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## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The COLI Directors announce that on 22 November 2005, COLI entered into the following agreements:

- SCOCE Engagement Agreement with SCOCE,
- CCE Macau Engagement Agreement with CCE Macau,

whereby COLI Group may continue to engage SCOCE and CCE Macau as construction contractors in the PRC and Macau respectively upon successful tender for each of the following three financial years ending 31 December 2008 subject to the SCOCE Cap and CCE Macau Cap respectively.

China State Construction stated in its listing document dated 14 June 2005 that it may participate in competitive tender for works from the COLI Group from time to time.

The COLI Directors and the CSC Directors further jointly announce that on 22 November 2005, COLI and China State Construction entered into the following agreement:

- CSC Engagement Agreement

whereby COLI Group may continue to engage CSC Group as construction contractor in Hong Kong upon successful tender for each of the following three financial years ending 31 December 2008 subject to the CSC Cap.

COLI Group mainly engages in property development and investment, project management, infrastructure project investments, investment holding, real estate agency and management and treasury operations. It engages contractors to construct its property projects in the PRC, Hong Kong and Macau.

SCOCE is a main contractor mainly participating in the PRC construction market. CSC Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building and civil construction and foundation engineering.

CCE Macau is a main contractor mainly participating in the Macau construction market.

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

The engagement by COLI Group of SCOCE and CCE Macau as construction contractors for its construction works under the SCOCE Engagement Agreement and the CCE Macau Engagement Agreement constitute non-exempt continuing connected transactions of COLI. The engagement by COLI Group of CSC Group, and the provision of services by the CSC Group to the COLI Group as construction contractor for COLI Group's construction works in Hong Kong under the CSC Engagement Agreement constitute non-exempt continuing connected transactions for both COLI and China State Construction.

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for COLI in respect of the total contract sum that may be awarded under these agreements, i.e. the SCOCE Cap, the CSC Cap and the CCE Macau Cap, exceeds 2.5%. As such, COLI is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the COLI Continuing Connected Transactions.

The applicable percentage ratios calculated for China State Construction in respect of the total contract sum under the CSC Engagement Agreement, i.e. the CSC Cap, exceeds 2.5%. As such, China State Construction is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the CSC Continuing Connected Transaction.

COLI Shareholders should note that each of the SCOCE Cap, the CSC Cap and the CCE Macau Cap bear no direct relationships to COLI Group's financial or potential financial performance. COLI Group may or may not retain SCOCE, CSC Group or CCE Macau to engage in construction works up to the level of the caps, if at all, as their engagements are subject to tender procedures which are open to other independent third party contractors.

CSC Shareholders should note that the CSC Cap bear no direct relationships to CSC Group's financial or potential financial performance. CSC Group may or may not provide construction services to COLI Group up to the level of the cap, if at all, as its engagement by COLI Group is subject to tender procedures which are open to other independent third party contractors.

## BACKGROUND

The COLI Directors expect that COLI Group will, in the ordinary and usual course of its business, continue to invite SCOCE, CSC Group and CCE Macau to participate in competitive tender for COLI Group's construction works in the PRC, Hong Kong and Macau respectively from time to time. The engagement by COLI Group of SCOCE, CSC Group or CCE Macau as construction contractors upon successful tender constitutes connected transactions of COLI Group, i.e. the COLI Continuing Connected Transactions. Refer to the section headed "COLI Continuing Connected Transactions" below.

The CSC Directors expect that CSC Group will, in the ordinary and usual course of its business, continue to participate in competitive tender for COLI Group's construction works in Hong Kong from time to time. The provision of service by CSC Group to COLI Group as construction contractor upon successful tender also constitutes connected transactions of CSC Group, i.e. the CSC Continuing Connected Transaction. Refer to the section headed "CSC Continuing Connected Transaction" below.

CSCEC is the ultimate holding company of both COLI and China State Construction. As at the date of this announcement, CSCEC, through its wholly owned subsidiary, COHL, holds approximately 51.08% of the issued share capital of COLI and approximately 64.28% of the issued share capital of China State Construction. CSCEC is the immediate holding company of SCOCE. CCE Macau is a wholly owned subsidiary of COHL, which in turn is 100% owned by CSCEC. Accordingly, SCOCE, China State Construction and CCE Macau are connected persons of COLI, and COLI is a connected person of China State Construction.

