



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

“ASFL”	Allways Success Finance Limited, a company incorporated in Hong Kong which is owned as to 40% by GTIL, 60% by Sino Land (indirectly) immediately before completion of the ASFL Agreement
“ASFL Shares”	4 shares of HK\$1 each of ASFL owned by GTIL, representing 40% of the entire issued share capital of ASFL
“ASFL Loan”	The interest bearing and unsecured loan in the sum of HK\$1,809,578.29 owing to CHFL as at the date of the ASFL Agreement
“ASFL Agreement”	Sale and Purchase Agreement relating to the sale of the ASFL Loan and the ASFL Shares
“BEA”	The Bank of East Asia, Limited in which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder
“Bantian Agreement”	the construction contract entered into between Haipeng and SCOCE relating to the construction of the Bantian Project
“Bantian Project”	the property development project relating to the development of a piece of land situated in Bantian Village, Buji Town, Longgang District, Shenzhen, PRC, the construction of which will be carried out by SCOCE in pursuance of the Bantian Agreement soon and the completion date is expected to be 30 June 2005
“CHFL”	Chung Hoi Finance Limited, an indirect wholly-owned subsidiary of the Company
“COBC”	China Overseas Building Construction Limited, the main contractor of Yeung Uk Road Project and a wholly-owned subsidiary of the Company
“CODS”	深圳市中海建設監理有限公司 (transliteration into English as Shenzhen China Overseas Development Supervision Co., Ltd.), a company established in the PRC, the equity interest of which is owned as to 95% by SCO and 5% by a subsidiary owned by SCO as to 95%
“COFE”	China Overseas Foundation Engineering Limited, a wholly-owned subsidiary of the Company
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, the immediate holding company of the Company and a substantial shareholder of the Company
“COIL”	China Overseas Insurance Limited, a direct wholly-owned subsidiary of COHL
“Construction Contract”	the main contract awarded to COBC pursuant to a letter of intent issued by Prime Harvest of 30 July 2004, for the construction of Yeung Uk Road Project



“COP Group”	COP and its subsidiaries
“COP”	中海地產股份有限公司 (China Overseas Property Group Co., Ltd.), a Sino-foreign joint venture company established in PRC, the registered capital of which is owned as to 79% by COZG, 11% by SCO and 10% by three independent PRC entities not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them
“COPL”	China Overseas Property Limited, a wholly-owned subsidiary of the Company
“COPM”	中海物業管理（廣州）有限公司 (China Overseas Property Management (Guangzhou) Company Limited), a company established in PRC, being a subsidiary of the Company
“COZG”	China Overseas (Zhong Guo) Limited, a company incorporated in Hong Kong, being an indirect wholly owned subsidiary of the Company
“CSCE(HK)”	China State Construction Engineering (Hong Kong) Limited is an associate of COHL which is a substantial shareholder of the Company
“CSCEC”	China State Construction Engineering Corporation, a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company
“East Asia”	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
“Foundation Construction Contract”	the contract for the bored piling and steel sheet piling and Phase I of the excavation work for the development at T.W.T.L. 394, Yeung Uk Road, Tsuen Wan
“Goldmond”	Goldmond Company Limited, a connected party of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
“GFCL”	Goldmond Finance Company Limited, a connected party of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
“Gilligan”	Gilligan Associates Inc., a wholly-owned subsidiary of Sino Land
“Golden Queen”	Golden Queen International Limited, a wholly-owned subsidiary of BEA
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“GTIL”	Great Trend Investment Limited, 100% owned by COPL, thus an indirect wholly-owned subsidiary of the Company
“Haipeng”	深圳市海鵬物業發展有限公司 (transliteration into English as Shenzhen Haipeng Property Development Co., Ltd.), being a direct 65% owned subsidiary of COP



