



**瑞安房地產**  
SHUI ON LAND  
**Shui On Land Limited**  
**瑞安房地產有限公司**  
(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 272)



**瑞安建業有限公司**  
**SHUI ON CONSTRUCTION AND MATERIALS LIMITED**  
(Incorporated in Bermuda with limited liability)  
(Stock code: 983)

**CONNECTED AND  
DISCLOSEABLE TRANSACTION**

**CONNECTED AND  
DISCLOSEABLE TRANSACTION**

**FORMATION OF A JOINT VENTURE FOR THE DEVELOPMENT OF  
DALIAN SOFTWARE PARK PHASE II**

The board of directors of each of Shui On Land Limited ("SOL") and Shui On Construction and Materials Limited ("SOCAM") are pleased to jointly announce that on 25 May 2007, Innovate Zone Group Limited ("Innovate Zone"), a wholly-owned subsidiary of SOL, has entered into a joint venture agreement (the "Joint Venture Agreement") with Main Zone Group Limited ("Main Zone"), a wholly-owned subsidiary of SOCAM, and Many Gain International Limited ("Many Gain"), a member of the Yida Group which is an independent third party, whereby the parties agreed to form a joint venture company under the name of Richeast Group Limited ("Dalian Offshore JV") which will be owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain respectively. Dalian Offshore JV will in turn form a chain of subsidiaries (together with Dalian Offshore JV, the "Dalian Offshore Group") to acquire from the Yida Group a 78% equity interest in each of the four PRC JV Companies to be formed by the Yida Group. The PRC JV Companies will hold the entire registered capital of two PRC Project Companies (the PRC JV Companies and the PRC Project Companies are collectively referred to as the "Dalian Onshore Group", and together with the Dalian Offshore Group, the "Dalian Group") which will be used to acquire the Land and undertake the development of Dalian Software Park Phase II (the "Dalian Project").

Pursuant to and subject to the satisfaction of the conditions of the Joint Venture Agreement, the following agreements (collectively with the Joint Venture Agreement, the "Transaction Agreements") will be signed:

- Equity Interest Transfer Agreements (comprising 4 in total) between the Dalian Offshore Group and the Yida Group, whereby respective companies in the Dalian Offshore Group will acquire a 78% equity interest in the respective PRC JV Companies at an aggregate consideration of RMB936 million.
- Onshore Shareholders Agreements (comprising 4 in total) between the respective companies in the Dalian Offshore Group and the Yida Group in respect of the respective PRC JV Companies.
- Asset Transfer and Compensation Agreement between the PRC Project Companies and Dalian Development (a member of the Yida Group) whereby:
  - the PRC Project Companies will compensate Dalian Development in the amount of RMB2,000 million in respect of the clearance and land preparation works that Dalian Development has already conducted on the Land;
  - Dalian Development will transfer the Specified Plots, which form part of the Land, to the PRC Project Companies, and the PRC Project Companies will reimburse Dalian Development for the land grant fee paid to the relevant PRC government authorities in the sum of approximately RMB140 million;
  - Dalian Development will assist the Dalian Onshore Group in obtaining the remaining Land and will pay to the PRC Project Companies any compensation in respect of the clearance and land preparation works that it may receive from the PRC government authorities for any part of the Land granted to a third party; and
  - Dalian Development undertakes that neither the Yida Group nor it will participate in the public tender, auction or listing-for-sale process of the Land, or obtain the right to develop the Land other than through the PRC Project Companies, unless with the prior consent of the PRC Project Companies.
- Service Agreement between the PRC Project Companies and Dalian Development, whereby Dalian Development will undertake the clearance works and/or land reclamation works on the portion of the Land constituting the Fixed Fee Land, and the Entrustment Agreement between the PRC Project Companies and Dalian Development, whereby Dalian Development will oversee the clearance and land preparation works to be done on the portions of the Land constituting the Assign Land, at an aggregate fee of RMB790 million (subject to adjustment) plus actual cost incurred in relation to the Assign Land.

**The successful development of the Dalian Project depends on the successful acquisition of the Land and the satisfaction of the conditions to the Transaction Agreements, which may or may not materialise. In particular, the acquisition of the Land (other than the Specified Plots) is by way of competitive bidding and there is no assurance that the Dalian Group will be successful in tendering for all or any piece of that Land.**

Mr. Lo Hong Sui, Vincent ("Mr. Lo") is the chairman of SOL in which he has an interest in 53.78% of its issued share capital. He is also the chairman of SOCAM and has an interest in 64.06% of the issued share capital of SOCAM. Therefore SOCAM and Main Zone are associates of a connected person of SOL. Many Gain will also become a connected person of SOL by virtue of it being a substantial shareholder of Dalian Offshore JV, a subsidiary of the SOL Group for the purposes of the Listing Rules. Accordingly, the formation of the joint venture under the Joint Venture Agreement and the Transaction Agreements constitute a connected and discloseable transaction of SOL under Chapters 14A and 14 of the Listing Rules, which is subject to the reporting, announcement and Independent SOL Shareholders' approval requirements.