## COLI CONTINUING CONNECTED TRANSACTIONS

The COLI Directors expect that COLI Group will invite SCOCE, CSC Group and CCE Macau to participate in competitive tender for COLI Group's construction works in the PRC, Hong Kong and Macau respectively from time to time. In this connection, on 22 November 2005, COLI entered into the following agreements:

- **for the PRC market** - the SCOCE Engagement Agreement with SCOCE on 22 November 2005 for a three-year term expiring on 31 December 2008 whereby the parties agreed that:
  - (a) SCOCE may continue to tender for COLI Group's construction works in the PRC in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors; and
  - (b) if any contract is granted in favour of SCOCE as a result of the above tender, SCOCE may act as construction contractor for COLI Group in the PRC based on the terms of the successful tender provided that the total contract sum to be awarded by COLI Group to SCOCE each year shall not exceed HK\$1,600 million, for each of the three financial years ending 31 December 2008 (the "**SCOCE Cap**").

The SCOCE Cap is calculated with reference to the following factors:

- (i) total contract sum of new construction projects in the PRC of the COLI Group in each of the past three years ended 31 December 2004 of approximately HK\$1,651 million, HK\$1,378 million and HK\$3,216 million respectively, including those projects set out in (ii) below;
  - (ii) total contract sum of new construction projects awarded to SCOCE in the PRC each year for the past three years ended 31 December 2004 of nil, approximately HK\$175 million and HK\$143 million respectively, representing nil, approximately 13% and 4% of COLI's new PRC projects for the respective period;
  - (iii) total contract sum of new construction projects in the PRC of COLI Group in each of the next three financial years ending 31 December 2008 estimated with reference to COLI Group's future growth and expansion in its land reserves in the PRC in the next three years; and
  - (iv) the maximum amount of projects which may be awarded by COLI Group to SCOCE in the next three financial years ending 31 December 2008 should not exceed 15%-20% of COLI Group's total contract sum of new construction projects in the PRC as mentioned in (iii) above, such percentage being determined with reference to the historical level set out in (ii) above, but in any event will not exceed the amount of the SCOCE Cap.
- **for Hong Kong market** - the CSC Engagement Agreement with China State Construction on 22 November 2005 for a three-year term expiring on 31 December 2008, the particulars of which are set out in the section headed "CSC Continuing Connected Transaction" below.
  - **for Macau market** - the CCE Macau Engagement Agreement with CCE Macau on 22 November 2005 for a three-year term expiring on 31 December 2008 whereby the parties agreed that:
    - (a) CCE Macau may continue to tender for COLI Group's construction works in Macau in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors; and
    - (b) if any contract is granted in favour of CCE Macau as a result of the above tender, CCE Macau may act as construction contractor for COLI Group in Macau based on the terms of the successful tender provided that the total contract sum to be awarded by COLI Group to CCE Macau each year shall not exceed HK\$200 million for each of the three financial years ending 31 December 2008 (the "**CCE Macau Cap**").

COLI has not undertaken any construction project in Macau until early this year. In the light of the favourable development in Macau, COLI Directors believe there

are ample opportunity in the Macau property market for COLI to expand and develop its business. The CCE Macau Cap is determined with particular attention to allow room for COLI to develop and expand its business in Macau and is calculated with reference to the following factors:

- (i) total contract sum of new construction projects in Macau of COLI Group so far this year of approximately HK\$900 million (including those projects set out in (ii) below);
- (ii) total contract sum of new construction projects awarded to CCE Macau so far this year of approximately HK\$56 million, representing approximately 6% of COLI's new Macau projects for the respective period;
- (iii) total contract sum of new construction projects in Macau of COLI Group in each of the next three financial years ending 31 December 2008 estimated with reference to COLI Group's future growth and expansion in its land reserves in Macau in the next three years; and
- (iv) the maximum amount of projects which may be awarded by COLI Group to CCE Macau in the next three financial years ending 31 December 2008 should not exceed 10% of COLI Group's total contract sum of new construction projects in Macau as mentioned in (iii) above, such percentage being determined with reference to the percentage level set out in (ii) above, but in any event will not exceed the amount of the CCE Macau Cap.

