

The Stock Exchange of Hong Kong Limited granted to the Company waivers from strict compliance with the connected transaction provisions of the Listing Rules to the following transactions which are of a regular and continuing nature. These connected transactions were duly approved by the shareholders of the Company at general meetings, details of which are listed chronologically as follows:

- (1) Pursuant to a project management agreement (the "Project Management Agreement") entered into in 1993 between CSCEC, the ultimate holding company of the Company, and certain wholly owned subsidiaries of the Company, namely China Overseas Building Construction Limited, China Overseas Civil Engineering Limited and China Overseas Foundation Engineering Limited (together the "Project Managers"), the Project Managers have been appointed by CSCEC as joint managers for each and every public works contract awarded to CSCEC since 1st January, 1993. Mr. Sun Wen Jie and Mr. Yao Xiancheng, both being directors of the Company, are also directors of CSCEC. Under the Project Management Agreement, the Project Managers shall provide project management services and act as agent for, and in consultation with, CSCEC, to tender for and obtain projects on behalf of CSCEC on such terms as may be agreed by CSCEC. CSCEC has agreed to pay the Project Managers a management fee equivalent to 7 per cent. of the final contract sum receivable by CSCEC under such public works contracts.

Project management fees payable by CSCEC to the Group pursuant to the Project Management Agreement amounted to approximately HK\$268,912,000 in respect of the year.

In connection with the project management services provided by the Group to CSCEC, the Group had trade receivables owed by CSCEC to the Group outstanding at 31st December, 2001 amounted to HK\$185,741,000, which are interest free and have no fixed repayment terms. Such receivables to the extent of HK\$50,532,000 was subsequently settled.

- (2) The Company will provide indemnity (the "Indemnity") to third party financial institutions (the "Financial Institutions") from time to time as security for the bid bonds and performance bonds (the "Bonds") which the Financial Institutions will give in respect of the obligations of CSCEC in tendering for public works contract in Hong Kong for the Government of Hong Kong SAR from time to time. CSCEC is the ultimate holding company of the Company. Mr. Sun Wen Jie and Mr. Yao Xiancheng, both being directors of the Company, are also directors of CSCEC. Pursuant to the terms of the Indemnity, the Company will indemnify the Financial Institutions for any actions, demands, liabilities, losses and expenses which may result or otherwise be incurred by the Financial Institutions in connection with the Bonds given by the Financial Institutions from time to time during the term of the grant. The term during which the Financial Institutions offered to grant the Bonds is expected to be for a period of three years. The aggregate amount of the Bonds will not exceed HK\$1 billion. CSCEC will bear the expenses incidental to the issue of the Bonds by the Financial Institutions. The Company will not receive any fee for giving the Indemnity. As at 31st December, 2001, none of the Bonds were issued by the Financial Institutions under this arrangement.

Details of the Indemnity were given in the circular to shareholders of the Company dated 24th May, 2000.

The Company has entered into the following connected transactions according to Rule 14.26(2)(a) of the Listing Rules, details of which are listed chronologically as follows:

- (3) On 29th August, 1995, the Group entered into an agreement with certain parties relating to the establishment of a company in the name of Macwan Limited ("Macwan") to undertake a property development project. Macwan is owned as to 70% by China Overseas Property Limited ("COPL"), a wholly owned subsidiary of the Company, 20% by Rich Tower Properties Limited ("Rich Tower"), a wholly owned subsidiary of Kiu Kwong Investment Corporation Limited ("Kiu Kwong"), and 10% by Golden Queen International Limited ("Golden Queen"). Pursuant to the agreement, the shareholders of Macwan have agreed to provide loans to Macwan in accordance with their respective equity proportions. At 31st December, 2001, the amounts due by Macwan to the Group, Rich Tower and a fellow subsidiary of Golden Queen, East Asia Properties Holding Company Limited ("East Asia"), were approximately HK\$91 million, HK\$27 million and HK\$13 million respectively. The shareholders of Macwan and the lenders agreed that such loans are interest free. Golden Queen and East Asia are wholly owned subsidiaries of The Bank of East Asia, Limited ("BEA") in which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.
- (4) On 25th March, 1997, a consortium led by the Company had successfully acquired a site situated in Homantin North at a public auction. A company in the name of Maxjet Company Limited ("Maxjet") was established to undertake the property development project. Maxjet is owned as to 70% by COPL, 20% by Rich Charter Properties Limited ("Rich Charter") and 10% by Goldmond Company Limited ("Goldmond"). The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. In addition, each parent company of the shareholders of Maxjet has executed a several guarantee to a bank in accordance with its equity proportion in order to secure the general banking facilities granted to Maxjet to the total extent of HK\$416 million. At 31st December, 2001, the amounts due by Maxjet to the Group, Rich Charter and Goldmond were approximately HK\$894 million, HK\$256 million and HK\$128 million respectively. Such loans are interest free and have been subordinated to the bank borrowings of Maxjet. Rich Charter and Goldmond are wholly owned subsidiaries of Kiu Kwong and BEA respectively.
- (5) On 14th October, 1997, a consortium led by the Company had successfully acquired a site situated in Tuen Mun at a public auction. On 17th November, 1997, members of the consortium entered into an agreement relating to the establishment of a company in the name of Macfull Limited ("Macfull") to undertake the development of the property. Macfull is owned as to 60% by COPL, 10% by Smart Winner Development Limited ("Smart Winner"), 10% by Top Brain Development Limited ("Top Brain") and 20% by an independent third party. Pursuant to the agreement, the shareholders of Macfull have agreed to provide loans to Macfull in accordance with their respective equity proportions. In addition, each parent company of the shareholders of Macfull has executed a several guarantee to a bank in accordance with its equity proportion in order to secure the general banking facilities granted to Macfull, which has been repaid in full during the year under review. Each parent company of the shareholders of Macfull has also executed a joint and several completion guarantee to procure the completion of the development of the property project. At 31st December, 2001, the amounts due by Macfull to the Group, Smart Winner and Top Brain were approximately HK\$1,278 million, HK\$213 million and HK\$213 million respectively. Such loans are interest free and have been subordinated to the bank borrowings of Macfull. Top Brain is a wholly owned subsidiary of Kiu Kwong.