In view of Mr. Lo's interest in SOL and SOCAM as set out above, SOL and Innovate Zone are associates of a connected person of SOCAM. Accordingly, the formation of the joint venture under the Joint Venture Agreement and the Transaction Agreements constitute a connected and discloseable transaction of SOCAM under Chapters 14A and 14 of the Listing Rules, which is subject to the reporting, announcement and Independent SOCAM Shareholders' approval requirements.

SOL Independent Board Committee has been established to advise the SOL Shareholders in respect of the Transaction Agreements and BNP Paribas Capital (Asia Pacific) Limited has been retained as the SOL Independent Financial Adviser to advise the SOL Independent Board Committee and the SOL Shareholders. A circular containing information with respect to the Transaction Agreements will be despatched to SOL Shareholders as soon as practicable.

SOCAM Independent Board Committee has been established to advise the SOCAM Shareholders in respect of the Transaction Agreements and Anglo Chinese Corporate Finance, Limited has been retained as the SOCAM Independent Financial Adviser to advise the SOCAM Independent Board Committee and the SOCAM Shareholders. A circular containing information with respect to the Transaction Agreements will be despatched to SOCAM Shareholders as soon as practicable.

The board of directors of each of SOL and SOCAM are pleased to jointly announce that on 25 May 2007, Innovate Zone has entered into a joint venture agreement with Main Zone and Many Gain whereby the parties agreed to form a joint venture company, Dalian Offshore JV under the name of Richeast Group Limited, which will be owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain respectively. Dalian Offshore JV will in turn establish a chain of subsidiaries forming the Dalian Offshore Group to acquire from the Yida Group a 78% equity interest in each of the four PRC JV Companies to be formed by the Yida Group. The PRC JV Companies will hold the entire registered capital of the two PRC Project Companies, together forming the Dalian Onshore Group, which will acquire the Land and undertake the development of Dalian Project. Pursuant to and subject to the satisfaction of the conditions of the Joint Venture Agreement, various agreements will be signed by the respective parties for the acquisition of the Dalian Onshore Group and Dalian Development's interests in respect of the Land and for engaging Dalian Development to undertake the clearance and preparation works for the Land, including the Equity Interest Transfer Agreements, the Onshore Shareholders Agreements, the Asset Transfer and Compensation Agreement, the Service Agreement and the Entrustment Agreement. These agreements will be signed after the establishment of the PRC Project Companies and prior to the submission of the application documents required for the equity transfer under the Equity Interest Transfer Agreements. Details of these agreements which will form part of the Transaction Agreements, and details of the Dalian Project are set out in the sections headed "Other Transaction Agreements" and "Further Details of the Dalian Project" respectively below.

**1. JOINT VENTURE AGREEMENT**

**Date:** 25 May 2007

**Parties:**

- Innovate Zone;
- Main Zone; and
- Many Gain.

To the best of the knowledge, information and belief of both the directors of SOL and SOCAM having made all reasonable enquiries, Many Gain and its ultimate beneficial shareholders, are third parties independent of SOL and SOCAM.

**Subject:**

To form Dalian Offshore JV which will be owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain, respectively. The Dalian Offshore JV will in turn establish a chain of subsidiaries forming the Dalian Offshore Group to acquire from the Yida Group a 78% equity interest in each of the four PRC JV Companies to be formed by the Yida Group. The PRC JV Companies will hold the entire registered capital of the two PRC Project Companies, together forming the Dalian Onshore Group, which will acquire the Land and undertake the development of Dalian Project. Pursuant to and subject to the satisfaction of the conditions of the Joint Venture Agreement, various agreements will be signed by the respective parties for the acquisition of the Dalian Onshore Group and Dalian Development's interests in respect of the Land and for engaging Dalian Development to undertake the clearance and preparation works for the Land, including the Equity Interest Transfer Agreements, the Onshore Shareholders Agreements, the Asset Transfer and Compensation Agreement, the Service Agreement and the Entrustment Agreement. These agreements will be signed after the establishment of the PRC Project Companies and prior to the submission of the application documents required for the equity transfer under the Equity Interest Transfer Agreements. Details of these agreements which will form part of the Transaction Agreements, and details of the Dalian Project are set out in the sections headed "Other Transaction Agreements" and "Further Details of the Dalian Project" respectively below.