“Henggang Agreement”	The construction contract entered into between SCOP and SCOCE relating to the construction of the first phase of the Henggang Project
“Henggang Project”	The property development project relating to the development of a piece of land situated in Henggang Central District, Shenzhen, PRC
“Hilltop Carparks”	36 car parking space at Hilltop Gardens, 33 Fung Shing Street, Kowloon, Hong Kong
“Hilltop Agreement”	Sale and Purchase Agreement relating to the sale of Hilltop Carparks
“Insurance Engagement Agreement”	an agreement between the Company and COIL in respect of the engagement of COIL to provide insurance coverage to the Group for the Relevant Projects
“King Chance”	King Chance Development Limited, a wholly-owned subsidiary of Sino Land
“Kiu Kwong”	Kiu Kwong Investment Corporation Limited, a company incorporated in Hong Kong
“KYCL”	Kee Yet Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macfull”	Macfull Limited is owned as to 60% by COPL
“Maxjet”	Maxjet Company Limited, a company incorporated in Hong Kong which is owned as to 90% by the Company (indirectly) and 10% by GCL
“Macwan”	Macwan Limited is owned as to 70% by COPL
“Maycheer”	Maycheer Investments Limited, an indirect wholly-owned subsidiary of the Company
“MSL”	Mass Success Limited, a company incorporated in Hong Kong, owned as to 40% by Maycheer, 60% by Sino Land (indirectly) immediately before completion of the MSL Agreement
“MSL Shares”	400 shares of HK\$1 each of MSL owned by Maycheer, representing 40% of the entire issued share capital of MSL
“MSL Agreement”	Sale and Purchase Agreement relating to the sale of the MSL Shares
“Ocean Treasure”	Ocean Treasure (Hong Kong) Limited, a wholly-owned subsidiary of Sino Land
“PRC”	the People’s Republic of China
“Prime Harvest”	Prime Harvest Development Limited, the employer of Yeung Uk Road Project and a wholly-owned subsidiary of Sino Land
“Primrose Project”	The property development project for residential use known as Primrose Villa Phase I located at Kangle Road, Longgang District, Shenzhen, PRC
“Rich Tower”	Rich Tower Properties Limited, a wholly-owned subsidiary of Kiu Kwong



## CONNECTED AND RELATED PARTY TRANSACTIONS *(cont'd)*

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“SCO”	深圳市中海投資管理有限公司 (Shenzhen China Overseas Investment Management Co., Ltd.), a company established in the PRC, being a direct subsidiary owned by CSCEC as to 95%
“SCOCE”	深圳市中海建築工程公司 (transliteration into English as Shenzhen China Overseas Construction Engineering Company), being a direct wholly-owned subsidiary of CSCEC
“SCOP”	深圳中海地產有限公司 (Shenzhen China Overseas Property Company Limited), a company established in the PRC, the registered capital of which was owned as to 75% by COP and 25% by COZG immediately before the completion of the SCOP Agreement; and is a wholly-owned subsidiary of COP after the completion of the SCOP Agreement
“Shanghai Hai Xing”	Shanghai Hai Xing Realty Co., Ltd., a 51% owned subsidiary of the Group
“Shareholders”	the shareholders of the Company from time to time
“Sino Land”	Sino Land Company Limited, a company (stock code: 83) the shares of which are listed on the Stock Exchange and a connected person of the Company
“SPBML”	Serenity Park Building Management Limited, a company incorporated in Hong Kong which was owned as to 40% by COPL, 60% by Sino Land (directly) immediately before completion of the SPBML Agreement
“SPBML Shares”	4 shares of HK\$1 each of SPBML owned by COPL, representing 40% of the entire issued share capital of SPBML
“SPBML Agreement”	Sale and Purchase Agreement relating to the sale of the SPBML Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Brain”	Top Brain Development Limited
“Widenews”	Widenews Company Limited, an indirect wholly-owned subsidiary of the Company
“Wonderland Phase I Agreement”	the construction contract entered into between ZCOPD and SCOCE relating to the construction of the Wonderland Phase I Project
“Wonderland Phase I Project”	the property development project relating to the development of Phase I of Zhongshan China Overseas Wonderland situated in Shaxi Town, Zhongshan City, PRC, the construction of which will be carried out by SCOCE in pursuance of the Wonderland Phase I Agreement in July 2004 and the completion date is expected to be March 2005
“Yeung Uk Road Project”	the construction works for the proposed commercial and residential development at T.W.T.L 398, Tai Ho Road/Yeung Uk Road, Tsuen Wan, New Territories
“ZCOPD”	中山市中海房地產開發有限公司 (transliteration into English as Zhongshan China Overseas Property Development Co., Ltd.), being an indirect wholly-owned subsidiary of the Company



**Part 1A:** *During the year under review, the Group entered into the following connected transactions which are of a regular and continuing nature:*

