

Connected Transactions

A. Connected transactions falling under Rule 14A.16(5) of the Listing Rules

A.1 Acquisition of Fuller Sky Enterprises Limited

On 6 October 2008, Ever Power Group Limited ("Ever Power"), an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Massive Information Enterprises Limited ("Massive Information"), an indirect wholly-owned subsidiary of China Overseas Holdings Limited ("COHL"), whereby Ever Power shall acquire the entire interest in Fuller Sky Enterprises Limited ("Fuller Sky"), being 100% of the issued share capital of Fuller Sky and the Loan in the amount of HK\$191,226,376 for a cash consideration of HK\$235,000,000.

COHL is interested in approximately 62.2% of the then issued share capital of the Company and Massive Information is an indirect wholly-owned subsidiary of COHL. Since COHL and Massive Information are connected persons of the Company. As the applicable percentage ratios as defined in Rule 14A.10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") calculated with reference to the Agreement exceed 2.5% but are less than 25%, the Acquisition constitutes a connected and discloseable transaction for the Company.

Fuller Sky, through its subsidiary, is principally engaged in the operation of 南昌中海新八大橋 (Nan Chang Zhong Hai Xin Ba Yi Bridge) located at Nan Chang city in Jiangxi province of the PRC. Fuller Sky owns 55.24% interests in the Bridge.

The infrastructure investment in the PRC will grow rapidly in the future and the Acquisition will enhance the Group's infrastructure investment portfolio and generate stable long term income to the Company.

Details of the Agreement were disclosed in a circular dated 27 October 2008. The Agreement was duly approved by independent shareholders of the Company at an extraordinary general meeting held on 28 November 2008. The Acquisition was completed on 12 December 2008.

A.2 Acquisition of Value Idea Investments Limited

On 6 October 2008, Ever Power entered into the Agreement with China Overseas Road & Bridge Holdings Limited ("CORB"), an indirect wholly-owned subsidiary of China Overseas Land & Investments Ltd. ("COLI"), whereby Ever Power shall acquire the entire interest in Value Idea Investments Limited ("Value Idea"), being 100% of the issued share capital of Value Idea and the Loan in the amount of HK\$111,447,904 for a cash consideration of HK\$220,000,000.

COHL is interested in approximately 51.7% of the then issued share capital of COLI and approximately 62.2% of the Company, and CORB is an indirect wholly-owned subsidiary of COLI. Since, COHL, COLI and CORB are connected persons of the Company, and the applicable ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the Agreement exceed 2.5% but are less than 25%, the Acquisition constitutes a connected and discloseable transaction for the Company.

Value Idea, through its subsidiary, is principally engaged in the operation of 南昌大橋 (Nan Chang Bridge) located at Nan Chang city in Jiangxi province of the PRC. Value Idea owns 55.24% interests in the Bridge.

The infrastructure investment in the PRC will grow rapidly in the future and the Acquisition will enhance the Group's infrastructure investment portfolio and generate stable long term income to the Company.

Details of the Agreement were disclosed in a circular dated 27 October 2008. The Agreement was duly approved by independent shareholders of the Company at an extraordinary general meeting held on 28 November 2008. The Acquisition was completed on 12 December 2008.

Connected Transactions *(Continued)*

B. Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules

B.1 CSC Engagement Agreement

COLI and its subsidiaries, ("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 to 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 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 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 2008, the total contract sum awarded to the Group under the CSC Engagement Agreement amounted to HK\$139,690,000.

B.2 CCEM Engagement Agreement

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

The COLI Group may invite China Construction Engineering (Macau) Company Limited ("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 completion of the acquisition of CCEM on 29 June 2006, CCEM becomes an indirect wholly-owned subsidiary of the Company. COLI Group, 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 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 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.

There was no transaction occurred under the CCEM Engagement Agreement for the year ended 31 December 2008.

Connected Transactions *(Continued)*

B. Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

B.3 SCOCL Engagement Agreement

COLI Group engages in property development and investment and engages contractors to construct its property projects in PRC.

The COLI Group may invite Shenzhen China Overseas Construction Limited ("SCOCL") to participate in competitive tender for COLI Group's construction works from time to time in PRC. In this connection, SCOCL has entered into SCOCL Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded to SCOCL shall not exceed HK\$1,600 Million for each of the three financial years ending 31 December 2008.

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

Upon the completion of the acquisition of SCOCL on 29 September 2007, SCOCL becomes an indirect wholly-owned subsidiary of the Company. COLI Group, being an associate of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the SCOCL Engagement Agreement constitutes a connected transaction for the Company.

The total contract value for the SCOCL 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 SCOCL Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 14 August 2007 containing particulars of the SCOCL Engagement Agreement has been dispatched to shareholders of the Company. The SCOCL Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 31 August 2007.

For the year ended 31 December 2008, the total contract sum awarded to the Group under the SCOCL Engagement Agreement amounted to HK\$76,115,181.

B.4 Master Tenancy Agreement

On 15 May 2006, China State Construction Limited ("CSCL", an indirect wholly-owned subsidiary of the Company) has entered into a Master Tenancy Agreement with On Success Development Limited ("On Success", a subsidiary of COLI) 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 CSCL 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 *(Continued)*

B. Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

B.4 Master Tenancy Agreement *(continued)*

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

For the period from 1 July 2007 to 30 June 2008, the aggregate amount made by CSCL to On Success under the Master Tenancy Agreement amounted to HK\$8,635,704.

B.5 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 2008, the total contract sum awarded to COS under the Master Securities Services Agreement amounted to HK\$11,354,200.

B.6 Master Dubai Construction Agreement

As stated in the Company's listing document dated 14 June 2005, China State Construction Engineering Corporation ("CSCEC", the ultimate holding company of the Company) has in anticipation of the Group's intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group (i.e. CSCEC and its subsidiaries including COLI but excluding the Group) will, be engaged in the construction market in, among others, Dubai except, among other things, in joint venture with the Group.

On 19 November 2007, the Company entered into a Master Dubai Construction Agreement with CSCEC. Pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company and payment of fee, tender for and/or enter into contracts in construction works in Dubai, provided that the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2010 shall not exceed HK\$5,000 million (the relevant fee thereon calculated on a 2.5% basis (i.e. the "Cap"), would be HK\$125 million).

The Fee receivable under the Master Dubai Construction 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. The Company is required to comply with the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 November 2007 containing details of the Master Dubai Construction Agreement has been dispatched to shareholders of the Company. The Master Dubai Construction Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 December 2007.

For the year ended 31 December 2008, the total contract sum awarded to CSCEC Group was HK\$3,173,657,054 and the relevant fee thereon calculated under the Master Dubai Construction Agreement was HK\$79,341,426.

Connected Transactions *(Continued)*

B. Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the board of directors.

The auditor of the Company has provided letters to the Board of Directors of the Company confirming that the continuing connected transactions contemplated under this section:

- (i) have received the approval of the Board of Directors;
- (ii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and
- (iii) have not exceed the annual cap disclosed in the relevant announcements/circulars of the Company.

The Directors (including the independent non-executive directors) have reviewed and confirmed the continuing connected transactions contemplated under this section have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on an arm's length basis;
- (iii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iv) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.