**Shareholding and subscription monies:**

Each of Innovate Zone, Main Zone and Many Gain shall contribute to the equity capital of Dalian Offshore JV in cash in the following amount on or before the third business day after obtaining the relevant government approvals and completing all procedures required for the establishment of the Dalian Onshore Group:

- Innovate Zone - 61.54% (US\$480)
- Main Zone - 28.20% (US\$220)
- Many Gain - 10.26% (US\$80)

**Conditions:**

The Joint Venture Agreement is conditional upon obtaining approvals of the Transaction Agreements and all transactions contemplated under the Transaction Agreements from the Independent SOL Shareholders and the Independent SOCAM Shareholders.

**Board representation and control:**

The board shall have 10 directors. Innovate Zone will have the right to nominate 4 directors to the board of Dalian Offshore JV and each of Main Zone and Many Gain will have the right to nominate 3 directors.

As neither Innovate Zone nor Main Zone control the majority of the board composition of Dalian Offshore JV, the investment in Dalian Offshore JV will be accounted for under the equity method of accounting by the SOL Group and the SOCAM Group, but will be treated as a subsidiary of SOL for the purposes of the Listing Rules.

**Loan:**

Each of Innovate Zone, Main Zone and Many Gain shall provide the following loans to subsidiaries in the Dalian Group to fund the acquisition under the Equity Interest Transfer Agreements and the consideration payable under the Asset Transfer and Compensation Agreement for the purposes of the Dalian Project:

	Shareholding	Loan
		(HK\$ million)
Innovate Zone	61.54%	1,107.69
Main Zone	28.20%	507.69
Many Gain	10.26%	184.62
Total:	100.00%	1,800.00

The loans will be made available in cash by Innovate Zone and Main Zone within 3 business days after completing the setting up of the Dalian Onshore Group upon the satisfaction of certain conditions set out in the Joint Venture Agreement, including the execution of the Transaction Agreements. Many Gain will contribute its share of the loan with the dividend receivable from Dalian Offshore JV. These loans will be unsecured, repayable on demand, and will be interest-free until after Many Gain has made its shareholder's loan contribution to Dalian Offshore JV and thereafter bear interest at the rate of 5% per annum.

Innovate Zone's capital and loan commitment will be funded by its own resources and unutilised banking facilities.

Main Zone's capital and loan commitment will be funded by its own resources and unutilised banking facilities.

In the event that any third party funding is required for the development of the Dalian Project, SOL, SOCAM and Yida Group shall, if required by the lender, provide guarantee for such fund severally up to a maximum aggregate amount of RMB500 million in the ratio of 48:22:30.

**Non-Competition:**

Innovate Zone, Main Zone and Many Gain agree not to and cause their affiliates not to, engage in any competing business (i.e. any development or leasing of office buildings for use by the software industry, except the related land development work before the land use rights are granted) in the Dalian city for a period of 3 years after completing the setting up of the Dalian Onshore Group, unless with the prior consent of the other parties.

After such 3-year period, if any one of the parties or its affiliates:

- intends to engage in such competing business, it shall first offer the business opportunity to the PRC JV Companies to participate on a 50:50 basis; or
- is offered an opportunity to co-invest in any competing business by a third party, it may not participate in such co-investment except with the PRC JV Companies on a 50:50 basis.

**2. OTHER TRANSACTION AGREEMENTS**

**A. EQUITY INTEREST TRANSFER AGREEMENTS (comprising 4 equity interest transfer agreements in total)**

**Parties:**

- Yida Group as the Vendor; and
- respective SPV as the Purchaser.

**Assets involved:**

Each SPV will purchase and the Yida Group will sell as legal and beneficial owner of a 78% equity interest in each of the four PRC JV Companies, which will hold the interests in the respective PRC Project Companies.

Upon completion of the Equity Interest Transfer Agreements, the Yida Group will hold as legal and beneficial owner the remaining 22% equity interest in each of the four PRC JV Companies.

**Consideration:**

The aggregate consideration under the Equity Interest Transfer Agreements of RMB936 million represents 78% of the total registered capital of the PRC JV Companies to be contributed by the Yida Group in the sum of RMB1,200 million. Such consideration will be paid in cash into accounts jointly controlled by SPV and the Yida Group within 15 business days after the completion of the equity transfer under Equity Interest Transfer Agreements. The funds in such accounts will be released in stages to the Yida Group when the existing mortgage on the Specified Plots has been released and when the titles of the Specified Plots are transferred to the PRC Project Companies.

