

# Connected, Continuing Connected and Related Party Transactions

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

“Access Capital”	Access Capital Limited, the independent financial adviser to the independent board committee of COLI and the Independent Shareholders in relation to the Disposal and a deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Acquisition”	the acquisition of Sale Interest by GCOP under the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement entered into between GCOP and SCO in relation to the acquisition of 11% of the existing registered capital of COP by GCOP
“BEA”	The Bank of East Asia, Limited of 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
“Board”	the board of Directors
“CCEMacau”	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau, a direct wholly-owned subsidiary of COHL and an associate of the Company
“CCEMacau Engagement Agreement”	the engagement agreement entered into between the Company and CCEMacau on 22 November 2005 in respect of the engagement by the Group of CCEMacau as construction contractor for the Group in Macau
“Chung Hoi” or “Loan Assignee”	Chung Hoi Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“COBC”	China Overseas Building Construction Limited, the main contractor of Yeung Uk Road Project, a wholly-owned subsidiary of the Company and a wholly-owned subsidiary of CSCIHL from end of June 2005
“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 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 and a wholly-owned subsidiary of CSCIHL from end of June 2005

“COHL” or “Loan Assignor”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, in approximately 51% of the issued share capital of the Company
“COIL”	China Overseas Insurance Limited, a direct wholly-owned subsidiary of COHL
“COLI” or “Company” or “Share Purchaser”	China Overseas Land & 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
“COLI Connected Transaction”	the transactions as contemplated under the SCOCE Engagement Agreement (together with the SCOCE Cap), the CSC Engagement Agreement (together with the CSC Cap) and the CCEMacau Engagement Agreement (together with the CCEMacau Cap)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended)
“Completion”	completion of the Disposal
“connected person(s)” or “associate”	the term “connected person(s)” and “associate” shall have the meanings as defined in the Listing Rules
“Consideration Shares”	357,409,867 CSCIHL Shares, being 72.63% of the enlarged issued share capital of CSCIHL immediately upon the Listing
“Construction Contract”	the main contract awarded to COBC pursuant to a letter of intent issued by Prime Harvest on 30 July 2004, for the construction of Yeung Uk Road Project
“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% indirectly by the Company, 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
“COZG”	China Overseas (Zhong Guo) Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of the Company
“CSC Engagement Agreement”	the engagement agreement entered into between the Company and CSCIHL on 22 November 2005 in respect of the engagement by the Group of CSC Group as construction contractor for the Group in Hong Kong
“CSC Group” or “CSCIHL Group”	CSCIHL and its subsidiaries
“CSCE(HK)”	China State Construction Engineering (Hong Kong) Limited, an associate of COHL which is a substantial shareholder of the Company and a wholly-owned subsidiary of CSCIHL upon the Listing
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL

“CSCHK” or “Share Vendor”	China State Construction (Hong Kong) Limited, a direct wholly-owned subsidiary of COHL
“CSCIHL” or “China State Construction”	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CSCIHL Shares”	shares of HK\$0.10 each in the capital of CSCIHL
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Share by the Company to CSCIHL
“Distribution”	the declaration of a conditional special interim dividend to the Shareholders to be satisfied by way of a distribution in specie the Consideration Shares on the basis of 1 CSCIHL Share for every 18 Shares then held, rounded down to the nearest whole number
“East Asia”	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
“Enlarged CSCIHL Group”	CSCIHL and its subsidiaries upon Completion
“Extraordinary General Meeting”	the extraordinary general meeting of COLI to be held for the purposes of considering, and if thought fit, to approve the Disposal and the Distribution or any adjournment thereof
“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
“GCOP”	廣州中海地產有限公司 (Guangzhou China Overseas Property Company Limited), an indirect wholly-owned subsidiary of the Company
“Goldmond”	Goldmond Company Limited, a connected person 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 person of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
“Golden Queen”	Golden Queen International Limited, a wholly-owned subsidiary of BEA
“Goodrich”	Goodrich Company Limited, a company incorporated in Macau, the employer of the Macau Project and an indirect wholly-owned subsidiary of the Company
“Group” or “COLI Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“Hai Bin Agreement”	the sale and purchase agreement in relation to the sale of Hai Bin Car Park

