

Connected Transactions

A. JOINT VENTURES FORMED PRIOR TO THE LISTING OF THE COMPANY ON 8 JULY 2005 AND WERE NOT SUBJECT TO ANY CONNECTED TRANSACTION REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES AT THE TIME THEY WERE ENTERED INTO

The two joint venture projects of the Group, namely (a) Deep Bay Link — Southern Section, and (b) Wynn Resorts Macau were awarded to the Group's joint ventures with China State Construction Engineering Corporation ("CSCEC", 100% owned China Overseas Holdings Limited ("COHL"), COHL is the controlling shareholder of the Company) or its associates. The joint venture agreements were entered into prior to the listing of the Company on 8 July 2005 and were not subject to any connected transactions requirements under Chapter 14A of the Listing Rules at the time they were entered into.

A.1 Deep Bay Link — Southern Section

China State Construction Engineering (Hong Kong) Limited ("CSCEHK", a wholly-owned subsidiary of the Company) and CSCEC entered into a joint venture agreement on 30 April 2003 whereby the parties agreed to bid for and, if the bid was successful, to implement the project with their respective financial interests as follows:

CSCEHK	–	70%
CSCEC	–	30%

The project was awarded in June 2003 to the unincorporated joint venture formed by the above parties. There is no fixed term for the joint venture and it will terminate when the project completes in accordance with the provisions of the joint venture agreement. The total contract value of the project awarded to the joint venture was approximately HK\$1,213,000,000. The project was completed in January 2006.

A.2 Wynn Resorts Macau

CSCEHK, China Construction Engineering (Macau) Company Limited ("CCEM") and an independent third party entered into a joint venture agreement on 24 March 2004 whereby the parties agreed to bid for, and if the bid was successful, to implement the project with the respective financial interests as follows:

CSCEHK	–	30%
CCEM	–	20%
Leighton Contractors (Asia) Limited, an independent third party JV partner	–	50%

The project was awarded in May 2004 to the unincorporated joint venture formed by the above parties. There is no fixed term for the joint venture and it will terminate when the project completes in accordance with the provisions of the joint venture agreement. The total contract value of the project and the expansion project awarded to the joint venture was approximately HK\$3,567,000,000.

A sale and purchase agreement dated 9 May 2006 was entered into between COHL, China Overseas Construction Limited, a wholly-owned subsidiary of COHL, (collectively as Vendors) and the Company and/or its nominee (as Purchaser) in relation to the acquisition of the entire paid up share capital of CCEM ("the Acquisition"). Upon the completion of the Acquisition on 29 June 2006 ("Completion"), CCEM becomes an indirect wholly-owned subsidiary of the Company. The joint venture does not constitute a connected transaction of the Company.

B. CONNECTED TRANSACTIONS WHICH ARE OF A REGULAR AND CONTINUING NATURE

The following transactions were entered into by CCEM during the year under review. The transactions are of a regular and continuing nature, constitute connected transactions of the Company upon the Completion of the Acquisition of CCEM on 29 June 2006:

B.1 COHL provided guarantees to CCEM in the form of performance bonds for the construction projects undertaken by CCEM prior to Completion. The said guarantees (without security over the Company) will from Completion bear interest at the prevailing market rate and will continue until the earlier of (i) the completion of the relevant projects undertaken by CCEM or (ii) the termination or release of the performance bonds by CCEM or the Company, as the case may be. For the year ended 31 December 2006, no amount paid or payable by CCEM to COHL.

B.2 CSCEC and COHL provided corporate guarantees to various banks in relation to the general banking facilities of CCEM. At the time of entering into the sale and purchase agreement on 9 May 2006, the amount of corporate guarantee provided by CSCEC and COHL is HK\$50,000,000 and HK\$20,654,000 respectively. As at 31 December 2006, the guarantees were released.