\*\*<sup>(1)</sup> Pursuant to a project management agreement and a deed of undertaking (together referred to as the “**Project Management Agreement**”) entered into in 1993 between CSCEC, the ultimate controlling shareholder 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 construction contract in Hong Kong participated by CSCEC since 1 January 1993. Under the Project Management Agreement, CSCEC has agreed to pay the Project Managers a management fee equivalent to 7% of the final contract sum receivable by CSCEC under such construction contracts. The Project Managers shall act as agent for and, in consultation with CSCEC, tender for and obtain projects on behalf of CSCEC on such terms as may be agreed by CSCEC. The rights and obligations of CSCEC under the Project Management Agreement have subsequently been novated to its subsidiary (together with CSCEC “the **CSCEC Group**”).

Project management fees paid or payable by CSCEC Group to the Group pursuant to the Project Management Agreement amounted to approximately HK\$389,965,000 (2003: HK\$407,854,000) and hire charges in respect of plant and machinery leased by the Group to CSCEC Group, calculated on a cost reimbursement basis, amounted to HK\$53,000,000 (2003: HK\$97,000,000) in respect of the year.

In connection with the project management services provided by the Group to CSCEC Group as referred to in above, the Group had trade receivables owed by CSCEC Group to the Group outstanding at 31 December 2004 amounted to approximately HK\$198,713,000 (2003: HK\$212,316,000).

\*\*<sup>(2)</sup> In the ordinary course of business, CSCEC and COHL, the Company’s ultimate controlling shareholder and controlling shareholder respectively, 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.

(3) On 29 August 1995, the Group entered into an agreement with certain parties relating to the establishment of Macwan to undertake a property development project. Macwan is owned as to 70% by COPL, a wholly-owned subsidiary of the Company, as to 20% by Rich Tower, a wholly-owned subsidiary of Kiu Kwong, and as to 10% by 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 31 December 2004, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK\$91,251,000, HK\$26,553,000 and HK\$13,277,000 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 BEA in which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.

(4) On 25 March 1997, a consortium led by the Company acquired a site situated in Homantin North at a public auction. Maxjet was established to undertake the property development project. At 31 December 2004, Maxjet is owned as to 70% by COPL, as to 20% by KYCL, and as to 10% by Goldmond. The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. At 31 December 2004, the amounts due by Maxjet to the Group and Goldmond were approximately HK\$878,126,000 and HK\$123,947,000 respectively. Such loans are interest free. Goldmond is a wholly-owned subsidiary of BEA.



- (5) On 14 October 1997, a consortium led by the Company acquired a site situated in Tuen Mun at a public auction. On 17 November 1997, members of the consortium entered into an agreement relating to the establishment of Macfull to undertake the development of the property. Macfull is owned as to 60% by COPL, as to 10% by Top Brain and as to 30% by independent third party. At 31 December 2004, the amounts due by Macfull to the Group and Top Brain were approximately HK\$1,130,293,000 and HK\$188,382,000 respectively. Such loans have been interest free since 1 January 1998. 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 and Macfull. The directors also consider that the Company is connected to BEA by virtue of its equity interest in Macwan and Maxjet.

- (6) The Group made advances to Shanghai Hai Xing, a 51% owned subsidiary, to finance its property development project. The outstanding balances of such advances at the beginning and the end of the year were approximately HK\$17,979,000 and HK\$18,010,000 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 which is not connected with any of the directors or the substantial shareholders of the Company or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them.

- \*\* (7) On 7 June 2002, the Company announced that indemnities (the “**New Indemnity**”) would be given by the Company on behalf of CSCEC and CSCE(HK) in favour of Financial Institutions (within the meaning of the Banking Ordinance) issuing the bid bonds and performance bonds (the “**Bonds**”) for construction and engineering projects in Hong Kong for an amount up to HK\$2 billion from time to time. The New Indemnity was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 18 July 2002.

The New Indemnity will facilitate both CSCEC and CSCE(HK) to maximise the opportunities to capture for more projects, which the Group could in turn generate more project management fee income under the project management agreement with CSCEC and CSCE(HK).