“Hai Bin Car Park”	57 car parking spaces on Basement Level, Hai Bin Plaza, Caitian Road, Futian District, Shenzhen, Guangdong Province
“Hai Li Building”	Portions on Level 1, 2, 4 and the whole of Level 3, Hai Li Building, Wenjin Road Central, Luohu District, Shenzhen, Guangdong Province, the total gross floor area of which is 4,224.42 square metre
“Hai Li Building Agreement”	the sale and purchase agreement in relation to the sale of Hai Li Building
“Hai Li Car Park”	56 car parking spaces on Basement Level, Hai Li Building, Wenjin Road Central, Luohu District, Shenzhen, Guangdong Province
“Hai Li Car Park Agreement”	the sale and purchase agreement in relation to the sale of Hai Li Car Park
“Hailian Agreement”	the sale and purchase agreement in relation to the sale of Hailian Car Park
“Hailian Car Park”	4 car parking spaces on Basement Level, Hailian Building, No. 25 Fu Zhong Road, Futian District, Shenzhen, Guangdong Province
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hua Yi”	Hua Yi Designing Consultants Limited, a company incorporated in Hong Kong with limited liability
“Hua Yi Agreement”	the agreement to be entered into between the Share Vendor, Loan Assignor, the Share Purchaser and the Loan Assignee for the acquisition of the Hua Yi Shares and the Hua Yi Loan
“Hua Yi Loan”	shareholder’s loan in the sum of HK\$18,207,245.22 owing to COHL by Hua Yi as at the date of the Hua Yi Agreement
“Hua Yi Shares”	1,000,000 shares of HK\$1.00 each in the issued share capital of Hua Yi, representing the entire issued share capital of Hua Yi
“Independent Shareholders”	The shareholders of the Company, other than CSCEC, COHL, CSCIHL and their respective associates
“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
“BOCGIL”	Bank of China Group Investment 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”	the listing of CSCIHL Shares on the Main Board by way of an introduction pursuant to the Listing Rules

“Listing Document”	the listing document of CSCIHL relating to the Listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the amount of HK\$149.6 million as due and owing from Zetson to COLI
“Macau”	the Macao Special Administrative Region of PRC
“Macau Piling Installation Works Contract”	the piling installation works contract entered into between Goodrich and CCEMacau on 15 April 2005 relating to the piling installation works of the Macau Project
“Macau Project”	the proposed residential and commercial development at Lot R+R1, Rua Central Da Areia Preta, Macau, the piling installation works of which will be carried out by CCEMacau in pursuance of the Macau Piling Installation Works Contract in April 2005
“Macfull”	Macfull Limited, a company owned as to 60% by COPL
“Main Board”	the Main Board of the Stock Exchange
“Maxjet”	Maxjet Company Limited, a company incorporated in Hong Kong and a company owned as to 90% indirectly by the Company and 10% by Goldmond
“Macwan”	Macwan Limited, a company owned as to 70% by COPL
“Ocean Treasure”	Ocean Treasure (Hong Kong) Limited, a wholly-owned subsidiary of Sino Land
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“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
“Project Management Agreement”	the project management agreement dated 18 August 1993 and entered into between each of the Project Management Companies as project manager, and CSCEC whose obligations and benefits under the agreement were novated to CSCE(HK) on 3 December 2001
“Project Management Companies”	the project management companies wholly-owned by Zetson, comprising China Overseas Building Construction Limited (中國海外房屋工程有限公司), China Overseas Civil Engineering Limited (中國海外土木工程有限公司), China Overseas Foundation Engineering Limited (中國海外基礎工程有限公司) which are responsible to implement construction projects as project manager
“Project Management Group”	Zetson and the Project Management Companies
“Project Management Group Sale and Purchase Agreement”	the sale and purchase agreement dated 3 June 2005 entered into between the Company, COHL and CSCIHL in relation to the disposal of the Sale Share by the Company to CSCIHL