C. DURING THE YEAR UNDER REVIEW, THE GROUP ENTERED INTO THE FOLLOWING CONNECTED TRANSACTIONS UNDER RULE 14A.32 OF THE LISTING RULES WHICH EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The Structural Steel Agreement

On 12 May 2006, C.S.H.K Dubai Contracting (Limited Liability Company) ("CSHK Dubai") and S.Z. Jianshenghe Steel Structure Const. Eng. Co., Ltd. ("SZJSH") entered into a Structural Steel Agreement, pursuant to which CSHK Dubai has agreed to engage SZJSH as the contractor for the design, supply and installation of the structural steel work for the Lease Office Building JAFZ South at a total contract value of AED13,025,354.69 (approximately HK\$27,613,752). The contract value will be payable by CSHK Dubai to SZJSH in stages, with reference to the value of works done.

CSHK Dubai is an indirect wholly-owned subsidiary of the Company and SZJSH is an indirect owned subsidiary of CSCEC, being an associate of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the Structural Steel Agreement between CSHK Dubai and SZJSH constitutes a connected transaction of the Company.

The total contract value for the transactions under the Structural Steel Agreement is less than 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Structural Steel Agreement is subject to the reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

CSHK Dubai is the main building contractor for the construction of the Lease Office Building JAFZ South. The Structural Steel Agreement is a subcontracting agreement for the structural steel work of the Lease Office Building JAFZ South. Lease Office Building JAFZ South is a development located at the Jebel Ali Free Zone of Dubai and comprises a twin 27-storey office towers and a 2-storey retail podium with area of approximately 62,400 square meters. SZJSH was selected due to its expertise and experience in carrying out structural steel contracting work.

An announcement containing the particulars of the Structural Steel Agreement was made on 12 May 2006.

For the year ended 31 December 2006, the aggregate contract value paid or payable by CSHK Dubai to SZJSH under the Structural Steel Agreement amounted to HK\$23,644,159.

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D. DURING THE YEAR UNDER REVIEW, THE GROUP ENTERED INTO THE FOLLOWING CONNECTED TRANSACTIONS 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

Construction Management Contract

On 1 August 2005, CCEM entered into a construction management contract with Goodrich Company Limited (Goodrich), of which CCEM was appointed as construction manager of Goodrich for the project at a management fee of HK\$20,000,000 plus a bonus payment for a maximum sum of HK\$30,000,000.

Upon Goodrich's discretion and subject to CCEM supervising the construction of the project within the pre-determined time frame and target cost, a bonus payment of: (i) HK\$5,000,000 will be payable to CCEM 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\$25,000,000 will be awarded to CCEM by Goodrich for not exceeding the pre-set target cost. HK\$15,000,000 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\$15,000,000 of the bonus payment is payable upon completion of the project. Goodrich shall be entitled to deduct the above bonus payment from CCEM up to a maximum amount of HK\$30,000,000 as a result of any over-expenditures arising during the performance of the services that are attributable to the part of CCEM who fails to comply with condition (ii) above.

The management fee and bonus payment were agreed between the parties after arm's length negotiation having taking 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.

Upon the Completion of the Acquisition of CCEM on 29 June 2006, CCEM becomes an indirect wholly-owned subsidiary of the Company and Goodrich is an indirect wholly-owned subsidiary of COLI, being an associate of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the Construction Management Contract constitutes a connected transaction for the Company.

The total contract value for the Construction Management Contract exceeds 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Construction Management Contract is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 May 2006 containing particulars of the Construction Management Contract has been dispatched to shareholders of the Company. The Construction Management Contract was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 June 2006.

For the year ended 31 December 2006, the aggregate management fees paid or payable by Goodrich to CCEM under the Construction Management Contract amounted to HK\$6,567,961.

E. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.35 OF THE LISTING RULES

E.1 Supplies from Hailong

深圳海龍建築製品有限公司 Shenzhen Hailong Construction Products Co., Ltd. ("Hailong") is a company in which each of 深圳中海建築有限公司 Shenzhen China Overseas Construction Limited (75% owned by COHL and the remaining 25% owned by CSCEC) and the Group is interested in 50% and is therefore an associate of the Company.

Pursuant to the Listing Rules, the provision of construction materials from Hailong constitutes connected transactions of the Group. In order to allow Hailong to continue to participate in competitive tenders to bid for supply contracts and to provide construction materials to the Group upon successful tender on a recurring basis from time to time, the Company has entered into a Materials Supplies Engagement Agreement with Hailong on 9 June 2005 and subject to the annual cap amount of HK\$30,000,000 for each of the three financial years ending 31 December 2007.

Enlisting Hailong, as one of the Group's suppliers, enables the Group to exert more effective control over the production and delivery of the materials required, and keeps the Group abreast with the latest market news and trend in construction materials, placing the Group in a competitively more advantageous position when accessing the Group's construction costs.

Owing to the increased application of pre-cast structures in housing projects and residential projects, the Directors expect that the annual cap amount under the Materials Supplies Engagement Agreement will be exceeded.

On 9 May 2006, the Company and Hailong entered into a Supplemental Material Supplies Engagement Agreement, pursuant to which the annual cap amount under the Supplemental Material Supplies Engagement Agreement be increased to HK\$70,000,000 for each of the two financial years ending 31 December 2007.

The total contract value for the Supplemental Material Supplies Engagement Agreement exceed 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Supplemental Material Supplies Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 May 2006 containing details of the Supplemental Material Supplies Engagement Agreement has been dispatched to the shareholders of the Company. The Supplemental Material Supplies Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 June 2006.

For the year ended 31 December 2006, the aggregate contract value paid or payable by the Group to Hailong under the Material Supplies Engagement Agreement and Supplemental Material Supplies Engagement Agreement amounted to HK\$55,390,604.

E.2 Insurance policy from COHL Group

China Overseas Insurance Limited ("COIL", a wholly-owned subsidiary of COHL), is authorised by the Office of the Commissioner of Insurance to carry on insurance business. The Group has purchased insurance from COIL as underwriter since 2002.

Insurances purchased by the Group are divided into two main categories (a) contractors' all risks (including third parties) and (b) employees' compensation. Other categories of insurances purchased by the Group include motor, property damage and public liability.

The Group will continue to purchase insurance from COIL as underwriter in respect of the Group's construction projects and other risks of the Group's business operations, in accordance with the Group's normal selection procedures and terms. In this connection, the Company has entered into an Insurance Engagement Agreement with COIL on 9 June 2005 and subject to the annual cap amount of HK\$70,000,000, HK\$75,000,000 and HK\$80,000,000 for the three financial years ending 31 December 2007.

Connected Transactions

The Insurance Engagement Agreement allows the Group to insure with a more diverse base of insurers.

For the year ended 31 December 2006, the aggregate contract value paid or payable by the Group to COLI under the Insurance Engagement Agreement amounted to HK\$53,944,127.

E.3 Leases of properties

Before the listing of the Company on 8 July 2005, the Group has entered into tenancy agreements with On Success Development Limited ("On Success", a subsidiary of COLI), for the leases of the Group's office premises situated at Unit A on 5th Floor, Units A, B, C, D & E on 15th Floor, Units A, B, C & D on 17th Floor, 27th Floor and 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The tenancy agreements were subject to the annual cap amount of HK\$5,365,000 for each of the three financial years ending 31 December 2007.

The Group has been operating from China Overseas Building in the past, and in view of administrative convenience will continue to do so provided the rentals are comparable to the market rates and are fair and reasonable.

For the year ended 31 December 2006, the aggregate amount paid by the Group to On Success under the tenancy agreements amounted to HK\$5,176,180. All the tenancy agreements under this section were expired on or before 31 December 2006.