**Source of funding:**

The consideration will be funded by the loans provided by Innovate Zone and Main Zone under the Joint Venture Agreement.

**Conditions to completion:**

Completion of the Equity Interest Transfer Agreements is conditional upon, among other things:

- obtaining the relevant PRC government approvals in respect of the transfer of the 78% interests to SPV and the change of the PRC JV Companies from PRC domestic enterprises to sino-foreign joint venture companies;
- obtaining government approvals and completing all procedures required for the setting up of the PRC Project Companies and the PRC JV Companies; and
- execution of the Asset Transfer and Compensation Agreement, the Service Agreement and the Entrustment Agreement.

**Completion:**

Completion of the Equity Interest Transfer Agreements will take place after the conditions have been satisfied.

**B. ONSHORE SHAREHOLDERS AGREEMENTS ON PRC JV COMPANIES (comprising 4 onshore shareholders agreements in total)**

**Parties:**

- Yida Group; and
- respective SPV.

**Subject:**

To govern the relationship between the Yida Group and each SPV in the management of the respective PRC JV Companies.

**Shareholding:**

The respective SPV and the Yida Group shall hold 78% and 22% in the equity of each of the PRC JV Companies respectively.

**Board representation and control:**

The respective SPV and the Yida Group will have the right to nominate 5 directors (of which Innovate Zone has the right to nominate 3 directors and Main Zone has the right to nominate 2 directors) and 2 directors to the board of each PRC JV Company respectively.

**Future funding:**

SPV and the Yida Group shall contribute to additional funding needs of the Dalian Project in the amount of approximately RMB639 million and RMB231 million respectively which is in proportion to their existing equity interest in the PRC JV Companies by way of direct loan at an interest of 10% per annum or by arranging entrustment loan for the Dalian Project. In the event any additional bank financing is sought for, any guarantee to be provided will comply with the requirements under the Joint Venture Agreement, namely, SOL, SOCAM and Yida Group will provide such guarantee in the rates of 48:22:30 up to a maximum aggregate of RMB500 million.

It is expected that these additional RMB639 million and RMB231 million funding will be made within six months of the signing of the Onshore Shareholders Agreements. The directors of SOCAM and SOL expect the PRC Project Companies to meet their own funding needs in relation to the Dalian Project. Save for the funding and guarantee set out in the Joint Venture Agreement and the Onshore Shareholders Agreement, the directors of SOCAM and SOL believe that no further funding or financial assistance will be required from SOCAM and SOL in relation to the Dalian Project.

**C. ASSET TRANSFER AND COMPENSATION AGREEMENT**

**Parties:**

- PRC Project Companies; and
- Dalian Development.

**Subject:**

- the PRC Project Companies will compensate Dalian Development in respect of the clearance and land preparation works that Dalian Development has already conducted on the Land;
- Dalian Development will transfer the Specified Plots, which form part of the Land, to the PRC Project Companies, and the PRC Project Companies will reimburse Dalian Development for the land grant fee paid to the relevant PRC government authorities in the sum of approximately RMB140 million;
- Dalian Development will assist the Dalian Onshore Group in obtaining the remaining Land and will pay to the PRC Project Companies any compensation in respect of the clearance and land preparation works that it may receive from the PRC government authorities for any part of the Land granted to a third party; and
- Dalian Development undertakes that neither the Yida Group nor it will participate in the public tender, auction or listing-for-sale process of the Land, or obtain the right to develop the Land other than through the PRC Project Companies, unless with the prior consent of the PRC Project Companies.

**Consideration:**

The determination of the Consideration of RMB2,000 million for the asset transfer and compensation has been based on arm's length negotiations with reference to (i) the valuation conducted by DTZ Debenham Tie Leung Limited for the Specified Plots as at 21 May 2007, which amounts to approximately RMB735 million; and (ii) the costs that Dalian Development have already incurred in clearing and preparing the Land. The Consideration will be satisfied in the following manner:

- when the SPV has fulfilled its funding obligations of RMB639 million pursuant to the Onshore Shareholders Agreements, a series of cash payments totalling RMB1,820 million will be made in stages and paid into a designated account;

- an amount of RMB1,431 million will be used by the Yida Group for repayment of their outstanding loans to the Dalian Onshore Group, and for payment of funding contribution to be made by the Yida Group to the PRC JV Companies under the Onshore Shareholders Agreements in the amount of RMB231 million; and

- an amount of RMB389 million together with the reimbursement of approximately RMB140 million of land grant fee paid by Dalian Development will be released when the titles of the Specified Plots are transferred to the PRC Project Companies and the Yida Group has fully utilised the RMB1,431 million in the manner above; and

- the balance of the consideration in the amount of RMB180 million will be paid when Yida Group has paid up its share of the loan in the amount of HK\$184.62 million to be contributed under the Joint Venture Agreement.