“Remaining COLI Group”	The COLI Group other than the Project Management Group
“Rich Tower”	Rich Tower Properties Limited, a wholly-owned subsidiary of BOCGIL
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	11% of the existing registered capital of COP as held by SCO
“Sale Share”	one share of US\$1.00 each in the capital of Zetson representing the entire issued share capital of Zetson
“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 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
“SCOCE Engagement Agreement”	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the Group of SCOCE as construction contractor for the Group in PRC
“SCOP”	深圳中海地產有限公司 (Shenzhen China Overseas Property Company Limited), a company established in PRC, the registered capital of which is 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
“SCOPM”	深圳市中海物業管理有限公司 (Shenzhen China Overseas Property Management Co., Ltd.), a company established in PRC, being an indirect non wholly-owned subsidiary of CSCEC, held through SCO
“Shanghai Hai Xing”	Shanghai Hai Xing Realty Co., Ltd., a 51% owned subsidiary of the Group
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	the shareholders of the Company from time to time
“Sino Land”	Sino Land Company Limited (stock code: 83), the shares of which are listed on the Stock Exchange and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Brain”	Top Brain Development Limited, a wholly-owned subsidiary of BOCGIL
“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
“Zetson”	Zetson Enterprises Limited, a company incorporated in the British Virgin Islands, being the holding company of the Project Management Group
“Zhong Hai Li Yuan Agreement”	the sale and purchase agreement in relation to the sale of Zhong Hai Li Yuan Car Park
“Zhong Hai Li Yuan Car Park”	96 car parking spaces in Zhong Hai Li Yuan, No. 1006 Deng Liang Road, Nanshan, Shenzhen, Guangdong Province
“%”	per cent.

Conversion of RMB to HK\$ is based on the exchange rate of (i) RMB1.06 = HK\$1.00 for any financial period ending on or before 21 July 2005 and any dates falling within such period; and (ii) RMB1.04 = HK\$1.00 for any financial period commencing after 21 July 2005 and any dates falling within such period.

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

\*\* (1) 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 then 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 and its subsidiary (“**CSCEC Group**”) as joint managers for each and every construction contract in Hong Kong participated by CSCEC Group since 1 January 1993. Under the Project Management Agreement, CSCEC Group has agreed to pay the Project Managers a management fee equivalent to 7% of the final contract sum receivable by CSCEC Group under such construction contracts. The Project Managers shall act as agent for and, in consultation with CSCEC Group, tender for and obtain projects on behalf of CSCEC Group on such terms as may be agreed by CSCEC Group.

Pursuant to a novation agreement (“**Novation Agreement**”) entered into in December 2001 between CSCEC and China State Construction Engineering (Hong Kong) Limited (“**CSCE(HK)**”), the rights and obligations of CSCEC under the Project Management Agreement have been novated and transferred to CSCE(HK) free of any charges.

Project management fees paid or payable by CSCEC Group to the Group pursuant to the Project Management Agreement amounted to approximately HK\$161 million (2004: HK\$405 million) 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\$21 million (2004: HK\$53 million) 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 2005 amounted to HK\$0 (2004: HK\$199 million).

By a deed entered into between the relevant parties and dated 30 June 2005, the project management agreement terminated on 30 June 2005.

- \*\* (2) 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, 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 2005, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK\$70 million, HK\$21 million and HK\$11 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 BEA of 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 2005, 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 2005, the amounts due by Maxjet to the Group and Goldmond were approximately HK\$826 million and HK\$118 million 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 2005, the amounts due by Macfull to the Group and Top Brain were approximately HK\$1,119 million and HK\$187 million respectively. Such loans have been interest free since 1 January 1998.

The Directors consider that the Company is connected to Rich Tower and Top Brain by virtue of their equity interests in Macwan and Macfull respectively. 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\$18 million and HK\$18 million 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 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.



The Financial Institutions has terminated the issuance of bond under this arrangement upon the Group disposal of construction business and listing of CSCIHL (31 December 2004: HK\$748 million).

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.

Upon listing of CSCIHL on 8 July 2005, no further indemnity will be provided by the Group on behalf of CSCEC and CSCE(HK) while the remaining unreleased indemnity will be released.

- \*\* (8) On 27 October 2003, COP (the Company's non-wholly owned subsidiaries) (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 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 (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 COP is HK\$1.0 million (2004: HK\$1.6 million) in respect of the year.

- \*\* (9) 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\$82 million (2004: HK\$116 million) in respect of the year.

- \*\* (10) On 16 February 2004, SCOP, an indirect non-wholly owned subsidiary of the Company (as developer) and a connected person 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\$1.8 million (2004: HK\$2.4 million) in respect of the year.

