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

## **CONTINUING CONNECTED TRANSACTIONS**

### **Second Supplemental Agreement to the Services Agreement**

Reference is made to the prospectus of the Company dated 20 September 2006 relating to the transactions contemplated under the project management services agreement dated 26 August 2003 (as amended by the First Supplemental Agreement dated 30 May 2006) entered into between SYKIZ and KIC which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company was granted a waiver from strict compliance with the announcement requirement under the Listing Rules. The waiver will expire on 31 December 2008. After such date, the Company must re-comply with the relevant provisions of the Listing Rules.

In view of the expiration of the First Supplemental Agreement, on 31 December 2008, SYKIZ and KIC entered into the Second Supplemental Agreement to extend the term from 31 December 2008 to 31 December 2011 for provision of project management services in respect of Shanghai KIC Project.

SYKIZ owns 30% of KIC, the Company's 70%-owned subsidiary. SYKIZ is therefore a substantial shareholder of the Company's non wholly-owned subsidiary, SYKIZ is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Second Supplemental Agreement will constitute continuing connected transactions of the Company. Each of the percentage ratios (other than the profit ratios), where applicable, in relation to these transactions, on an annual basis, is expected to be less than 2.5% under Rule 14A.34(1) of the Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated 20 September 2006 relating to the transactions contemplated under the project management services agreement dated 26 August 2003 (as amended by the First Supplemental Agreement dated 30 May 2006) entered into between SYKIZ and KIC which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company was granted a waiver from strict compliance with the announcement requirement under the Listing Rules. The waiver will expire on 31 December 2008. After such date, the Company must re-comply with the relevant provisions of the Listing Rules.

SYKIZ and KIC entered into the Services Agreement on 26 August 2003 in order to facilitate provision by SYKIZ of the Services to KIC. The total service fees payable by KIC to SYKIZ for the advisory services is fixed at 0.9% of the construction costs for the Shanghai KIC Project incurred by KIC. The service fee rate of 0.9% is determined based on the rate of 3% generally charged to independent third parties for similar services, and adjusted to reflect SYKIZ's shareholding.

Pursuant to the First Supplemental Agreement signed on 30 May 2006, the term of the Services Agreement extended to 31 December 2008.

## **SECOND SUPPLEMENTAL AGREEMENT**

In view of the expiration of the First Supplemental Agreement, on 31 December 2008, SYKIZ and KIC entered into the Second Supplemental Agreement to extend the term from 31 December 2008 to 31 December 2011 with a provision of service fee adjustment in accordance with the parties' shareholding.

Save for the above, all other terms of the Services Agreement remain unchanged.

## **ANNUAL CAPS**

As set out in the prospectus of the Company dated 20 September 2006, the previous annual caps for the three years ending 31 December 2008 were RMB6.3 million, RMB10.5 million and RMB10.5 million, respectively.

It is proposed that the maximum annual total payment for the Services for each of the three financial years ending 31 December 2011 shall not exceed RMB6.0 million, RMB9.0 million and RMB9.0 million (the "new Caps") respectively. The new Caps are determined based on the estimated amount paid or payable by KIC to SYKIZ for the Services during the recent years.

The total amount paid by KIC to SYKIZ for the Services for the two financial years ended 31 December 2006 and 2007 are approximately RMB3.3 million and RMB3.0 million respectively. The total amount paid or payable by KIC to SYKIZ for the Services provided for the nine months ended 30 September 2008 is approximately RMB2.9 million. In view of the increase trend in actual amount of the services fees for the aforesaid financial periods and the expected increase in construction works for the Shanghai KIC Project for the three years ending 31 December 2011, the new Caps are appropriate. Whereas past fees for the Services were based on construction costs for

Lots R1 & R2 (KIC Village) and Hub 1 & Hub 2 (KIC Plaza Phase 1 & 2), we expect construction to be commenced for more sites at the Shanghai KIC Project and more construction costs are expected to be incurred.

## **REASONS FOR THE TRANSACTION**

SYKIZ is a state-owned enterprise and a shareholder of KIC, its experience & expertise in the requirements & standards of the Yangpu District Government will continue to assist KIC in obtaining the relevant regulatory and government approvals and permits as well as marketing and administrative aspects of the Shanghai KIC project. Having considered the track record, experience and expertise of SYKIZ, the Company believes it is in its best interest to renew the term of the First Supplement Agreement.

The directors of the Company (including the independent non-executive directors) are of the view that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group, the Second Supplemental Agreement (together with the new Caps) was agreed on normal commercial terms after arm's length negotiations between the parties, and the terms of the Second Supplemental Agreement and the Continuing Connected Transactions (together with the new Caps) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Shareholders should note that the new Caps represent the best estimates by the Company of the aggregate annual amounts of the relevant transactions based on the information currently available. The new Caps bear no direct relationship to, nor should be taken to have any direct bearing on, the financial or potential financial performance of the Group. SYKIZ may or may not provide the Services to KIC up to the level of the new Caps.

## **IMPLICATIONS OF THE LISTING RULES**

SYKIZ owns 30% of KIC, the Company's 70%-owned subsidiary. SYKIZ is therefore a substantial shareholder of the Company's non wholly-owned subsidiary under the Listing Rules. Accordingly, the transactions contemplated under the Second Supplemental Agreement will constitute continuing connected transactions of the Company. Each of the percentage ratios (other than the profit ratios), where applicable, in relation to these transactions, on an annual basis, is expected to be less than 2.5% under Rule 14A.34(1) of the Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **GENERAL INFORMATION**

The Company is one of the leading property developers in the PRC. The Group 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.

SYKIZ is an investment holding company, which currently holds 30% equity interest in KIC.

## DEFINITIONS

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

“connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange;
“Continuing Connected Transactions”	the transactions contemplated under the Second Supplemental Agreement;
“First Supplemental Agreement”	the first supplemental agreement dated 30 May 2006 entered into between SYKIZ and KIC to extend the term of the Services Agreement to 31 December 2008;
“Group”	the Company and its subsidiaries;
“KIC”	上海楊浦中央社區發展有限公司 (Shanghai Yangpu Centre Development Co. Ltd.*), a 70%-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Agreement”	the second supplemental agreement dated 31 December 2008 entered into between SYKIZ and KIC;
“Services”	the provision by SYKIZ to KIC of advisory services in respect of the Shanghai KIC Project including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects of the Shanghai KIC Project;
“Services Agreement”	the project management services agreement dated 26 August 2003 entered into between SYKIZ and KIC in respect of the provision of the Services;
“Shanghai KIC Project”	Shanghai Knowledge and Innovation Community Project;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“SYKIZ”

上海楊浦知識創新區投資發展有限公司(Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.\*), a company established under the laws of the PRC ; and

“%”

per cent.

By Order of the Board  
**Shui On Land Limited**  
**Vincent H. S. LO**  
*Chairman*

Hong Kong, 31 December 2008

*At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman and Chief Executive Officer), Mr. Louis H. W. WONG and Mr. Aloysius T. S. LEE; the non-executive director of the Company is The Honourable LEUNG Chun Ying; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. Edgar W. K. CHENG, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.*

*\* For identification purposes only*