The SCOCE Engagement Agreement (together with the SCOCE Cap) and the CCE Macau Engagement Agreement (together with the CCE Macau Cap) will take effect conditional upon the COLI Independent Shareholders' approval having been obtained at the COLI EGM.

### **CSC CONTINUING CONNECTED TRANSACTION**

The CSC Directors expect that COLI Group may invite CSC Group to participate in competitive tender for COLI Group's construction works from time to time in Hong Kong. In order to capture the business opportunities of construction works in Hong Kong, China State Construction has entered into the CSC Engagement Agreement with COLI on 22 November 2005 for a three-year term expiring on 31 December 2008 whereby the parties agreed that:

- (a) CSC Group may continue to tender for COLI Group's construction works in Hong Kong in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors; and
- (b) if any contract is granted in favour of CSC Group as a result of the above tender, CSC Group may act as construction contractor for COLI Group in Hong Kong based on the terms of the successful tender provided that the total contract sum to be awarded by COLI Group to CSC Group each year shall not exceed HK\$900 million for each of the three financial years ending 31 December 2008 (the "**CSC Cap**").

COLI has not undertaken any construction project in Hong Kong in the past two financial years ended 31 December 2004, and in fact, has not expanded its land reserves since 1998 for a number of years. In view of the recent recovery and improved sentiments in the Hong Kong property market, COLI has in 2004 begun to expand its land reserves in Hong Kong. The CSC Cap is therefore calculated with reference to the following factors:

- (i) total contract sum of new construction projects undertaken by COLI Group each year for the three financial years ended 31 December 1999 where COLI was still relatively active in the Hong Kong property market. The total contract sum in each of these years were approximately HK\$294 million, HK\$482 million and HK\$868 million respectively all of which were awarded to entities in the CSC Group, being then wholly owned subsidiaries of COLI at the relevant time;
- (ii) total contract sum of new construction projects in Hong Kong of COLI Group in each of the next three financial years ending 31 December 2008 estimated with reference to COLI Group's future growth and expansion in its land reserves in Hong Kong in the next three years; and
- (iii) the maximum amount of projects which may be awarded by COLI Group to CSC Group in the next three financial years ending 31 December 2008 should not exceed the highest of 100% of COLI Group's total contract sum of new construction projects in Hong Kong as mentioned in (ii) above, but in any event will not exceed the amount of the CSC Cap.

The CSC Engagement Agreement (together with the CSC Cap) will take effect conditional upon the COLI Independent Shareholders' and the CSC Independent Shareholders' approval at the COLI EGM and the CSC EGM respectively.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

### *COLI Continuing Connected Transactions*

The COLI Directors consider that engaging SCOCE, CSC Group and CCE Macau as construction contractors upon successful tender allows COLI to secure a more diverse base of contractors to participate in the construction of its property development projects in the PRC, Hong Kong and Macau respectively.

The COLI Directors (other than the independent non-executive directors of COLI whose views will be set out in the circular to be despatched to COLI Shareholders together with the opinion of the independent financial adviser to be appointed in advising them) confirm that the COLI Continuing Connected Transactions are expected to be entered into in the ordinary and usual course of business of the COLI Group, and the SCOCE Engagement Agreement (together with the SCOCE Cap), the CSC Engagement Agreement (together with the CSC Cap) and the CCE Macau Engagement Agreement (together with the CCE Macau Cap) were agreed on normal commercial terms after arm's length negotiations between the parties, and were fair and reasonable and in the interests of COLI and the COLI Shareholders as a whole.

COLI Shareholders should note that each of the SCOCE Cap, the CSC Cap and the CCE Macau Cap represents the best estimates by the COLI Directors of the amount of the relevant transactions based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, COLI Group's financial or potential financial performance. COLI Group may or may not retain SCOCE, CSC Group or CCE Macau to engage in construction works up to the level of the caps, if at all, as their engagements are subject to tender procedures which are open to other independent third party contractors.

#### *CSC Continuing Connected Transaction*

The CSC Directors consider that being able to participate in the construction of COLI Group's property development projects upon successful tender allows CSC Group to secure a more diverse base of customers for building construction in Hong Kong.