The New Indemnity is provided on the basis of (i) the aggregate amount of the Bonds that the Indemnity would secure will not exceed HK\$2 billion from time to time; (ii) the Bonds will be used by each of CSCEC and CSCE(HK) for making tenders for and securing performance of both public and non-public works it secures in Hong Kong; and (iii) the period during which the Financial Institutions may provide the Bonds will be a period of not more than six years from the date on which the relevant Financial Institutions offers the granting of the Bonds.

At 31 December 2004, HK\$748,000,000 (2003: HK\$610,000,000) bonds were issued by the Financial Institutions under this arrangement.

Both CSCEC and CSCE(HK) are associates of COHL which is a substantial shareholder of the Company and therefore connected persons of the Company under the Listing Rules.



\*\* (8) On 15 November 2002, the Company announced that an application has been made to the Stock Exchange for a conditional waiver in respect of the insurance policies taken out with COIL from strict compliance with the connected transaction provisions of the Listing Rules.

COIL, a direct wholly-owned subsidiary of COHL, is an insurance company in Hong Kong. Certain wholly-owned subsidiaries of the Company will take out insurance policies with COIL (the “**Transactions**”) for any development or construction projects undertaken by the Group. The purpose of having insurance policies in place is to insure against the risks involved in undertaking the development or construction projects and the provision of property management services by the Group.

Since the Transactions will take place on a continuing basis, the Company has made an application to the Stock Exchange for a conditional waiver from the normal disclosure requirements as stipulated under Chapter 14 of the then Listing Rules in respect of the Transactions on each occasion they arise during the term of the Transactions. The waiver was granted by the Stock Exchange to the Company on 5 December 2002 subject to the following conditions:

- (i) the Transactions have been and will be taken out in the ordinary and usual course of business of the Group and conducted either on normal commercial terms or on terms no less favourable than that offered by independent third parties;
- (ii) the aggregate premium payable by the Group to COIL under the Transactions in each financial year shall not exceed 3% of the net assets of the Group as shown in its latest published annual report and audited accounts;
- (iii) details of the Transactions will be disclosed in the annual report and audited accounts of the Group in accordance with Rule 14.25(1)(A) to (D) of the then Listing Rules;
- (iv) confirmation from the independent non-executive directors of the Company that the Transactions have been taken out in accordance with (i) and (ii) above shall be given in the annual report of the relevant financial year;
- (v) a copy of the auditors’ letter in respect of the Transactions shall be made available to the Stock Exchange stating that the Transactions have been entered into on normal commercial terms and on terms no less favourable than that offered by independent third parties and the aggregate amount of the premium paid have not exceeded the cap stated in (ii) above and where, for whatever reasons, the auditors decline to accept the engagement or are unable to provide the auditors’ letter, the directors of the Company shall contact the Stock Exchange immediately; and



- (vi) in the event that the aggregate amount of premium paid under the Transactions to COIL from the Group in any financial year should exceed the cap stated in (ii) above, the Company shall comply with the relevant provisions of the Listing Rules.

Before the entering of Insurance Engagement Agreement, the insurance premium paid and payable to COLI amounted to HK\$39,242,000 (2003: HK\$45,931,000).

COIL, being a wholly-owned subsidiary of COHL which is a substantial shareholder of the Company, is an associate of CSCEC and therefore a connected person of the Company under the Listing Rules.

In accordance with the revised Listing Rules that come into effect in March 2004, the Company has complied with the new waiver requirement in October 2004, particulars as per Part 1B below.

- \*\* (9) On 27 October 2003, COP, the Company's non-wholly owned subsidiary (as developer) and CODS, SCO's non-wholly owned subsidiary (as supervisor) entered into the project supervision agreement whereby CODS agreed to provide certain project supervision service in respect of the Sunny Palm Project. The supervision fee payable by COP to CODS amounts to RMB3,744,000 (approximately HK\$3,532,075).

The principle activities of COP are contracting for construction projects and property development in the PRC. The principle activities of CODS are preparation of tender documents relating to construction projects, making invitations to submit an offer and submissions of an offer, and the provision of project supervision service. The supervision fee payable under the Sunny Palm Agreement was negotiated on an arm's length basis between the parties and taking into account the Regulations which govern the calculation of such fee in Shenzhen.

The aggregate contract sum paid or payable by COP is HK\$1,589,000 (2003: Nil) in respect of the year.

