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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

**THE SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO
THE FRAMEWORK CONSTRUCTION AGREEMENT
FOR THE DALIAN TIANDI PROJECT**

Reference is made to the announcement of the Company dated 17 July 2009 in relation to the continuing connected transactions under the Framework Construction Agreement pursuant to which the Yida Group may enter into contracts with the Richcoast Group to perform site formation and construction works on the Land from time to time for a term expiring no later than 31 December 2011.

On 26 August 2010, Richcoast and Yida entered into the Second Supplemental Agreement to extend the term of the Framework Construction Agreement, so that the term shall end on 31 December 2012 instead of 31 December 2011.

In relation to the total annual amount paid and/or payable by the Richcoast Group to the Yida Group for the Construction Services, the Existing Annual Caps are considered to be no longer sufficient. Accordingly, the Company seeks to revise the Existing Annual Caps and to set the new Annual Cap for the year ending 31 December 2012.

As Yida (through its wholly-owned subsidiary) is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules, Yida is a connected person of the Company. Therefore, the transactions contemplated under the Framework Construction Agreement as supplemented by the Second Supplemental Agreement constitute continuing connected transactions of the Company. Since the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions (together with the revised and the new Annual Caps) are subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements under the Listing Rules.

Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited, a closely allied group of Shareholders, holds 1,389,993,701 shares, 1,084,268,286 shares and 135,354,740 shares of the Company respectively. Together, they hold approximately 50.63% of the entire issued share capital of the Company at the date of this announcement. Since none of the Shareholders is required to abstain from voting on the Transactions, written approvals of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited have been obtained for the purpose of approving the Transactions in lieu of an approval from the Independent Shareholders at a Shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

An application has been made by the Company to the Stock Exchange for a waiver of the requirement for the Company to hold a Shareholders' meeting in accordance with Rule 14A.43 of the Listing Rules, on the basis that the Transactions have been approved by a written approval of a closely allied group of Shareholders.

An independent board committee of the Company has been established to advise the Independent Shareholders, and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the Transactions.

It is expected that a circular containing, among other things, further details of the Transactions, together with the recommendations of the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders will be dispatched to the Shareholders on 16 September 2010, that is within 15 Business Days after publication of this announcement, in accordance with the Listing Rules.

THE SECOND SUPPLEMENTAL AGREEMENT

Reference is made to the announcement of the Company dated 17 July 2009 in relation to the continuing connected transactions under the Framework Construction Agreement pursuant to which the Yida Group may enter into contracts with the Richcoast Group to perform site formation and construction works on the Land from time to time for a term expiring no later than 31 December 2011.

On 26 August 2010, Richcoast and Yida entered into the Second Supplemental Agreement to extend the term of the Framework Construction Agreement, so that the term shall end on 31 December 2012 instead of 31 December 2011.

ANNUAL CAPS

In relation to the total annual amount paid and/or payable by the Richcoast Group to the Yida Group for the Construction Services, the Existing Annual Caps are considered to be no longer sufficient. Accordingly, the Company seeks to revise the Existing Annual Caps and to set the new Annual Cap for the year ending 31 December 2012 as follows:

	During the financial year ending 31 December		
	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The Existing Annual Caps	250,000,000	250,000,000	N/A
The new Annual Caps	1,000,000,000	1,000,000,000	1,000,000,000

In determining the revised and the new Annual Caps, the Directors have taken into account the accelerated development plan of the Dalian Tiandi project, the estimated site formation and construction works progress on the Land and the quality, capability and the scope of the services that can be provided by the Yida Group as compared with other contractors of similar rank.

The total amount paid and/or payable by the Richcoast Group to the Yida Group for the Construction Services in respect of the six months ended 30 June 2010 is approximately RMB133,000,000. The Richcoast Group anticipated that more Construction Services would be demanded from the Yida Group and that the total annual amount payable by the Richcoast Group under the Framework Construction Agreement will exceed the Existing Annual Caps. The reasons for the revision of the Existing Annual Caps are set out in the section headed “Reasons for entering into the Second Supplemental Agreement and adjustment of Annual Caps” below.

REASONS FOR ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT AND ADJUSTMENT OF ANNUAL CAPS

Richcoast is a subsidiary of the Company, in which the Company holds a 61.54% equity interest. Richcoast Group is principally engaged in property development and holds 78% interest in the property development project of Dalian Tiandi, a large scale integrated development with GFA of approximately 3.3 million square metres which includes a software hub, commercial and retail properties, residential, educational, outdoor recreation and environmental facilities, as well as public amenities. This project is designed to serve the city’s information technology outsourcing and business process outsourcing industries.