The CSC Directors (other than the independent non-executive directors of China State Construction whose views will be set out in the circular to be despatched to CSC Shareholders together with the opinion of the independent financial adviser to be appointed in advising them) confirm that the CSC Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the CSC Group and the CSC Engagement Agreement (together with the CSC Cap) was agreed on normal commercial terms after arm's length negotiations between the parties, and was fair and reasonable and in the interests of China State Construction and the CSC Shareholders as a whole.

CSC Shareholders should note that the CSC Cap represents the best estimates by the CSC Directors of the amount of the relevant transactions based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, CSC Group's financial or potential financial performance. CSC Group may or may not provide construction services to COLI Group up to the level of the cap, if at all, as its engagement by COLI Group is subject to tender procedures which are open to other independent third party contractors.

### **PRINCIPAL BUSINESS OF COLI GROUP, CSC GROUP AND CONNECTION AMONG THE RELEVANT PARTIES**

COLI Group mainly engages in property development and investment, project management, infrastructure project investments, investment holding, real estate agency and management and treasury operations. It engages contractors to construct its property projects in the PRC, Hong Kong and Macau.

SCOCE is a main contractor mainly participating in the PRC construction market. CSC Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building and civil construction and foundation engineering. CCE Macau is a main contractor mainly participating in the Macau construction market.

### **LISTING RULES IMPLICATIONS**

#### *COLI Continuing Connected Transactions*

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for COLI in respect of the total contract sum that may be awarded under these

agreements, i.e. the SCOCE Cap, the CSC Cap and the CCE Macau Cap, exceeds 2.5%. Accordingly, the engagement by COLI Group of SCOCE, CSC Group and CCE Macau as construction contractors for its construction works under the SCOCE Engagement Agreement, the CSC Engagement Agreement and the CCE Macau Engagement Agreement respectively constitutes non-exempt continuing connected transactions of COLI. As such, COLI is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the COLI Continuing Connected Transactions.

COLI will seek the COLI Independent Shareholders' approval of the COLI Continuing Connected Transactions at the COLI EGM by way of poll. CSCEC, COHL, China State Construction and their respective associates (as defined under the Listing Rules) shall abstain from voting at the COLI EGM. An independent financial adviser will be appointed to advise the independent board committee of COLI and COLI Independent Shareholders on whether the SCOCE Engagement Agreement (together with the SCOCE Cap), the CSC Engagement Agreement (together with the CSC Cap) and the CCE Macau Engagement Agreement (together with the CCE Macau Cap) were agreed on normal commercial terms and were fair and reasonable and in the interests of COLI and the COLI Shareholders as a whole.

A circular containing, inter alia, details of the COLI Continuing Connected Transactions together with the letter from the independent board committee of COLI, the advice of an independent financial adviser to be appointed and the notice of the COLI EGM will be despatched to the COLI Shareholders as soon as practicable.

#### *CSC Continuing Connected Transaction*

The applicable percentage ratios calculated for China State Construction in respect of the total contract sum under the CSC Engagement Agreement, i.e. the CSC Cap, exceeds 2.5%. Accordingly, the provision of services by the CSC Group to the COLI Group as construction contractor for COLI Group's construction works in Hong Kong under the CSC Engagement Agreement constitutes non-exempt continuing connected transaction for both COLI and China State Construction. As such, China State Construction is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the CSC Continuing Connected Transaction.

China State Construction will seek the CSC Independent Shareholders' approval of the CSC Continuing Connected Transaction at the CSC EGM by way of poll. CSCEC, COHL, COLI and their respective associates (as defined under the Listing Rules) shall abstain from voting at the CSC EGM. An independent financial adviser will be appointed to advise the independent board committee of China State Construction and CSC Independent Shareholders on whether the CSC Engagement Agreement (together with the CSC Cap) was agreed on normal commercial terms and was fair and reasonable and in the interests of China State Construction and the CSC Shareholders as a whole.

A circular containing, inter alia, details of the CSC Continuing Connected Transaction together with the letter from the independent board committee of China State Construction, the advice of an independent financial adviser to be appointed and the notice of the CSC EGM will be despatched to the CSC Shareholders as soon as practicable.

