

Connected, Continuing Connected and Related Party Transactions

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

“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
“BOCGIL”	Bank of China Group Investment Limited, a company incorporated in Hong Kong
“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 at the date of the announcement
“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
“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% at the date of the announcement
“COHL”	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
“COHK”	China Overseas (Hong Kong) Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of CSCIHL
“COIL”	China Overseas Insurance Limited, a direct wholly-owned subsidiary of COHL
“COIL Tenancy Agreement”	the agreement dated 12 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COIL, a direct wholly-owned subsidiary of COHL, in relation to the leasing of certain properties located at China Overseas Building as offices of COIL
“COLI” or “Company”	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)
“connected person(s)” or “associate”	the term “connected person(s)” and “associate” shall have the meanings as defined in the Listing Rules
“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 at the date of the announcement
“COPL”	China Overseas Property Limited, a wholly-owned subsidiary of the Company
“COPM”	中海物業管理有限公司 (China Overseas Property Management Co., Ltd.), a private limited liability company incorporated in Shenzhen, PRC
“COPM Agreement”	the agreement to be entered into between the Share Vendor and the Share Purchaser for the acquisition of the COPM Shares
“COPM Shares”	Total registered capital of RMB50,000,000 (approximately HK\$49,504,950) of COPM, all of which has been paid up in full
“COS”	China Overseas Security Services Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
“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
“CSCEC Group”	CSCEC and its subsidiaries, other than SCOCE, CCEMacau, China State Construction and their respective subsidiaries
“CSCEC Group Engagement Agreement”	the engagement agreement entered into between the Company and CSCEC on 7 June 2006 in respect of the engagement by the Group of CSCEC Group as construction contractor for the Group in PRC
“CSCHK”	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

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“CSCIHL Shares”	shares of HK\$0.10 each in the capital of CSCIHL
“Directors”	the directors of the Company
“East Asia”	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
“Enlarged CSCIHL Group”	CSCIHL and its subsidiaries upon completion of relevant transaction(s)
“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)
“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
“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
“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 Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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
“Macwan”	Macwan Limited, a company owned as to 70% by COPL
“Main Board”	the Main Board of the Stock Exchange
“Mainland China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Master Security Services Agreement”	the agreement dated 15 May 2006 entered into between COS, an indirect wholly-owned subsidiary of COLI, and CSCIHL in relation to the provision of security services by COS to the worksites of CSCIHL and/or its subsidiaries
“Master Tenancy Agreement”	the agreement dated 15 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COHK, an indirect wholly-owned subsidiary of CSCIHL, in relation to the leasing of certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries
“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
“NAV”	Net Asset Value
“On Success”	On Success Development Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
“PRC”	the People’s Republic of China
“Primrose Project”	The property development project for residential use known as Primrose Villa Phase I located at Kangle Road, Longgang District, Shenzhen, PRC
“Relevant Projects”	the development, construction or civil engineering projects and the provision of property management or security services undertaken by the Group in respect of which COIL will be offered an opportunity to offer to provide insurance coverage to the Group pursuant to Insurance Engagement Agreement
“Rich Tower”	Rich Tower Properties Limited, a wholly-owned subsidiary of BOCGIL
“RMB”	Renminbi, the lawful currency of PRC
“Sale Interest”	11% of the existing registered capital of COP as held by SCO
“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

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“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 relevant agreement; and is a wholly-owned subsidiary of COP after the completion of the relevant agreement
“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
“Share Purchaser” or “COP(HK)”	China Overseas Property (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company
“Share Vendor” or “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
“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
“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
“%”	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; (ii) RMB1.04 = HK\$1.00 for any financial period commencing after 21 July 2005 to 14 November 2006; and (iii) RMB1.01 = HK\$1.00 for any financial period commencing on or after 15 November 2006 and any dates falling within such period.

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

** (1) In the ordinary course of business, CSCEC, the Company’s ultimate controlling shareholder, acted as the guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year.

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- (2) 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 2006, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK\$63 million, HK\$18 million and HK\$9 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.
- (3) 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. 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 2006, the amounts due by Maxjet to the Group and Goldmond were approximately HK\$846 million and HK\$94 million respectively. Such loans are interest free. Goldmond is a wholly-owned subsidiary of BEA.
- (4) 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 2006, the amounts due by Macfull to the Group and Top Brain were approximately HK\$1,030 million and HK\$171 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.