- \*\* (11) On 17 May 2004, Haipeng, an indirect non-wholly owned subsidiary of the Company (as developer) and a connected person 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 PRC. Haipeng is legally and beneficially owned 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.

The aggregate contract sum paid or payable by Haipeng is HK\$65 million (2004: HK\$57 million) in respect of the year.

Haipeng has changed its name to Shenzhen China Overseas Ri Hui Tai Property Development Co. Ltd on 1 June 2005.

- \*\* (12) On 16 June 2004, ZCOPD, an indirect wholly-owned subsidiary of the Company (as developer) and a connected person 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 PRC. ZCOPD is legally and beneficially owned 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.

The aggregate contract sum paid or payable by ZCOPD is HK\$55 million (2004: HK\$39 million) in respect of the year.

- \*\* (13) 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 a 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.

The aggregate contract sum paid or payable by Sino Land is HK\$153 million (2004: HK\$0) in respect of the year.

**\*\*Part 1B: During the year under review, the Group entered into the following connected transactions which are of a regular and continuing nature and fell within the de minimis provision under Listing Rules :**

- (14) On Success Development Limited, a wholly-owned subsidiary of the Company, entered into several tenancy agreements with China Overseas (Hong Kong) Limited (the then wholly-owned subsidiary of the Company) and CSCE(HK) (the then wholly-owned subsidiary of COHL, a connected person of the Company) in 2004 for the leasing of certain units in China Overseas Building. Both the tenants became wholly-owned subsidiaries of CSCIHL during 2005. As CSCIHL is a subsidiary of COHL, thus a connected person of the Company, the leasing of property by subsidiary of the Company to subsidiaries of CSCIHL constitutes a connected transaction of the Company.

As all of the applicable percentage ratios under Rule 14A.32 of the Listing Rules are less than 0.1%, the transaction fell within the de minimis provision under Listing Rules.

During the year, the rental receipt amounts to HK\$1.4 million.

- (15) During the year, the rental receipt received from COIL amounts to HK\$0.3 million (2004: HK\$0.3 million).

**\*\*Part 1C: 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:**

- (16) 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 million, HK\$52 million and HK\$67 million 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 premium payable to COIL for the period under review is HK\$17 million (2004: HK\$49 million) which did not exceed the annual cap of HK\$52 million for the financial year ending 31 December 2005.

**\*\*Part 2A: 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:**

- (1) On 4 February 2005, COFE (as contractor), a wholly-owned subsidiary of the Company was awarded the Foundation Construction Contract by Ocean Treasure, a wholly-owned subsidiary of Sino Land at a contract sum of HK\$39,800,000.

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 independent 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.

The aggregate contract sum paid or payable by Ocean Treasure is HK\$16 million (2004: HK\$0) in respect of the year.

- (2) On 15 April 2005, Goodrich (as developer), an indirect wholly-owned subsidiary of the Company, awarded the Macau Piling Installation Works Contract to CCEMacau (as contractor), a direct wholly-owned subsidiary of COHL, at a contract sum of HK\$56,100,000. The contract sum will be payable by Goodrich to CCEMacau in stages, with reference to the value of works done.

COHL is a controlling shareholder of the Company. CCEMacau, being a direct wholly-owned subsidiary of COHL, is an associate of COHL and therefore a connected person of the Company under the Listing Rules. The obtaining of the service under the Macau Piling Installation Works Contract therefore constitutes a connected transaction of the Company.

As the contract sum of the Macau Piling Installation Works Contract is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Macau Piling Installation Works Contract is exempted from Independent Shareholders' approval.

The Macau Project occupied a site area of about 13,917 square metres which is legally and beneficially owned by Goodrich. Goodrich intends to develop the land for residential and commercial use and the piling installation works of which was put for bidding tender. The entering into the Macau Piling Installation Works Contract will be beneficial to the Group as the tender price submitted by CCEMacau is the lowest offer.

The aggregate contract sum paid or payable by Goodrich is HK\$53 million in respect of the year.

- (3) On 26 April 2005, COP (as vendor), a non-wholly owned subsidiary of the Company, entered into five sale and purchase agreements with SCOPM (as purchaser), a non-wholly owned subsidiary of CSCEC for a total consideration of RMB32,000,000 (approximately HK\$30,188,679). (The five sale and purchase agreements will be collectively referred as Sale and Purchase Agreements hereafter.)