## DEFINITIONS

“CCE Macau”	China Construction Engineering (Macau) Company Limited, a wholly owned subsidiary of COHL
“CCE Macau Cap”	the annual cap for the CCE Macau Engagement Agreement set out above
“CCE Macau Engagement Agreement”	the engagement agreement entered into between COLI and CCE Macau on 22 November 2005 in respect of the engagement by COLI Group of CCE Macau as construction contractor for COLI Group in Macau as set out above
“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
“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong, which is interested, directly and indirectly, in approximately 51.08% of the issued share capital of COLI, and in approximately 64.28% of the issued share capital of China State Construction
“COLI”	China Overseas Land & Investment Limited (中國海外發展有限公司), a company incorporated in Hong Kong with limited liability
“COLI Continuing Connected Transactions”	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 CCE Macau Engagement Agreement (together with the CCE Macau Cap)
“COLI Directors”	the directors of COLI
“COLI EGM”	the extraordinary general meeting of COLI to be held for approving the COLI Continuing Connected Transactions
“COLI Group”	COLI and its subsidiaries
“COLI Independent Shareholders”	the shareholders of COLI, other than CSCEC, COHL, China State Construction and their respective associates (as defined under the Listing Rules)
“COLI Shareholders”	the shareholders of COLI
“CSC Cap”	the annual cap for the CSC Engagement Agreement set out above
“CSC Continuing Connected Transaction”	the transaction as contemplated under the CSC Engagement Agreement (together with the CSC Cap)

“CSC Directors”	the directors of China State Construction
“CSC EGM”	the extraordinary general meeting of China State Construction for approving the CSC Continuing Connected Transaction
“CSC Engagement Agreement”	the engagement agreement entered into between COLI and China State Construction on 22 November 2005 in respect of the engagement by COLI Group of CSC Group as construction contractor for COLI Group in Hong Kong as set out above
“CSC Group”	China State Construction and its subsidiaries
“CSC Independent Shareholders”	the shareholders of China State Construction other than CSCEC, COHL, COLI and their respective associates (as defined under the Listing Rules)
“CSC Shareholders”	the shareholders of China State Construction
“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 the PRC, being the ultimate controlling shareholder of COLI and China State Construction
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement exclude Hong Kong and Macau
“SCOCE”	深圳市中海建築工程公司 (Shenzhen China Overseas Construction Engineering Company), a wholly owned subsidiary of CSCEC
“SCOCE Cap”	the annual cap for the SCOCE Engagement Agreement set out above
“SCOCE Engagement Agreement”	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by COLI Group of SCOCE as construction contractor for COLI Group in the PRC as set out above
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board  
**China Overseas Land  
& Investment Limited**  
**Kong Qingping**

*Chairman and Chief Executive*

Hong Kong, 22 November 2005

By order of the Board  
**China State Construction  
International Holdings Limited**  
**Zhou Yong**

*Vice-chairman and Chief Executive Officer*

*As at the date of this announcement,*

(a) *the COLI Directors are:*

Messrs. Kong Qingping (*Chairman and Chief Executive*), Yao Peifu (*Vice Chairman*), Cui Duosheng (*Vice Chairman*), Wu Jianbin, Xiao Xiao, Wang Man Kwan, Paul, Jin Xinzhong and Hao Jian Min are executive directors; Cheung Shiu Kit is a non-executive director; Dr. Li Kwok Po, David, Messrs. Lam Kwong Siu and Wong Ying Ho, Kennedy are independent non-executive directors.

(b) *the China State Construction Directors are:*

Messrs. Kong Qingping (*Chairman and Non-executive Director*), Zhou Yong (*Vice-chairman and Chief Executive Officer*), Yip Chung Nam, Fu He, Zhou Hancheng and Cheong Chit Sun are executive directors; Dr. Raymond Ho Chung Tai, Messrs. Adrian David Li Man Kiu, Raymond Leung Hai Ming and Lee Shing See are independent non-executive directors.

*The COLI Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to China State Construction) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to China State Construction) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement (other than that relating to China State Construction), the omission of which would make any statement in this announcement misleading.*

*The CSC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to China State Construction and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement relating to China State Construction have been arrived at after due and careful consideration and there are no other facts not contained in this announcement relating to China State Construction, the omission of which would make any statement in this announcement misleading.*

Please also refer to the published version of this announcement in The Standard.