- \*\* (10) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185,000,000 which was determined based on the cost of construction materials plus a margin. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK\$116,000,000 (2003: Nil) in respect of the year.





**\*\*Part 1B:** *During the year under review, the Group entered into the following continuing connected transaction which is exempted from independent shareholders approval requirement under Rule 14A.34 of the Listing Rules:*

- (11) On 21 October 2004, the Company announced the entering into an Insurance Engagement Agreement with COIL for a fixed term expiring on 31 December 2006.

Pursuant to the Insurance Engagement Agreement:

- (a) COIL may continue to offer to provide insurance coverage to the Group in respect of the Relevant Projects in accordance with the normal selection procedures of the Group from time to time and on normal terms as offered to other independent third party insurance companies; and
- (b) if COIL is engaged, COIL may provide insurance coverage to the Group in respect of the Relevant Projects based on the terms COIL have offered to and accepted by the Group, provided that the total annual premium payable to COIL shall not exceed HK\$60,000,000, HK\$52,000,000 and HK\$67,000,000 in the financial years ending 31 December 2004, 31 December 2005 and 31 December 2006 respectively (the “Cap”).

COIL is a direct wholly-owned subsidiary of COHL, a substantial shareholder of the Company. As such, COIL is a connected person of the Company under the Listing Rules and the transactions under the Insurance Engagement Agreement constitute continuing connected transactions of the Company.

Certain subsidiaries of the Company have, up to the announcement dated 21 October 2004, taken out insurance policies with COIL as underwriter in respect of the Relevant Projects as disclosed in the Company’s announcement dated 15 November 2002 and within the cap of the waiver granted by the Stock Exchange to the Company for these transactions dated 2 December 2002. Such transactions are expected to continue on a continuing basis in accordance with the normal selection procedures of the Group in the future, and in compliance with the new Listing Rules applicable to continuing connected transaction, the Company has entered into the Insurance Engagement Agreement with COIL.

The entering into of the Insurance Engagement Agreement will allow the Group to continue to insure with COIL and thus with a more diverse base of insurers.

During the year, the total annual premium payable to COIL is HK\$49,463,000 which did not exceed the cap of HK\$60,000,000.



**\*\*Part 2A:** *During the year under review, the Group completed the following connected transactions which were approved by the independent shareholders of the Group at a general meeting in pursuance of Rule 14.26 of the then Listing Rules:*

- (1) On 23 December 2003, the Group announced that various agreements have been entered into to carry out the Restructuring. Transactions between wholly-owned subsidiaries of the Group and the COP Group, and between the COP Group and SCO and COPM constitute connected transactions of the Group under the Listing Rules.

Further details of the Restructuring were given in a circular to shareholders of the Company dated 14 January 2004. The Restructuring was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 30 January 2004.

Particulars of the agreements were disclosed in the Connected and Related Party Transactions in the previous annual report in accordance with the Listing Rules. Terms used in this section has the same meaning as ascribe to therein.

**\*\*Part 2B:** *During the year under review, the Group entered into the following connected transactions which fell within the de minimis provision under Rule 14.24(6) of the then Listing Rules:*

- (2) On 26 January 2004, the Company entered into a placing agreement under which COHL sold 850,000,000 existing ordinary shares of the Company at a price of HK\$1.80 per share, and subscribed for 850,000,000 new ordinary shares of the Company at the same price. The 850,000,000 ordinary shares were sold to not less than 6 independent professional, institutional and/or individual investors procured by the J.P. Morgan Securities Limited (as placing agent and underwriter of the placing).

The Company is considering various projects relating to the land acquisitions in China. Out of the net proceeds to the Company of the placing and subscription of approximately HK\$1.5 billion, RMB1 billion would be used in the initial phase of the redevelopment in Luwan district in Shanghai and the balance would be used for financing land acquisitions in China after the Company has finalised its plans for the same.

COHL is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

**\*\*Part 2C:** *During the year under review, the Group entered into the following connected transactions which fell within the de minimis provision under Rule 14.25(1)(a) of the then Listing Rules, details of which are listed chronologically as follows:*

- (3) On 16 February 2004, SCOP, an indirect non-wholly owned subsidiary of the Company (as developer) and a connected party of the Company, CODS (an indirect non-wholly owned subsidiary of CSCEC, the ultimate controlling shareholder of the Company) (as supervisor) entered into a project supervision agreement, **Primrose Agreement**, whereby CODS agreed to provide certain project supervision service in respect of the Primrose Project. The supervision fee payable by SCOP to CODS amounts to RMB3,200,000 (approximately HK\$3,019,000). SCOP has the land use right in respect of the Primrose Project forming the subject matter of the Primrose Agreement.