- (5) 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 Nil 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.
- ** (6) 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\$14 million (2005: HK\$82 million) in respect of the year.
- ** (7) Pursuant to an agreement entered into in 2004 between SCOP (an indirect non-wholly owned subsidiary of the Company at that date), and CODS (an indirect non-wholly owned subsidiary of CSCEC), 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.

At 31 December 2006, SCOP is a wholly-owned subsidiary of the Company and CODS is an indirect wholly-owned subsidiary of CSCEC.

The aggregate contract sum paid or payable by SCOP under the agreement is HK\$0.6 million (2005: HK\$1.8 million) in respect of the year.

- ** (8) Pursuant to an agreement entered into in 2004 between Haipeng (an indirect non-wholly owned subsidiary of the Company at that date), and SCOCE (a direct wholly-owned subsidiary of CSCEC), 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).

The aggregate contract sum paid or payable by Haipeng under the agreement is Nil (2005: HK\$65 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.

- ** (9) Pursuant to an agreement entered into in 2004 between ZCOPD (an indirect wholly-owned subsidiary of the Company at that date), and SCOCE (a direct wholly-owned subsidiary of CSCEC), 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).

The aggregate contract sum paid or payable by ZCOPD under the agreement is Nil (2005: HK\$55 million) in respect of the year.

- ** (10) Pursuant to an agreement entered into in 2005 between Goodrich (an indirect wholly-owned subsidiary of the Company), and CCEMacau (a direct wholly-owned subsidiary of COHL as at that date), whereby Goodrich was awarded the Macau Piling Installation Works Contract 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.

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006.

The aggregate contract sum paid or payable by Goodrich under the agreement is Nil (2005: HK\$53 million) in respect of the year.

- ** (11) 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 at that date, appointing CCEMacau as construction manager of Goodrich.

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006.

Management fees and bonus paid by Goodrich to CCEMacau under the Contract amounted to HK\$10 million (2005: Nil) and HK\$5 million (2005: Nil) respectively in respect of the year.

****Part B: During the year under review, the Group entered into the following continuing connected transactions which fall within the de minimis provisions and are exempted from reporting, announcement and independent shareholders' approval requirement under Rules 14A.33(3)(a) of the Listing Rules:**

- (12) On Success, 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 constituted a connected transaction of the Company.

As each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 0.1%, the transaction fell within the de minimis provision under Rules 14A.33 of the Listing Rules.

The tenancy agreements expired on 30 June 2006 and 31 December 2006 respectively. New Master Tenancy Agreement has been entered between the parties on 15 May 2006, particulars of which please refer to Part C (15).

During the year, the rental receipt in relation to the aforementioned tenancy expired in the year amounts to HK\$7.4 million (2005: HK\$1.4 million).

- (13) During the year, On Success, an indirect wholly-owned subsidiary of the Company, leased certain properties located at China Overseas Building as offices of COIL, a direct wholly-owned subsidiary of COHL.

COHL is interested as to approximately 50.7% of the issued share capital of COLI. As such, transactions between the Company (and/or its subsidiaries) and COIL constitute continuing connected transactions for the Company.

As each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 0.1%, the transaction fell within the de minimis provision under Rules 14A.33 of the Listing Rules.

During the year, the rental receipt received from COIL amounts to Nil (2005: HK\$0.3 million).

****Part C: During the year under review, the Group entered into the following continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules:**

- (14) On 21 October 2004, the Company announced the entering into of 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 year under review is HK\$2 million (2005: HK\$17 million) which did not exceed the annual cap of HK\$67 million for the financial year ended 31 December 2006.

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- (15) On 15 May 2006, On Success, an indirect wholly-owned subsidiary of COLI, entered into the Master Tenancy Agreement with COHK, an indirect wholly-owned subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries.

Particulars of the tenancy:

Properties	Location	Commencement date of Tenancy	Expiry date of Tenancy	Rent payable by COHK
A	Units A, B, C and D, 26th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK\$111,972 per month (with 3 months rent free period)
B	27th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK\$168,273 per month (with 2 months rent free period)
C	28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK\$168,273 per month (with 2 months rent free period)
D	29th Floor and 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK\$336,546 per month (with 3 months rent free period)

The rent payable for the above properties were determined by reference to a valuation report dated 11 May 2006 by DTZ Debenham Tie Leung Limited, an independent valuer, on the prevailing market conditions and the rental level of similar properties in the vicinity of the above properties.