It is the corporate business strategy to expedite the development progress of the Dalian Tiandi project and to focus and accelerate the development of the product mix that is currently preferred in the market. The significant increase in the proposed new Annual Caps is due to the following reasons, of which the events set out in items (i), (iii), (iv) and (v) below were not expected at the time of projection of the Existing Annual Caps:

- (i) the costs of site formation for HNC Site C (Phase 4) exceeded the original estimate in 2010 by over RMB30 million due to design changes in the layout of the development;
- (ii) the accelerated construction volume of the residential properties in Lot E06 of HNC North to cope with the latest sales and marketing plan of the Dalian Tiandi project. In this regard, the estimated annual Fees for the two years ending 31 December 2010 and 31 December 2011 will exceed the original estimate by approximately RMB153 million and RMB249 million respectively;
- (iii) the building of club house in Lot E29 of HNC North to house the temporary sales office, the estimated Fees is approximately RMB30 million;
- (iv) the accelerated development plan of Ambow Project, the first phase of this project is expected to be completed in September 2010 and the remaining portions by December 2010. The estimated annual Fees for such purpose is approximately RMB300 million for the year ending 31 December 2010;
- (v) the construction of the Low Carbon Park amounting to RMB25 million. This project was initiated in late 2009 for purpose of promoting sustainable development, and this is in line with the latest PRC government policy in promoting sustainable development in PRC; and
- (vi) the accelerated development plan of the residential properties development and infrastructure works in HKW Site A. The estimated annual Fees for the year ending 31 December 2011 will exceed the original estimate by approximately RMB332 million.

Dalian Tiandi is rapidly taking shape as an eco-friendly, cosmopolitan living and working environment comprising distinct but interconnected zones catered for high-end knowledge industry clients. At the date of this announcement, two office blocks with total GFA of 41,600 square metres were completed and handed over to tenants in the second quarter of 2010. Infrastructure, including landscaping in the public areas of HNC North, is about 70% completed. Other projects that are at different stages of construction include the engineers' apartment, IT Tiandi, three software office buildings, club house and residential premises with total GFA of approximately 435,000 square metres. Most of these projects will be substantially completed by the end of year 2010. Whilst in HKW, site formation work and reclaimed land preloading were completed in late 2009 and construction for the first land parcel of Lot C01 in HKW, a residential development of approximately 20,000 square metres, had commenced in July 2010.

In view of the accelerated development plan of the Dalian Tiandi project as mentioned above, more site formation and construction works are expected to take place in the coming years. Taking into consideration that the estimated total annual contract amount payable by the Richcoast Group to the Yida Group for the Construction Services which have been awarded to the Yida Group or are in discussion between the Richcoast Group and the Yida Group will exceed the Existing Annual Caps, the Company considered that it is necessary to enter into of the Second Supplemental Agreement, revise the Existing Annual Caps and to set the new Annual Cap for the year ending 31 December 2012. The Directors consider that the entering into the Second Supplemental Agreement will allow the Group to accelerate the development schedule and potentially enjoy the resulting economic benefits, which is in line with the commercial objectives of the Group.

The Yida Group was engaged by the Richcoast Group since 2008 to perform site formation works for certain plots of area of the Land. The Directors are of the view that, considering the strength and experience of the Yida Group in handling large-scale development projects in Dalian and the Group's smooth and close working experience with the Yida Group in the past, Yida is one of the few competent contractors which has adequate capacity and strong local experience to cope with the Group's expedited development in the Dalian Tiandi project. In addition, the Group is satisfied with the Yida Group's high quality services.

The Directors (including the independent non-executive directors) consider that the Transactions are entered into in the ordinary and usual course of business of the Group. The terms of the Transactions were agreed on normal commercial terms and are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As Yida (through its wholly-owned subsidiary) is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules, Yida is a connected person of the Company. Therefore, the transactions contemplated under the Framework Construction Agreement as supplemented by the Second Supplemental Agreement constitute continuing connected transactions of the Company. Since the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions (together with the revised and the new Annual Caps) are subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements under the Listing Rules.

Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited, a closely allied group of Shareholders, holds 1,389,993,701 shares, 1,084,268,286 shares and 135,354,740 shares of the Company respectively. Together, they hold approximately 50.63% of the entire issued share capital of the Company at the date of this announcement. Since none of the Shareholders is required to abstain from voting on the Transactions, written approvals of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited have been obtained for the purpose of approving the Transactions in lieu of an approval from the Independent Shareholders at a Shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

An application has been made by the Company to the Stock Exchange for a waiver of the requirement for the Company to hold a Shareholders' meeting in accordance with Rule 14A.43 of the Listing Rules, on the basis that the Transactions have been approved by a written approval of a closely allied group of Shareholders.

An independent board committee of the Company has been established to advise the Independent Shareholders, and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the Transactions.