Particulars of the sale:

<b>Agreements</b>	<b>Assets to be disposed of</b>	<b>Consideration</b>
1. Hai Li Building Agreement	Hai Li Building	RMB21,000,000 (approximately HK\$19,811,321)
2. Hai Li Car Park Agreement	Hai Li Car Park	RMB2,800,000 (approximately HK\$2,641,509)
3. Zhong Hai Li Yuan Agreement	Zhong Hai Li Yuan Car Park	RMB3,840,000 (approximately HK\$3,622,642)
4. Hai Bin Agreement	Hai Bin Car Park	RMB4,104,000 (approximately HK\$3,871,698)
5. Hailian Agreement	Hailian Car Park	RMB256,000 (approximately HK\$241,509)
	Total	RMB32,000,000 (approximately HK\$30,188,679)

The Hai Li Building is held by COP as investment property while the Hai Li Car Park, Zhong Hai Li Yuan Car Park, Hai Bin Car Park and Hailian Car Park are held for sale. 700 square metres of Hai Li Building were leased out, the annual rental received for the year ended 31 December 2004 was RMB90,000 (approximately HK\$84,906). These assets did not contribute any profit to COP in the past two years. In view of the undesirable market rental and marketability of these assets, it is beneficial for both COP and the Company to dispose of these assets in one lot at market price. The total consideration under the Sale and Purchase Agreements was agreed after arm's length negotiations between COP and SCOPM by reference to the valuation by DTZ Debenham Tie Leung Limited, an independent professional valuer as at 31 March 2005. As at 31 March 2005, the valuation amounted to RMB32,180,000 (approximately HK\$30,358,491). The Net Book Value as at 31 December 2004 was RMB31,571,460 (approximately HK\$29,784,396). A gain on disposal (after deducting minority interest) was recorded at RMB338,547 (approximately HK\$319,384).

CSCEC is the ultimate controlling shareholder of the Company. SCOPM, being an indirect non-wholly owned subsidiary of CSCEC, is an associate of CSCEC and therefore a connected person of the Company under the Listing Rules. The Sale and Purchase Agreements and the transactions contemplated thereunder therefore constitute connected transactions of the Company.

COP is the developer for the buildings involved. The assets involved represent all the assets in those buildings that are still held by COP. Following completion of the Sale and Purchase Agreements, the Group can better streamline its interests and operations in property development and investment in PRC for more efficient and effective management and control. The sales proceeds under the Sale and Purchase Agreements will be retained by the Group as general working capital.

As the total consideration under the Sale and Purchase Agreements is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transactions under the Sale and Purchase Agreements are exempted from Independent Shareholders' approval.

- (4) On 18 May 2005, CSCHK (as **Share Vendor**), COHL (as **Loan Assignor**), the Company (as **Share Purchaser**) and Chung Hoi (as **Loan Assignee**) entered into the Hua Yi Agreement whereby the Share Vendor and the Loan Assignor has agreed to sell and transfer and the Share Purchaser and the Loan Assignee agreed to purchase the Hua Yi Shares and the Hua Yi Loan for cash consideration of HK\$74,700,000 and HK\$18,207,245.22 respectively.

Pursuant to the Hua Yi Agreement, if the annual audited net profit of Hua Yi is less than HK\$16,596,282 ("**Annual Guaranteed Profit**"), in any of the two years ended 31 December 2005 and 31 December 2006, COHL, being the parent company for the Share Vendor, shall pay or shall procure the Share Vendor to pay the shortfall to the Company within 30 days from receiving the notice of demand and the audited account of Hua Yi from the Company.

COHL is a controlling shareholder of the Company. The Share Vendor, being a direct wholly-owned subsidiary of COHL, is an associate of COHL and therefore both the Share Vendor and COHL are connected persons of the Company under the Listing Rules. The Hua Yi Agreement and the transaction contemplated thereunder therefore constitutes a connected transaction of the Company for the purpose of the Listing Rules.

The applicable size tests under the Hua Yi Agreement is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Hua Yi Agreement is exempted from Independent Shareholders' approval.

It is believed that the acquisition would not only reduce the number of possible connected transactions of the Company in future, but also allow the Group to participate in the operation and management of design consultancy business via its shareholding in Hua Yi and broadening the profit source of the Group. Moreover, to have an inhouse design company following the acquisition will enable the Group to have better control over the cost, time and quality for the design of its properties.