The consideration will be funded by the equity and loan contribution made by SOL, SOCAM and the Yida Group to the Dalian Group under the Joint Venture Agreement and the Onshore Shareholders Agreements.

It is the intention of SOL and SOCAM that the Dalian Group will acquire all 23 plots of the Land. The acquisition of the Land (other than the Specified Plots which will be transferred to the PRC Project Companies) will be by way of competitive bidding and there is no assurance that the Dalian Group will be successful in acquiring all or any piece of the Land (other than the Specified Plots). As Dalian Development has already incurred costs in reclaiming, clearing and preparing the Land and has done so with the consent of the relevant government authorities in the PRC, in the event that any part of the Land is granted to a third party in the bidding process, it is reasonably believed that the PRC government will compensate Dalian Development for the relevant costs incurred, even though there is no written assurance from the PRC government to that effect. Such belief is consistent with past practices and to the reasonable knowledge of the directors of both SOL and SOCAM. Dalian Development has agreed to assign such rights to compensation to the PRC Project Companies in the event of that happening. According to the valuation conducted by DTZ Debenham Tie Leung Limited, the valuation of the Specified Plots as at 21 May 2007 amounts to approximately RMB735 million. The directors of SOL consider the terms of the Asset Transfer and Compensation Agreement to be fair and in the interest of the SOL Group as a whole. The directors of SOCAM consider the terms of the Asset Transfer and Compensation Agreement to be fair and in the interest of the SOCAM Group as a whole.

**Expected date of completion of all clearance works on the Land:**

It is estimated that the latest date for completion of the clearance works on the Land will be around 2010.

**D. SERVICE AGREEMENT AND ENTRUSTMENT AGREEMENT**

**SERVICE AGREEMENT**

**Parties:**

- PRC Project Companies; and
- Dalian Development.

**Subject:**

Dalian Development shall undertake the clearance and land preparation work for such portion of the Land of approximately 2,524,000 square metres constituting the Fixed Fee Land (including the Specified Plots). The Specified Plots are ready for development and will be transferred to PRC Project Companies as set out in the Asset Transfer and Compensation Agreement. Substantial clearance and preparation work has been carried out on the remaining Fixed Fee Land and the plots comprising it are at a fairly advanced stage ready to be made available for public tender. Parts of the Fixed Fee Land will require land reclamation works and Dalian Development has obtained sea use rights for such parts; and for other parts, relocation agreements have been reached with most of the occupiers.

**ENTRUSTMENT AGREEMENT**

**Parties:**

- PRC Project Companies; and
- Dalian Development.

**Subject:**

Dalian Development will undertake the clearance and land preparation work for such portion of the Land of approximately 4,458,000 square metres constituting the Assign Land. The Assign Land is still in a preliminary stage of land preparation. Substantial clearance works have yet to be carried out and relocation agreements have not been reached with most of the occupiers.

**Consideration under the two agreements:**

The fees payable under the Service Agreement and the Entrustment Agreement are estimated to be approximately RMB790 million in aggregate (subject to adjustment). Costs to be incurred in respect of the Assign Land will be borne by the PRC Project Companies.

The fees of RMB790 million were determined based on arm's length negotiation with reference to (i) the estimated costs for completing the remaining clearance and reclamation works payable by Dalian Development to third parties in respect of the Fixed Fee Land, and (ii) a remuneration to Dalian Development for overseeing the land preparation works to be done on the Fixed Fee Land and a management fee of RMB80 per square metre for overseeing the land preparation works to be done on the Assign Land. No adjustment will be made to such fee if the actual costs incurred by Dalian Development in respect of the Fixed Fee Land is more than the cost estimate for completing the work over the Fixed Fee Land except where the additional cost arises from a change in the related government policies which will be borne by the PRC Project Companies. The final amount of the management fee payable under the Entrustment Agreement will be determined when the actual size of the Assign Land cleared by Dalian Development is known. The difference between the final management fee as determined and the total management fees already received by Dalian Development under the Entrustment Agreement will be paid to or refunded by Dalian Development, as the case may be.