E.4 CSC Engagement Agreement

COLI group engages in property development and investment and engages contractors to construct its property projects in Hong Kong.

The COLI Group may invite the Group to participate in competitive tender for COLI Group's construction works from time to time in Hong Kong. Pursuant to the Listing Rules, the engagement by COLI Group of the Group as construction contractor for its construction works constitutes connected transaction of the Group. In this connection, the Company has entered into CSC Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded by the Group shall not exceed HK\$900,000,000 for each of the three financial years ending 31 December 2008.

The CSC Engagement Agreement allows the Group to secure a more diverse base of customers for building construction in Hong Kong.

The total contract value for the CSC Engagement Agreement exceeds 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the CSC Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 12 December 2005 containing details of the CSC Engagement Agreement has been dispatched to the shareholders of the Company. The CSC Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 December 2005.

For the year ended 31 December 2006, the aggregate amount paid or payable by the COLI Group to the Group under the CSC Engagement Agreement amounted to HK\$126,350,000.

E.5 CCEM Engagement Agreement

COLI group engages in property development and engages contractors to construct its property projects in Macau.

The COLI Group may invite CCEM to participate in competitive tender for COLI Group's construction works from time to time in Macau. In this connection, CCEM has entered into CCEM Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded to CCEM shall not exceed HK\$200,000,000 for each of the three financial years ending 31 December 2008.

The CCEM Engagement Agreement allows CCEM to secure a more diverse base of customers for building construction in Macau.

Upon the Completion of the Acquisition of CCEM on 29 June 2006, CCEM becomes an indirect wholly-owned subsidiary of the Company. COLI and its subsidiaries, being an associate of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the CCEM Engagement Agreement constitutes a connected transaction for the Company.

The total contract value for the CCEM Engagement Agreement exceeds 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the CCEM Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 May 2006 containing particulars of the CCEM Engagement Agreement has been dispatched to shareholders of the Company. The CCEM Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 June 2006.

For the year ended 31 December 2006, the aggregate amount paid or payable by the COLI Group to the Group under the CCEM Engagement Agreements amounted to HK\$188,874,372.

E.6 Master Tenancy Agreement

On 15 May 2006, China Overseas (Hong Kong) Limited ("COHK", an indirect wholly-owned subsidiary of the Company), has entered into a Master Tenancy Agreements with On Success for the leases of the Group's office premises situated at Unit A, B, C & D on 26th Floor, 27th Floor, 28th Floor, 29th Floor and 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong. 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 year ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

The rent payable for the above properties are 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.

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

The total contract value for the transactions under the Master Tenancy Agreement is less than 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Master Tenancy Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

Connected Transactions

An announcement containing the particulars of the Master Tenancy Agreement was made on 16 May 2006.

For the year ended 31 December 2006, the aggregate amount made by COHK to On Success under the Master Tenancy Agreement amounted to HK\$2,242,590.

E.7 Master Security Services Agreement

On 15 May 2006, the Company has entered into a Master Securities Services Agreement with China Overseas Security Services Limited ("COS", an indirectly wholly-owned subsidiary of COLI), provided 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\$30,000,000 per year.

Pursuant to the Master Securities Services Agreement, COS will provide security services to the worksites of the Company and/or its subsidiaries.

The total contract value for the transactions under the Master Securities Services Agreement is less than 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Master Securities Services Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Securities Services Agreement was made on 16 May 2006.

For the year ended 31 December 2006, the aggregate amount paid or payable by the Group to COS under the Master Securities Services Agreement amounted to HK\$7,369,906.

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed procedures in respect of the continuing connected transactions of the Group as mentioned in E.1 to E.7 above for the year ended 31 December 2006. The auditors have reported their factual findings on these procedures to the Board and have confirmed the matters stated in rule 14A.38. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

In the opinion of the Directors (including the independent non-executive directors), the connected transactions contemplated under this section were carried out (i) in the ordinary and usual course of business of the Group; (ii) 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; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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