As at the date of entering into the agreement, COHL is interested as to approximately 64.3% of the issued share capital of CSCIHL and as to approximately 50.7% of the issued share capital of COLI. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute continuing connected transactions for each of COLI and CSCIHL.

The offices of CSCIHL and its subsidiaries were previously located in the upper and lower floors of China Overseas Building. The Master Tenancy Agreement enables CSCIHL and its subsidiaries to consolidate their operations from the 26th to the 30th floors of China Overseas Building and provide a more efficient working environment for CSCIHL and its subsidiaries.

Pursuant to the Master Tenancy Agreement, the rent payable by COHK will be HK\$6,616,428, HK\$8,635,704 and HK\$8,972,250 for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

As the annual rent payable under the Master Tenancy Agreement is less than 2.5% of each of the applicable percentage ratios (other than the profit ratio) of COLI and CSCIHL, the Master Tenancy Agreement is exempted from the approval of independent shareholders of COLI and CSCIHL.

During the year, the rent payable by COHK for the aforementioned agreement is HK\$2.2 million which did not exceed the annual cap of HK\$6,616,428 for the year ending 30 June 2007.

- (16) On 15 May 2006, COS (an indirect wholly-owned subsidiary of COLI) and CSCIHL entered into the Master Security Services Agreement pursuant to which COS will provide security services to the worksites of CSCIHL and/or its subsidiaries. The consideration for the provision of the security services will be determined in accordance with the number of security guards provided and by reference to market rates or comparable prices that CSCIHL may obtain from independent service providers. It is expected that the annual cap amount for the provision of the security services under the Master Security Services Agreement for each of the three financial years ending 31 December 2008 will not exceed HK\$30 million per year.

As at the date of entering into the agreement, COHL is interested as to approximately 64.3% of the issued share capital of CSCIHL and as to approximately 50.7% of the issued share capital of COLI. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute continuing connected transactions for each of COLI and CSCIHL.

As the annual cap amount of the Master Security Services Agreement is less than 2.5% of each of the applicable percentage ratios (other than the profit ratio) of COLI and CSCIHL, the Master Security Services Agreement is exempted from the approval of independent shareholders of COLI and CSCIHL.

During the year, the total contract sum entered by CSCIHL under the Master Security Services Agreement is HK\$7 million which did not exceed the annual cap of HK\$30 million for the financial year ended 31 December 2006.

**** Part D: During the year under review, the Group entered into the following connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules:**

- (17) On 22 December 2006, SCO, a direct wholly-owned subsidiary of CSCEC, entered into the COPM Agreement with COP(HK) which is an indirect wholly-owned subsidiary of the Company at that day, whereby SCO has agreed to sell and COP(HK) agreed to purchase the COPM Shares for cash consideration of RMB128,000,000 (approximately HK\$126,732,673).

The consideration for the acquisition of the 100% equity interest in COPM in the amount of RMB128,000,000 (approximately HK\$126,732,673) was determined at approximately 6.5 times the audited profits of COPM and Beijing Zhonghai Property Management Co., Ltd. for the year ended 31 December 2005 of RMB19,586,976 (approximately HK\$19,393,046) after arm's length negotiation with reference to the audited accounts of COPM and Beijing Zhonghai Property Management Co., Ltd. for the past two years, a report prepared by independent third party valuer in Mainland China provided by the Share Vendor and the prevailing market rate for acquisition of businesses of similar nature in Hong Kong for the current period. All payments will be financed out of the internal resources of the Group.

The consideration will be paid in cash in full upon completion which is within 14 days from the fulfillment of all the conditions precedent.

If the conditions precedent are not fulfilled or waived by 31 January 2007, or such later date as may be agreed by the parties, the COPM Agreement will terminate and cease to be of any effect save for any antecedent breach.

