Option Scheme.
- The interests in 16,400,000 Shares represent 6,400,000 Shares beneficially owned by Jiang Ming and 10,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Jiang Ming under the Share Option Scheme.
- The interests in 10,000,000 Shares represent 10,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Tao Lin under the Share Option Scheme.
- The interests in 16,400,000 Shares represent 6,400,000 Shares beneficially owned by Cheng Wing Bor and 10,000,000 Shares to be allotted and issued upon the exercise of the share options granted to Cheng Wing Bor under the Share Option Scheme.
- The interests in 4,580,000 Shares represent 2,080,000 Shares beneficially owned by Lin Chen Hsin and 2,500,000 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 Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors the interests of every person (other than the Directors) who had interests or short positions in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register to be kept by the Company under section 366 of the SFO were as follows:

Name of Shareholder	Interest in Shares	
	Number of Shares	Approximate percentage of the Company's total issued share capital
Coastal International Holdings Limited	1,027,890,527 (L)	36.83%
(Notes 1, 2, 3 & 4)	140,000,000 (S)	5.02%
Coastal Enterprise Group Limited	484,210,527 (L)	17.35%
Shenzhen Investment Limited	634,092,857 (L)	22.72%

L: Long Position

S: Short Position

Notes:

- 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 17.83% of the issued share capital of the Company.
- CIH has a short position in 140,000,000 Shares pursuant to the issue of 140,000,000 warrants to acquire 140,000,000 Shares held by CIH in the Company to an independent third party on 14 November 2007.
- 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 1. These 46,080,000 Shares represent an aggregate of 1.65% of the issued share capital of the Company.

4. 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 1. These 484,210,527 Shares represent an aggregate of 17.35% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. 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)).

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advices which are contained in this circular:

Name	Qualification
Optima Capital	A corporation licensed to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Optima Capital 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.

6. 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.

7. 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.

8. 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 2007, being the date to which the latest published audited financial statements of the Group was made up.

9. 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 Optima Capital 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 2007, 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 Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Cheng Wing Bor. He 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 and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. 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 10 December 2007 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Purchase Agreement;
- (c) the Warrant Agreement;
- (d) the Indenture;
- (e) the Placing Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out on page 16 in this circular;
- (g) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (h) the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 29 in this circular.

NOTICE OF SGM



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)

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 Place, Central, Hong Kong on Monday, 10 December 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the proposed placing of 500 units (the “Additional Units”) each unit consisting of US\$100,000 principal amount of 12% guaranteed senior notes due 2012 and 74,415 detachable warrants (the “Warrants”) to subscribe for shares in the capital of the Company (the “Warrant Shares”) to be issued by the Company to The Hongkong and Shanghai Banking Corporation (“HSBC”) and placed with Shenzhen Investment Limited (the “Investor”) pursuant to a placing agreement dated 30 October 2007 entered into between HSBC and the Investor, on the terms and subject to the conditions of a purchase agreement entered into between the Company, HSBC and certain subsidiaries of the Company dated 30 October 2007, and all actions of the Company necessary or desirable to give effect thereto (including the allotment and issue of Warrant Shares pursuant to the exercise of the Warrants), be and are hereby approved; and
- (b) the Directors of the Company be and are hereby authorised to implement all the transactions referred to in this ordinary resolution and do all such acts and things and execute all documents which they consider necessary for and on behalf of the Company to give effect thereto.”

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

Hong Kong, 22 November 2007

NOTICE OF SGM

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 and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. 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.