The Hua Yi Agreement has been completed with all the consideration being paid on 24 May 2005. All payments will be financed out of the internal resources of the Group.

- (5) On 1 August 2005, Goodrich, a wholly-owned subsidiary of the Company, entered into a construction management contract with CCEMacau, a wholly-owned subsidiary of COHL, appointing CCEMacau as construction manager of Goodrich for the Project at a management fee of HK\$20 million plus a bonus payment for a maximum sum of HK\$30 million subject to CCEMacau supervising the construction of the Project within the pre-determined time frame and target cost and in full compliance with the construction requirements of the Project.

Upon Goodrich's discretion and subject to CCEMacau supervising the construction of the Project within the pre-determined time frame and target cost, a bonus payment of: (i) HK\$5 million will be payable to CCEMacau by Goodrich provided that the workmanship and quality of the Project is in full compliance with the environmental requirements and site safety specifications of the Project; and/or (ii) HK\$25 million will be awarded to CCEMacau by Goodrich for not exceeding the pre-set target cost.

HK\$15 million of the bonus payment is payable in progress payment, with reference to the proportion of work done as certified by independent quantity surveyor consultant during the relevant period on a milestone basis. The remaining HK\$15 million of the bonus payment is payable upon completion. Goodrich shall be entitled to deduct the above bonus payment from CCEMacau up to a maximum amount of HK\$30 million as a result of any over-expenditures arising during the performance of the services that are attributable to the part of CCEMacau who fails to comply with the condition (ii) above.

The management fee and the bonus payment were agreed between the parties after arm's length negotiation having taken into account the view of an independent third party construction costs consultant on project management fee which is suitable for this size of development in Macau.

CCEMacau is a wholly-owned subsidiary of COHL, the holding company of the Company. As such CCEMacau, being an associate of COHL, is a connected person of the Company under the Listing Rules. On 15 April 2005, the Macau Piling Installation Works Contract was awarded to CCEMacau after a competitive tender process at a contract sum was HK\$56,100,000. CCEMacau acted as a contractor under the Macau Piling Installation Works Contract, which is also related to the Project.

As all of the applicable percentage ratios under Rule 14A.32 of the Listing Rules are less than 2.5%, the construction management contract together with the Macau Piling Installation Works Contract constitute connected transactions for the Company and are exempted from Independent Shareholders' approval.

The Directors consider that the appointment of a designated project manager allows Goodrich to exert more effective overall control on the construction process and costs of the Project.

Management fees paid by Goodrich to CCEMacau under the agreement amounted to HK\$7 million in respect of the year.

***\*\*Part 2B: During the year under review, the Group entered into the following non-exempt 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:***

- (6) On 3 June 2005, CSCIHL, COHL and the Company entered into the Project Management Group Sale and Purchase Agreement pursuant to which CSCIHL will acquire the entire issued share capital of Zetson, the holding company of the Project Management Group, from the Company, representing the Company's entire interest in the Project Management Group for a consideration of HK\$788,088,757, which will be satisfied by COHL transferring to the Company the Consideration Shares. The Board proposed that subject to Completion, a special dividend will be declared to be paid in the form of a distribution in specie of the Consideration Shares to the Shareholders. The Consideration Shares to be distributed to the Shareholders will be listed on the Main Board of the Stock Exchange.

The purchase price for the Sale Share under the Project Management Group Sale and Purchase Agreement was determined by the Company and CSCIHL after arm's length negotiations with reference to the valuation level of comparable companies, the net asset value of the Project Management Group, the prospect of the Project Management Group and the strategic value and synergies to be obtained as a result of the combination of the CSCIHL Group and the Project Management Group.

Completion of the Sale and Purchase Agreement is conditional upon: (a) the Independent Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder, the Distribution and such other matter as may be required by the Stock Exchange to be subject to the approval of any shareholders of COLI at the Extraordinary General Meeting in accordance with the Listing Rules and as required by the Stock Exchange; (b) the issue of the Listing Document by CSCIHL and if such Listing Document is issued as a prospectus as defined under the Companies Ordinance, the registration of the Listing Document as a prospectus with the Companies Registrar in Hong Kong; and (c) COLI obtaining of such confirmation from the relevant bankers to the effect that such guarantees, indemnities or such other commitments provided by COLI in favour of such bankers in support of facilities maintained by members of the Enlarged CSCIHL Group be released and the terms of such underlying facilities be amended accordingly, on terms reasonably acceptable to the CSCIHL and as may be considered desirable by CSCIHL for the purpose of the Listing.