It is expected that a circular containing, among other things, further details of the Transactions, together with the recommendations of the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders will be dispatched to the Shareholders on 16 September 2010, that is within 15 Business Days after publication of this announcement, in accordance with the Listing Rules.

GENERAL INFORMATION

The Group 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.

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. Other than being a joint venture partner for the property development project of Dalian Tiandi, to the best knowledge and belief of the Directors having made all reasonable enquiries, the Yida Group has no other relationship with the Group.

DEFINITIONS

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

“Ambow Project”

a development project jointly cooperated with Ambow Education Holding Limited, a US based leading provider in the educational and career enhancement services in the PRC, to build a facility which is located at HNC North with an area for Phase 1 of approximately 73,112 square metres and the estimated developable GFA of approximately 114,254 square metres, the purpose of which is to provide a training base for talents from software outsourcing industry, to optimize the human resources of enterprises and to formulate strategies to stimulate the development of Dalian Tiandi;

<p>“associate”, “Business Day(s)”, “connected person(s)”, “subsidiary”, “substantial shareholder”</p>	<p>each has the meaning ascribed to it in the Listing Rules;</p>
<p>“Annual Cap(s)”</p>	<p>the maximum annual Fees payable by the Richcoast Group to the Yida Group for the Continuing Connected Transactions;</p>
<p>“Board”</p>	<p>the board of Directors;</p>
<p>“Company”</p>	<p>Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange;</p>
<p>“Construction Services”</p>	<p>the services provided and to be provided by the Yida Group to the Richcoast Group under the Framework Construction Agreement as supplemented by the Second Supplemental Agreement, including but not limited to the excavation and/or filing, clearance of the construction site, removal of the construction garbage, setting up drainage system and construction of the main structures of the Land;</p>
<p>“Continuing Connected Transactions”</p>	<p>the continuing connected transactions entered into or to be entered into between the Richcoast Group and the Yida Group in relation to the Construction Services;</p>
<p>“Directors”</p>	<p>the directors of the Company;</p>
<p>“Existing Annual Caps”</p>	<p>the Annual Caps in respect of the Construction Services provided and to be provided by the Yida Group for the two years ending 31 December 2011 as disclosed in the announcement of the Company dated 17 July 2009;</p>
<p>“Fees”</p>	<p>the fees paid and payable by the Richcoast Group to the Yida Group in respect of the Construction Services;</p>

“First Supplemental Agreement”	the supplemental agreement dated 17 July 2009 entered into between Richcoast and Yida for the purpose of extending the term of the framework construction agreement dated 7 August 2008 to 31 December 2011;
“Framework Construction Agreement”	the framework construction agreement dated 7 August 2008 (as amended by the First Supplemental Agreement) entered into between Richcoast and Yida with a term ending on 31 December 2011;
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“HKW”	Hekou Bay plate of Dalian Tiandi, a social centre of approximately 662,100 square metres while the estimated developable GFA is approximately 1,187,400 square metres which is located in Hekou Bay of Dalian, the PRC, comprising of comprehensive living amenities, Grade A office buildings and five-star hotels;
“HNC”	Huang Ni Chuan plate of Dalian Tiandi, a community development project of approximately 2,139,800 square metres while the estimated developable GFA is approximately 1,765,400 square metres which is located in Huang Ni Chuan of Dalian, the PRC, comprising of commercial buildings, industry centre and residential properties;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	all the Shareholders as no Shareholder is required to abstain from voting in relation to the approval of the Transactions;
“Land”	the 23 plots of land at Dalian Tiandi with a total area of approximately 6,790,500 square metres;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Low Carbon Park”	a park to be opened to the public and located at Lot D27 in HNC North for the promotion of sustainable development and the “Save the Earth” theme;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region and Taiwan area;
“Richcoast”	Richcoast Group Limited, a company incorporated in the British Virgin Islands and held as to 61.54% by the Group, as to 10.26% by Yida Group and as to 28.2% by Main Zone Group Limited, a wholly-owned subsidiary of Shui On Construction and Materials Limited;
“Richcoast Group”	Richcoast and its subsidiaries;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Agreement”	the second supplemental agreement dated 26 August 2010 entered into between Richcoast and Yida for the purpose of extending the term of the Framework Construction Agreement to 31 December 2012;
“Shareholders”	holders of ordinary shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	include the entering into of the Second Supplemental Agreement and the Continuing Connected Transactions (together with the revision and the setting of new Annual Caps for the three years ending 31 December 2010, 2011 and 2012);
“Yida”	Yida Group Company Limited, a limited liability company incorporated in the PRC;

“Yida Group” Yida and its subsidiaries; and

“%” percent.

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

Hong Kong, 26 August 2010

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, Mr. Daniel Y. K. WAN and Mr. Freddy C. K. 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*