The acquisition of the 100% equity interest in COPM is subject to approval being granted by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the Ministry of Commerce of the PRC. The acquisition of the 100% equity interest in COPM, by allowing the Group to participate in the property management business in Mainland China, will enable the Group to have its own property management to look after its own development in Mainland China. The Directors believe that this will enhance the value, including selling price, of the developments.

CSCEC is the ultimate controlling shareholder of the Company. The Share Vendor, being a direct wholly-owned subsidiary of CSCEC, is an associate of CSCEC and therefore a connected person of the Company under the Listing Rules. The COPM 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 COPM Agreement is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the COPM Agreement is exempted under Rule 14A.32(1) of the Listing Rules and is only subject to the reporting and announcement requirements in accordance with Chapter 14A of the Listing Rules.

The relevant transaction was completed on 17 January 2007.

**** Part E: During the year under review, the Group entered into the following non-exempt connected transactions or continuing connected transactions under Rule 14A.16(5) of the Listing Rules which have been approved by independent shareholders in pursuance of Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the Listing Rules:**

- (18) 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 the date of the announcement, COP is a 79%-owned subsidiary of the Company.

SCO is a direct subsidiary owned by CSCEC as to 95% at the date of the announcement. CSCEC is the ultimate holding company of the Company, holding approximately 51.08% of the issued share capital of the Company at the date of the announcement. Accordingly, the Acquisition constitutes connected transaction of the Company. As each of the percentage ratios calculated pursuant to Rule 14.07 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.

As at year end, COP is a wholly-owned subsidiary of the Company and SCO is a direct subsidiary owned by CSCEC as to 100%.

(19) On 22 November 2005, the Directors announced that the Company entered into various agreements:

- (a) for 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 at the date of the announcement, 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.

Each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules 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.

During the year, the total contract sum awarded under the SCOCE Engagement Agreement to SCOCE for the year under review is HK\$39 million which did not exceed the annual cap of HK\$1,600 million for the financial year ending 31 December 2006.

During the year, the total contract sum awarded under the CSC Engagement Agreement to CSC Group for the year under review is HK\$126 million which did not exceed the annual cap of HK\$900 million for the financial year ending 31 December 2006.

During the year, the total contract sum awarded under the CCEMacau Engagement Agreement to CCEMacau for the year under review is HK\$189 million which did not exceed the annual cap of HK\$200 million for the financial year ending 31 December 2006.

Connected, Continuing Connected and Related Party Transactions

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006, and continues to be a connected person of the Company.

- (20) On 7 June 2006, the Directors announced that the Company entered into a CSCEC Group Engagement Agreement with CSCEC, whereby the Group may engage CSCEC Group as construction contractor in PRC upon successful tender for each of the 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 million per annum (the "Cap").

CSCEC is the ultimate holding company of the Company. Accordingly, members of CSCEC Group are connected persons of the Company. The engagement by the Group of CSCEC Group as construction contractor for its construction works under the CSCEC Group Engagement Agreement constitutes non-exempt continuing connected transaction of the Company ("Continuing Connected Transaction").

Each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules calculated for the Company in respect of the total contract sum that may be awarded under this agreement, i.e. the Cap, exceed 2.5%. As such, the Company is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors consider that engaging CSCEC Group 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.

CSCEC is a PRC state-owned enterprise, and has a vast network of construction subsidiaries in Mainland China. The CSCEC Group Engagement Agreement may, in addition to the SCOCE Engagement Agreement, the CCEMacau Engagement Agreement and the CSC Engagement Agreement, provides the Company with the option to engage CSCEC Group (subject to successful tender) as construction contractor in the construction of its property development projects in Mainland China.

Further details of the Continuing Connected Transaction were given in a circular to Shareholders dated 22 June 2006.

The CSCEC Group Engagement Agreement, the Cap and the continuing connected transaction contemplated thereunder were duly approved by Independent Shareholders at an extraordinary general meeting held on 12 July 2006.

During the year, the total contract sum awarded under the CSCEC Group Engagement Agreement to CSCEC Group for the year under review is HK\$762 million which did not exceed the annual cap of HK\$1,600 million for the financial year ending 31 December 2006.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors.

Having reviewed the connected transactions or continuing connected transactions contemplated above, the directors (including the independent non-executive directors), opined that the connected transactions or continuing connected transactions contemplated above 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) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company 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 or continuing connected transactions.

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