Zetson, being the holding company of the Project Management Group, will repay the Loan to COLI prior to Completion.

COLI will give a non-competition undertaking in favour of CSCIHL upon completion of the Disposal that it will itself not and will procure none of its subsidiaries will engage in the construction market in Hong Kong, Dubai and India, provided that such undertaking shall not prevent COLI from investing in any securities of a company listed on the stock exchange provided that the COLI Group in aggregate is not beneficially interested in 10% or more of the issued securities of any class of such company.

The above undertaking will terminate upon the earliest of the following: (a) the securities of CSCIHL ceasing to be listed on the Stock Exchange; (b) the Enlarged CSCIHL Group ceasing to carry on construction business or the construction business ceasing to be a major business of the Enlarged CSCIHL Group; and (c) COLI ceasing to be a fellow subsidiary through the ultimate shareholding held by CSCEC.

The Project Management Agreement will be terminated upon the Completion of the Sale and Purchase Agreement.

It was intended that, upon completion of the Disposal and upon the Listing, CSCIHL would become the flagship of CSCEC's construction business in Hong Kong. In addition, the Independent Shareholders would, through the Distribution, be able to participate in CSCIHL.

The Disposal would not have any adverse effect on the financial position of the Company. It is presently intended that following Completion, CSCIHL would be principally engaged in building construction and civil engineering works in Hong Kong and the principal activities of the Remaining COLI Group will continue to be focused on property development and investment, and infrastructure project investment in Hong Kong and PRC.

The Disposal, upon Completion, would result in a clear delineation of the business between the CSCIHL Group and the Remaining COLI Group. Under a separate and distinct platform, the businesses of the Enlarged CSCIHL Group and the Remaining COLI Group may further grow with more focused development and strategic planning of their respective operations and resources.

Subject to the final audit by the auditors of the Company, the Directors do not expect any material gain or loss on the Company as a result of the Disposal.

The Directors are of the view that the Disposal may allow the Group's construction business to enjoy stronger and better growth in merging with its parent company's construction business, which all the Shareholders are able to participate directly by way of taking ownership in CSCIHL by virtue of the Distribution and the Company receiving the Consideration Shares in lieu of cash under the Disposal.

COHL is the controlling shareholder of the Company and CSCIHL is an associate of COHL. The Disposal would constitute a major and connected transaction for the Company subject to the approval of the Independent Shareholders by way of poll.

An independent board committee comprising the independent non-executive directors of COLI has been appointed to consider the Disposal. Access Capital has been appointed the independent financial adviser to advise the independent board committee of COLI and the Independent Shareholders in respect of the terms of the Disposal.

A circular containing, among other things, further details of the Project Management Group Sale and Purchase Agreement, the Disposal, the Distribution, a detail timetable and the recommendation of the independent board committee of COLI in respect of the Disposal, the advice of Access Capital in respect of the Disposal and the notice convening the Extraordinary General Meeting has been despatched to the Shareholders on 14 June 2005.



The Project Management Group Sale and Purchase Agreement, the Distribution and Completion were duly approved by the Independent Shareholders at an extraordinary general meeting held on 30 June 2005.

The Completion of the Sale and Purchase Agreement was taken place thereafter on 30 June 2005 with all the conditions duly fulfilled.

- (7) On 21 November 2005, the Directors announced that, GCOP (as purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with SCO (as vendor) whereby GCOP agreed to acquire 11% of the existing registered capital of COP for a consideration of RMB320,076,397 (approximately HK\$307,765,767).

Upon completion of the Acquisition Agreement, the Company will hold in aggregate 90% of the registered capital of COP. At present, COP is a 79%-owned subsidiary of the Company.