The supervision fee payable under the Primrose Agreement was negotiated on an arm's length basis between the parties and taking into account the Regulations (《深圳市工程建設監理費規定》) which govern the calculation of such fee in Shenzhen.

The aggregate contract sum paid or payable by SCOP is HK\$2,421,000 (2003: Nil) in respect of the year.



**\*\*Part 2D:** *During the year under review, the Group entered into the following connected transactions which fell within the de minimis provision under Rule 14A.32 of the Listing Rules, details of which are listed chronologically as follows:*

- (4) On 17 May 2004, Haipeng, an indirect non-wholly owned subsidiary of the Company (as developer) and a connected party of the Company, SCOCE (a direct wholly-owned subsidiary of CSCEC, the ultimate controlling shareholder of the Company) (as main contractor) entered into the Bantian Agreement whereby Haipeng contracted the construction of the Bantian Project to SCOCE for undertaking completion thereupon. The consideration payable by Haipeng to SCOCE under the Bantian Agreement amounts to RMB73,630,000 (approximately HK\$69,462,264).

Haipeng is engaged in property development in the PRC. Haipeng legally and beneficially owns a piece of land situated in Bantian Village, Buji Town, Longgang District, Shenzhen, PRC. Haipeng intends to develop the land for residential use. The Bantian Project has gross floor area of 71,631 square metres and the construction works of which was put for bidding tender. SCOCE was successful in bidding for undertaking completion of the construction thereupon as the tender price submitted by SCOCE was proved to be the lowest offer among the short-listed participants. The principal activities of SCOCE are contracting of building construction and foundation engineering and trading of construction related materials. The entering into the Bantian Agreement will be beneficial to the Group as the tender price submitted by SCOCE is the lowest offer.

- (5) On 16 June 2004, ZCOPD, an indirect wholly-owned subsidiary of the Company (as developer) and a connected party of the Company, SCOCE (a direct wholly-owned subsidiary of CSCEC, the ultimate controlling shareholder of the Company) (as main contractor) entered into the Wonderland Phase I Agreement whereby ZCOPD contracted the construction of the Wonderland Phase I Project to SCOCE for undertaking completion thereupon. The consideration payable by ZCOPD to SCOCE under the Wonderland Phase I Agreement amounts to RMB78,000,000 (approximately HK\$73,584,906).

ZCOPD is engaged in property development in the PRC. ZCOPD legally and beneficially owns a piece of land situated in Shaxi Town, Zhongshan City, PRC. ZCOPD intends to develop the land for residential use. The Wonderland Phase I Project occupied a site area of about 75,000 square metres and has gross floor area of about 65,000 square metres and the construction works of which was put for bidding tender. SCOCE was successful in bidding for undertaking completion of the construction thereupon as the tender price submitted by SCOCE was proved to be the lowest offer among the short-listed participants. The principal activities of SCOCE are contracting of building construction and foundation engineering and trading of construction related materials. The entering into the Wonderland Phase I Agreement will be beneficial to the Group as the tender price submitted by SCOCE is the lowest offer.



**Part 2E:** *During the year under review, the Group entered into the following connected transactions which fell within the de minimis provision under Rule 14A.31 of the Listing Rules, details of which are listed chronologically as follows:*

- (6) On 23 July 2004, COPL and CHFL have entered into the ASFL Agreement with King Chance and GTIL. Pursuant to which King Chance have agreed to purchase from GTIL and CHFL the ASFL Shares and the ASFL Loan for cash consideration of HK\$1 and HK\$1,398,656.13 respectively.

On 23 July 2004, Widenews have entered into the Hilltop Agreement with MSL. Pursuant to which Widenews have agreed to purchase from MSL the Hilltop Carparks for cash consideration of HK\$1,676,752.88.

On 23 July 2004, Maycheer and COPL have entered into the MSL Agreement with Gilligan. Pursuant to which Gilligan have agreed to purchase from Maycheer, after the completion of the Hilltop Agreement, the MSL Shares for cash consideration of HK\$400.