An initial amount of RMB18.5 million will be payable by the PRC Project Companies to Dalian Development under the Entrustment Agreement within 5 business days after the PRC Project Companies receives its first bank financing (excluding entrustment loan procured by the shareholders) and the subsequent payments under the Entrustment Agreement will be made quarterly with reference to the actual costs incurred for land clearance and preparation. The fee payable under the Service Agreement will also be made quarterly.

**FURTHER DETAILS OF THE DALIAN PROJECT**

The Dalian Project is a large-scale integrated development project comprising residential, software industry, commercial and retail properties, together with educational and research, outdoor recreation and environmental facilities and other public amenities. It will involve the development, construction, sale, lease, operation and management of the Dalian Software Park at Dalian, PRC. The project is expected to comprise nearly 3,900,000 square metres of gross floor area and is planned for development in 6 phases over a period of 8 to 10 years. The Land comprises of 23 plots of land at the Dalian Software Park Phase II (divided into the Fixed Fee Land and the Assign Land).

**The successful development of Dalian Project depends on the successful acquisition of the Land and the satisfaction of the conditions to the Transaction Agreements, which may or may not materialise. In particular, the acquisition of the Land (other than the Specified Plots) is by way of competitive bidding and there is no assurance that Dalian Group will be successful in tendering for all or any piece of the Land.**



## REASONS FOR THE TRANSACTION

Dalian is recognised as a regional economic centre in northeast China. With rapid growth over the past few years, the software and business process industries in Dalian have been designated among its pillar industries by the Dalian government. It is expected that Dalian will become one of the major information technology and business process outsourcing (ITO/BPO) centres in China.

With this background and, building on the success of Dalian Software Park Phase I developed by the Yida Group, the Dalian Software Park Phase II project represents an attractive investment opportunity for SOL and SOCAM. It is intended that, under the current planning, this project will be developed into a world-class software and information service centre accommodating modern enterprises, research and development centres, commercial and residential facilities, and become an international landmark.

The joint venture among SOL, SOCAM and the Yida Group will combine the strength, expertise and experience of the partners concerned, and will create considerable synergies. It leverages SOL's expertise and experience in master planning and large-scale integrated project development in the Mainland, SOCAM's considerable experience in construction management and design-and-build and local knowledge and relationships in Dalian, and Yida Group's expertise of Dalian's local market and development experience in the successful Phase I project.

The directors of SOL and SOCAM believe that Dalian's ITO/BPO industry will offer excellent growth potential and the Software Park Phase II project will represent a unique investment opportunity.

The directors of SOL (including the independent non-executive directors) consider that the terms of the transaction are fair and reasonable, and the transaction is in the best interests of SOL and the SOL Shareholders as a whole.

The directors of SOCAM (including the independent non-executive directors) consider that the terms of the transaction are fair and reasonable, and the transaction is in the best interests of SOCAM and the SOCAM Shareholders as a whole.

## IMPLICATIONS OF THE LISTING RULES

Mr. Lo is the chairman of SOL in which he has an interest of 53.78% in its issued share capital. He is also the chairman of SOCAM and has an interest in 64.06% of the issued share capital of SOCAM. Therefore, SOCAM and Main Zone are associates of a connected person of SOL. Many Gain will become a connected person of SOL by virtue of it being a substantial shareholder of Dalian Offshore JV, a subsidiary of the SOL Group for the purposes of the Listing Rules. The formation of the joint venture under the Joint Venture Agreement and the Transaction Agreements constitute a connected and discloseable transaction of SOL under Chapters 14A and 14 of the Listing Rules, which is subject to the reporting, announcement and Independent SOL Shareholders' approval requirements.

In view of Mr. Lo's interest in SOL and SOCAM as set out above, SOL and Innovate Zone are associates of a connected person of SOCAM. Accordingly, the formation of the joint venture under the Joint Venture Agreement and the Transaction Agreements constitute a connected and discloseable transaction of SOCAM under Chapters 14A and 14 of the Listing Rules, which is subject to the reporting, announcement and Independent SOCAM Shareholders' approval requirements.

SOL Independent Board Committee has been established to advise the SOL Shareholders in respect of the Transaction Agreements. The SOL Independent Financial Adviser has been retained to advise the SOL Independent Board Committee and the SOL Shareholders. SOL Shareholders should consider carefully the recommendations of the SOL Independent Board Committee and the factors, reasons and recommendations in relation to the Transaction Agreements. A circular containing, among other things, further information on the Transaction Agreements and a letter from the SOL Independent Board Committee, a letter from the SOL Independent Financial Adviser and the notice convening an extraordinary general meeting of SOL to approve the Transaction Agreements will be despatched to the SOL Shareholders as soon as practicable.