The directors consider that the Company is connected to Kiu Kwong by virtue of its equity interests in Macwan, Maxjet and Macfull.

- (6) Pursuant to a medium-term loan facility agreement entered into between CSCEC and a wholly owned subsidiary of the Company, Chung Hoi Finance Limited ("CHFL"), an unsecured loan facility to the extent of HK\$300,000,000 was granted by CSCEC to CHFL to finance its working capital. There was no drawdown of the loan facility during the year.
- (7) In the ordinary course of business, CSCEC and the Company's immediate holding company, China Overseas Holdings Limited ("COHL"), acted as guarantors for certain banking facilities granted to the Group. No fees were chargeable by either CSCEC or COHL to the Group in this connection during the year.
- (8) CSCEC and the Group respectively owns 55% and 45% interests in an associate which is the holder of a Class II licence for conducting real estate development business in Guangzhou (the "Licence"). During the year, the associate provided services to a subsidiary, as required from a holder of the Licence and did not receive any consideration therefrom.
- (9) The Group made advances to a 51% owned subsidiary, namely Shanghai Hai Xing Realty Co., Ltd. ("Shanghai Hai Xing"), to finance its property development project. The outstanding balances of such advances at the beginning and the end of the year were approximately HK\$157,348,000 and HK\$127,049,000 respectively. Such advances carry interest at commercial lending rates and are unsecured without specific repayment terms. The remaining 49% interest in Shanghai Hai Xing is held by an enterprise operating in the PRC who is not connected with the directors or the controlling shareholder of the Company.

During the year under review, the Company has entered into the following connected transaction which fell within the de minimus provision under Rule 14.25(1)(a) of the Listing Rules:

- (10) On 25th April, 2001, China Overseas Building Development (Shenzhen) Company Limited ("COBD"), an indirect wholly owned subsidiary of the Company, entered into (i) an agreement with 深圳市海富建設監理有限公司 ("SHCSCL") relating to the provision of project supervision service in respect of a property development project located in Overseas Chinese Town, Nan Shan District, Shenzhen (the "Shenzhen Agreement"); (ii) an agreement with 海港城實業發展(深圳)有限公司 ("HCDS") and SHCSCL relating to the provision of the project supervision service in respect of a property development project located in Qinghai Road, Nanshan District, Shenzhen (the "Nanshan Agreement")(collectively the "Agreements"). Under the Agreements, SHCSCL agreed to provide certain project supervision service relating to the two property development projects during a fixed period, for an aggregate supervision fee of RMB10,291,200 (approximately HK\$9,618,000). The amount paid for the project supervision service amounted to approximately HK\$2,570,000 in respect of the year.

SHCSCL is an indirect wholly owned subsidiary of CSCEC, the controlling shareholder of the Company, COBD has, and COBD together with HCDS have, the land use right in respect of the property forming the subject matter of the Shenzhen Agreement and the Nanshan Agreement respectively.

The reason for the transactions was that the supervision fees payable under the Agreements has taken into account the regulations promulgated by 深圳市工程建設監理費規定 on 15th January, 2001 which govern the calculation of such fees in Shenzhen.

Subsequent to the year under review, the Company has entered into the following connected transaction which was duly approved by the shareholders of the Company at an extraordinary general meeting held on 11th April, 2002:

- (11) On 14th March, 2002, a subscription agreement was entered into between China Overseas (Zhong Guo) Limited, an indirect wholly owned subsidiary of the Company, Shenzhen China Overseas Investment Management Co., Ltd (深圳市中海投資管理有限公司) ("SCO") and three independent subscribers pursuant to which COBD will allot new equity interests to SCO and the independent subscribers for a total cash consideration of RMB99,524,100 (approximately HK\$93,600,000) (the "Subscription").

SCO is an associate of the controlling shareholder of the Company and is therefore a connected person of the Company pursuant to the Listing Rules.

Upon completion of the Subscription, the Group will be indirectly interested in COBD's enlarged registered capital as to 79%, SCO as to 11% and the independent subscribers as to 10%.

The reason for the Subscription was that the Group intends to expand its property development business in the PRC. CSCEC, the ultimate holding company of the Company, has the required qualifications and experiences to carry out property development projects nationwide and the introduction of CSCEC as an indirect shareholder in COBD will improve the likelihood of COBD being granted a nationwide property development license.

The proceeds from the Subscription will be applied for acquiring lands for future development of COBD should suitable investment opportunities arise.

Details of the Subscription were given in the circular to shareholders of the Company dated 25th March, 2002.

In the opinion of the directors, these connected transactions were conducted on fair and reasonable basis.