On 23 July 2004, COPL have entered into the SPBML Agreement with Sino Land. Pursuant to which Sino Land have agreed to purchase from COPL the SPBML Shares for cash consideration of HK\$480,000.

As Sino Land is a substantial shareholder of a non-wholly owned subsidiary of the Company, King Chance, Gilligan and MSL, being subsidiaries of Sino Land are connected persons of the Company. Hence the entering into of the ASFL Agreement, SPBML Agreement, MSL Agreement and Hilltop Agreement constitutes connected transactions of the Company.

ASFL, SPBML and MSL are associated companies of the Company. Hilltop Carparks represents 40% of the total assets held by MSL. The directors are of the opinion that the sale of ASFL, SPBML and MSL and the purchase of Hilltop Carparks at fair and reasonable consideration agreed at will be beneficial to the Group as it will simplify the group structure and reduce future connected transactions with Sino Land.



**Part 2F:** *During the year under review, the Group entered into the following connected transaction under Rule 14A.16(5) of the Listing Rules which has been approved by independent shareholders in pursuance of Rule 14A.17 of the Listing Rules:*

- (7) On 30 July 2004, Prime Harvest (as the employer), a wholly-owned subsidiary of Sino Land, issued a letter of intent awarding (subject to the issuance of a formal letter of award) the Construction Contract for Yeung Uk Road Project to COBC (as the main contractor), a wholly-owned subsidiary of the Company. The maximum contract value to be awarded is HK\$1,118 million.

The Executive Director believes that it is beneficial for the Group to have secured substantial construction business like the Yeung Uk Road Project and to have maintained good working relationship with reputable property developers in Hong Kong other than the Group itself.

Sino Land being a substantial shareholder of a non-wholly owned subsidiary of the Company is a connected person of the Company. Prime Harvest, being an associate of Sino Land, is deemed a connected person of the Company under the Listing Rules. Thus, the award of Construction Contract constitutes connected transaction.

The contract value exceeds 2.5% of each of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules. As such, the Construction Contract constitutes a connected transaction of the Company under Rule 14A.16(5) of the Listing Rules.

An application has been made to the Stock Exchange, for a waiver from strict compliance with the requirement to hold a shareholders' meeting to approve the Construction Contract, on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules. The written shareholders' approval has been executed by COHL, Silver Lot Development Limited and China Overseas Insurance Limited jointly (holding an aggregate of 3,428,050,800 shares, representing about 51% of the issued share capital of the Company).

A circular containing the particulars of the Construction Contract, a letter from the independent board committee and a letter from the independent financial adviser has been dispatched to the Shareholders on 23 August 2004. As no shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract, the Company has obtained a waiver from the Stock Exchange from strict compliance with the requirement to hold a shareholders' meeting to approve the Construction Contract, on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules. The written independent shareholders' approval has been obtained on 6 August 2004.



**Part 3A:** *Subsequent to the year under review, the Group entered into the following continuing connected transaction which is exempted from independent shareholders approval requirement under Rule 14A.34 of the Listing Rules:*

- (1) On 8 February 2005, the Company announced the award of a Foundation Construction Contract by Ocean Treasure, a wholly-owned subsidiary of Sino Land to COFE, a wholly-owned subsidiary of the Company at a contract sum of HK\$39,800,000 on 4 February 2005.

Ocean Treasure, as an associate of Sino Land, is a connected person of the Company under the Listing Rules by virtue of the fact that Sino Land is a substantial shareholder of another subsidiary of the Company. The provision of the service under the Foundation Construction Contract therefore constitutes a connected transaction of the Company.

As the contract sum is less than 2.5% of the percentage ratio under the Listing Rules, the Foundation Construction Contract is exempted from shareholders' approval.

The Board believes that it is beneficial for the Group to have secured construction contracts such as the Foundation Construction Contract and to maintain good working relationship with reputable property developers, such as Sino Land, in Hong Kong.

In the opinion of the directors (including the independent non-executive directors), the connected transactions contemplated under Part 1 to Part 3 were carried out (i) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; (ii) in the ordinary and usual course of business of the Group; and (iii) under the terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board also confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions.

\*\* These connected transactions also constitute related party transactions under the applicable Statement of Standard Accounting Practice.