SOCAM Independent Board Committee has been established to advise the SOCAM Shareholders in respect of the Transaction Agreements. The SOCAM Independent Financial Adviser has been retained to advise the SOCAM Independent Board Committee and the SOCAM Shareholders. SOCAM Shareholders should consider carefully the recommendations of the SOCAM Independent Board Committee and the factors, reasons and recommendations in relation to the Transaction Agreements. A circular containing, among other things, further information on the Transaction Agreements and a letter from the SOCAM Independent Board Committee, a letter from the SOCAM Independent Financial Adviser and the notice convening a special general meeting of SOCAM to approve the Transaction Agreements will be despatched to the SOCAM Shareholders as soon as practicable.

## GENERAL INFORMATION

SOL is one of the leading property developers in the PRC. It engages principally in the development, sale, leasing, management and long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

SOCAM is principally engaged in distressed property development, cement production, construction, investment in property development and venture capital investment in Hong Kong and the PRC. SOCAM, having been invited by SOL to do so, is taking the opportunity to be involved in the property development described in this announcement by applying its project management expertise.

The Yida Group is a conglomerate with interests in property development, construction and furnishing, equipment manufacturing, software park development, platform development for software and information services, and professional training and education.

## DEFINITIONS

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

"Asset Transfer and Compensation Agreement"	the agreement between the PRC Project Companies and Dalian Development in relation to the Dalian Project;
"Assign Land"	7 plots of land at Dalian Software Park Phase II, which require substantial preparation works to be carried out and in respect of which relocation agreements have not been reached with most of the occupiers;
"associate", "connected person(s)", "substantial shareholder(s)"	each has the meaning ascribed to it in the Listing Rules;
"Consideration"	the consideration of RMB2,000 million for the Dalian Project, payable by the PRC Project Companies to Dalian Development under the Asset Transfer and Compensation Agreement;
"Dalian Development"	Dalian Software Park Development Company Limited, a limited liability company incorporated in the PRC and which is a member of the Yida Group;
"Dalian Group"	Dalian Offshore Group together with the Dalian Onshore Group;
"Dalian Offshore Group"	Dalian Offshore JV together with its subsidiaries including the SPV;
"Dalian Offshore JV"	Richeoast Group Limited, a company incorporated in the British Virgin Islands and the joint venture company to be established under the Joint Venture Agreement;
"Dalian Onshore Group"	collectively the PRC JV Companies and the PRC Project Companies;
"Dalian Project"	the development and operation of the Dalian Software Park Phase II in Dalian, the PRC;
"Dalian Software Park Phase II"	the piece of land situated at Hekou Bay, Si Tiao Gou Cha and both sides of Huang Ni Chuan Lushun South Road, Nan Hai Tou, the PRC for mixed use development principally intended for the information technology and business process outsourcing industry;
"Entrustment Agreement"	the entrustment agreement between the PRC Project Companies and Dalian Development in relation to further clearance works on such portion of the Land constituting the Assign Land;
"Equity Interest Transfer Agreements"	collectively the four equity interest transfer agreements between each of the SPV and the Yida Group in relation to the sale and purchase of 78% equity interest in the PRC JV Companies;
"Fixed Fee Land"	the 16 plots of land at Dalian Software Park Phase II, on which clearance works have been substantially completed. Parts of the Fixed Fee Land will require land reclamation works and Dalian Development has obtained sea use rights for such parts; and for other parts, relocation agreements have been reached with most of the occupiers. Two plots of land (namely the Specified Plots) are ready for development and Dalian Development has already obtained land use certificates for these sites;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent SOCAM Shareholders"	SOCAM Shareholders, other than Mr. Lo and his associates;
"Independent SOL Shareholders"	SOL Shareholders, other than Mr. Lo and his associates (including and without limitation to SOCAM);
"Innovate Zone"	Innovate Zone Group Limited, an indirect wholly-owned subsidiary of SOL and a company incorporated in the British Virgin Islands;
"Joint Venture Agreement"	the shareholders agreement between Innovate Zone, Main Zone and Many Gain dated 25 May 2007 in relation to the establishment of Dalian Offshore JV as joint venture company;
"Land"	the 23 plots of land at Dalian Software Park Phase II, which comprise the Fixed Fee Land and the Assign Land, with a total gross floor area of approximately 6,982,000 square metres;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Main Zone"	Main Zone Group Limited, a direct wholly-owned subsidiary of SOCAM and a company incorporated in the British Virgin Islands;
"Many Gain"	Many Gain International Limited, a member of the Yida Group and a company incorporated in the British Virgin Islands;
"Mr. Lo"	Mr. Lo Hong Sui, Vincent;
"Onshore Shareholders Agreements"	collectively the four shareholders agreements between the Yida Group and each of the SPV in relation to the management of the PRC JV Companies;
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
"PRC JV Companies"	4 companies to be established as wholly-owned subsidiaries by Yida Group in the PRC and which will form part of the Dalian Onshore Group;
"PRC Project Companies"	companies to be established by the PRC JV Companies as wholly-owned subsidiaries and which will form part of the Dalian Onshore Group;
"RMB"	Renminbi, the lawful currency of the PRC;
"Service Agreement"	the service agreement between the PRC Project Companies and Dalian Development in relation to the continuation of clearance works on such portion of the Land constituting the Fixed Fee Land;
"SOCAM"	Shui On Construction and Materials Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange (Stock Code: 983);
"SOCAM Group"	SOCAM and its subsidiaries;
"SOCAM Independent Board Committee"	the committee of the board comprising Mr. Cheng Mo Chi, Moses and Professor K.C. Chan, each being independent non-executive directors of SOCAM, formed to advise SOCAM Shareholders on whether the terms and conditions of the Transaction Agreements are fair and reasonable;
"SOCAM Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited;
"SOCAM Shareholders"	holders of SOCAM Shares;
"SOCAM Shares"	ordinary shares of nominal value HK\$1.00 each in the capital of SOCAM;
"SOL"	Shui On Land Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 272);
"SOL Group"	SOL and its subsidiaries;
"SOL Independent Board Committee"	the committee of the board comprising Dr. Cheng Wai Kin, Edgar, Professor Gary Clark Biddle and Dr. Roger Lee McCarthy, each being independent non-executive directors of SOL, formed to advise SOL Shareholders on whether the terms and conditions of the Transaction Agreements are fair and reasonable;
"SOL Independent Financial Adviser"	BNP Paribas Capital (Asia Pacific) Limited;
"SOL Shareholders"	holders of SOL Shares;
"SOL Shares"	ordinary shares of nominal value US\$0.0025 each in the capital of SOL;
"Specified Plots"	two plots of the Land (namely plot numbers W1-A and W2-A in the Fixed Fee Land) of approximately 1,263,797 square metres, on which all preparation works have been carried out and the titles of which will be transferred to the PRC Project Companies pursuant to the Asset Transfer and Compensation Agreement;
"SPV"	4 companies to be established by Dalian Offshore JV as wholly-owned subsidiaries to form part of the Dalian Offshore Group;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to it in the Listing Rules;
"Transaction Agreements"	means collectively the Joint Venture Agreement, the Equity Interest Transfer Agreements, the Onshore Shareholders Agreements, the Asset Transfer and Compensation Agreement, the Service Agreement and the Entrustment Agreement; and
"Yida Group"	Yida Group Company Limited, a limited liability company incorporated in the PRC, and its subsidiaries (including Many Gain and Dalian Development).