SCO is a direct subsidiary owned by CSCEC as to 95%. CSCEC is the ultimate holding company of the Company, holding approximately 51.08% of the issued share capital of the Company. Accordingly, the Acquisition constitutes connected transaction of the Company. As the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the revenue attributable to the Sale Interest exceeds 2.5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The purchase price under the Acquisition Agreement was determined after arm's length negotiation between GCOP and SCO with reference to the unaudited net asset of SCO as at 30 September 2005 (in accordance with generally accepted accounting principles in PRC) attributable to the Sale Interest adjusted to take into account an independent valuation of the properties of COP as at 30 September 2005. Any interests accrued on, and any liabilities attached to, the Sale Interest on or after 1 October 2005 shall belong to and be borne by GCOP.

The Directors consider that as COP may not be seeking a separate listing in the near future, the Acquisition provides a suitable opportunity for the Company to integrate the control of COP by eliminating influence of external shareholders. Upon completion of the Acquisition, the results, assets and liabilities of COP will continue to be consolidated into the consolidated financial statement of the Company as a subsidiary, with the remaining 10% staying as minority interests in such financial statements.

Further details of the Acquisition Agreement were given in a circular to the Shareholders dated 12 December 2005.

The Acquisition Agreement was duly approved by the Independent Shareholders at an extraordinary general meeting held on 29 December 2005.

The Company has entered into sale and purchase agreements with the three remaining independent minority shareholders on 30 December 2005 to acquire the remaining 10% equity interest in COP at the same term of the Acquisition Agreement, rendering COP a wholly-owned subsidiary of the Company.

**\*\*Part 2C: During the year under review, the Group entered into the following non-exempt continuing connected transactions which were approved by the independent shareholders at a general meeting in pursuance of Rule 14A.35 of the Listing Rules:**

- (8) On 22 November 2005, the Directors announced that the Company entered into various agreements as follows:
- (a) for PRC (for the purpose of this announcement, excluding Hong Kong and Macau)(hereinafter referred as “**Mainland China**”) market – the SCOCE Engagement Agreement with SCOCE, whereby the Group may continue to engage SCOCE as construction contractor in Mainland China upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$1,600,000,000 per annum (the “**SCOCE Cap**”).
  - (b) for Hong Kong market – the CSC Engagement Agreement with China State Construction, whereby the Group may continue to engage CSC Group as construction contractor in Hong Kong upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$900,000,000 per annum (the “**CSC Cap**”).
  - (c) for Macau market – the CCEMacau Engagement Agreement with CCEMacau, whereby the Group may continue to engage CCEMacau as construction contractor in Macau upon successful tender for each of the following three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$200,000,000 per annum (the “**CCEMacau Cap**”).

CSCEC is the immediate holding company of SCOCE and, through COHL, the ultimate holding company of both the Company and China State Construction. CCEMacau is a wholly owned subsidiary of COHL, which in turn is 100% owned by CSCEC. Accordingly, SCOCE, China State Construction and CCEMacau are connected persons of the Company, and the Company is a connected person of China State Construction.

The engagement by the Group of SCOCE, CSC Group and CCEMacau as construction contractors for its construction works under the SCOCE Engagement Agreement, the CSC Engagement Agreement and the CCEMacau Engagement Agreement constitutes non-exempt continuing connected transactions of the Company.

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the total contract sum that may be awarded under these agreements, i.e. the SCOCE Cap, the CSC Cap and the CCEMacau Cap, exceed 2.5%.

The Directors consider that engaging SCOCE, CSC Group and CCEMacau as construction contractors upon successful tender allows the Company to secure a more diverse base of contractors to participate in the construction of its property management projects in Mainland China, Hong Kong and Macau respectively.

Further details of the COLI Continuing Connected Transactions were given in a circular to Shareholders dated 12 December 2005.

The COLI Continuing Connected Transactions were duly approved by Independent Shareholders at an extraordinary general meeting held on 29 December 2005.

The Board has received a letter from the Company's auditor in pursuance of Rule 14A.38 of the Listing Rules, confirming that the continuing connected transactions mentioned in Part 1C:

- (1) have received the approval of the Company's Board of Directors;
- (2) have been entered into in accordance with the relevant agreement governing the transactions, where appropriate; and
- (3) have not exceeded the annual cap for the year ended 31 December 2005 as set out in the Insurance Engagement Agreement dated 21 October 2004 entered into between the Company and COIL.

In the opinion of the directors (including the independent non-executive directors), the connected transactions contemplated under Part 1 to Part 2 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.