By Order of the Board  
**Shui On Land Limited**  
**Lo Hong Sui, Vincent**  
Chairman

By Order of the Board  
**Shui On Construction and Materials Limited**  
**Lo Hong Sui, Vincent**  
Chairman

Hong Kong, 25 May 2007

*At the date of this announcement, the executive directors of SOL are Mr. Lo Hong Sui, Vincent (Chairman and Chief Executive Officer) and Mr. William Timothy Addison; the non-executive director of SOL is The Honourable Leung Chun Ying; and the independent non-executive directors of SOL are Sir John Reginald Hartnell Bond, Dr. Cheng Wai Kin, Edgar, Dr. Fung Kwok Lun, William, Professor Gary Clark Biddle, Dr. Roger Lee McCarthy and Mr. David John Shaw.*

*At the date of this announcement, the executive directors of SOCAM are Mr. Lo Hong Sui, Vincent (Chairman), Mr. Choi Yuk Keung, Lawrence (Vice-Chairman), Mr. Wong Yuet Leung, Frankie (Chief Executive Officer), Mr. Wong Fook Lam, Raymond and Mrs. Lowe Hoh Wai Wan, Vivien; the non-executive director of SOCAM is Professor Michael John Enright; and the independent non-executive directors of SOCAM are Mr. Anthony Griffiths, Mr. Cheng Mo Chi, Moses and Professor K.C. Chan.*

*\* For identification purposes only*