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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)**

## **DISCLOSEABLE TRANSACTION**

### **EN-BLOC SALES OF THE OFFICE PREMISES AND CAR PARKING SPACES IN CORPORATE AVENUE 2 AT CHONGQING TIANDI IN YUZHONG DISTRICT, CHONGQING, THE PRC**

On 29 November 2013, the Seller and Shanghai Xintiandi, both being the subsidiaries of the Company, entered into the Framework Agreement with the Purchaser pursuant to which, among other things, the Seller agreed to sell and the Purchaser agreed to purchase the Property for a total cash consideration of RMB2,412,421,970 (approximately HK\$3,053,698,696).

As the relevant percentage ratios set out in the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constituted a discloseable transaction of the Company under the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

## **THE FRAMEWORK AGREEMENT**

On 29 November 2013, the Seller and Shanghai Xintiandi, both being the subsidiaries of the Company, entered into the Framework Agreement with the Purchaser pursuant to which, among other things, (i) the Seller agreed to sell and the Purchaser agreed to purchase the Property for a total cash consideration of RMB2,412,421,970 (approximately HK\$3,053,698,696); and (ii) the Purchaser will engage Shanghai Xintiandi as the asset manager of the Property in accordance with the terms and conditions of the Framework Agreement.

The principal terms of the Framework Agreement are set out below.

*I. The Disposal*

1. Assets to be disposed of

The Property

2. Consideration

The aggregate consideration for the Disposal of RMB2,412,421,970 (approximately HK\$3,053,698,696) was determined based on arm's length negotiation between the Seller and the Purchaser with reference to the prevailing market sale price of similar properties in Chongqing, the PRC and shall be payable by the Purchaser to the Seller in six installments:

- (a) the first installment of RMB241,242,197 (approximately HK\$305,369,870) which equals to 10% of the Consideration, shall be payable within 10 business days after the execution of the Framework Agreement;
- (b) the second installment of an amount not exceeding RMB920,000,000 (approximately HK\$1,164,556,962) which represents the maximum amount of outstanding bank loans and interest accrued thereon in respect of the Property, shall be payable within 20 business days after the date of payment of the first installment;
- (c) the third installment of an amount no less than RMB286,210,985 (approximately HK\$362,292,386) which equals to the difference of 50% of the Consideration and the second installment, shall be payable within 10 business days after the execution of the Sale and Purchase Agreements;
- (d) the fourth installment of RMB723,726,591 (approximately HK\$916,109,609) which equals to 30% of the Consideration, shall be payable within 10 business days after the completion acceptance certificate for the Property has been obtained and the Property has been handed over to the Purchaser;
- (e) the fifth installment of RMB120,621,099 (approximately HK\$152,684,935) which equals to 5% of the Consideration, shall be payable within 10 business days after the Purchaser has received the title certificates for the Property; and

- (f) the sixth installment of RMB120,621,098 (approximately HK\$152,684,934) which equals to 5% of the Consideration, shall be payable within 10 business days after the expiry of one year after the handover of the Property.

### 3. Completion

Completion shall take place on such date as may be agreed between the Seller and the Purchaser pursuant to the terms of the Framework Agreement. It is expected that the Property will be handed over to the Purchaser in the first quarter of 2014. The full payment of the Consideration will be received by the Seller after the expiry of one year after the handover of the Property.

## ***II. Asset Management Services***

Under the Framework Agreement, the Purchaser will engage Shanghai Xintiandi as the asset manager of the Property on an exclusive basis during the Management Period. Shanghai Xintiandi will enter into the Asset Management Services Agreement with the Purchaser, pursuant to which Shanghai Xintiandi will provide Asset Management Services, including but not limited to leasing, capital management and marketing services, to the Purchaser in relation to the Property during the Management Period.

The Purchaser has the right to extend the Management Period under each of the following circumstances, provided that, in any event, the Management Period will not extend beyond 31 January 2022:

- (i) when the NOI for the year ending 31 December 2018 is less than 8% of the Consideration or the occupancy rate of the Property is less than 82%, then the Management Period shall extend for one year ending on 31 January 2020;
- (ii) when the NOI for the year ending 31 December 2019 is less than 6.4% of the Consideration, then the Management Period extended as a result of (i) above shall further extend for one year ending on 31 January 2021; and
- (iii) when the NOI for the year ending 31 December 2020 is less than 6.4% of the Consideration, then the Management Period extended as a result of (ii) above shall further extend for one year ending on 31 January 2022.

Under the terms of the Asset Management Services Agreement, the Management Period will be divided into six calculation periods and Shanghai Xintiandi will ensure that the NOI for each calculation period will be no less than the Target NOI. If the NOI for a calculation period is less than the Target NOI, Shanghai Xintiandi will pay the shortfall amount in cash to the Purchaser (the “**Shortfall Amount**”). However, if the NOI for a calculation period exceeds the Target NOI, Shanghai Xintiandi will receive 80% of the excess amount as fees for the Asset Management Services.

The Company has analyzed and estimated the provisions for the Shortfall Amount payable to the Purchaser under various scenarios and market situations. Under base case scenario, the provision for the Shortfall Amount payable to the Purchaser is estimated to be RMB135,729,244 (approximately HK\$171,809,170). The Company also analyzed pessimistic scenario which includes (i) pessimistic assumptions for rental rate and occupancy rate; and (ii) the Purchaser will be able to exercise its rights to extend the Management Period as mentioned above. Under the current business environment in relation to the real estate market in Chongqing, the PRC and to the best of the knowledge, information and belief after having made all reasonable enquiries up to the date of this announcement, the Company has estimated that the provision of the Shortfall Amount under the pessimistic scenario assumptions will be approximately RMB443,532,245 (approximately HK\$561,433,222). The Company will comply with the then applicable requirements under the Listing Rules if the actual Shortfall Amount will trigger disclosure obligations under the Listing Rules.

The Seller will assume joint and several liabilities under the Framework Agreement for the aforesaid payment obligations of Shanghai Xintiandi under the Asset Management Services Agreement.

## **REASONS FOR THE DISPOSAL AND EXPECTED BENEFITS TO THE COMPANY**

It is part of the strategies of the Company’s three-year plan to increase asset turnover and shorten the investment payback period through en-bloc sales of the Group’s non-core office and retail premises. The Disposal aligns well with the Group’s business model and it is an opportunity for the Group to broaden its earning base and increase its asset churn of commercial properties. The Directors (including the independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL ON THE COMPANY**

As compared to the carrying value of the Property as at 31 July 2013 of approximately RMB2,110,500,000 (approximately HK\$2,671,518,987), the Group is expected to record an unaudited loss from the Disposal of approximately RMB123,560,461 (approximately HK\$156,405,647) in aggregate. Such loss from the Disposal is computed based on the Consideration less the business tax of approximately RMB135,095,630 (approximately HK\$171,007,127), the current estimation and the provision of the Shortfall Amount payable to the Purchaser under the Asset Management Services Agreement of approximately RMB135,729,244 (approximately HK\$171,809,170), the carrying value of the Property as at 31 July 2013 of approximately RMB2,110,500,000 (approximately HK\$2,671,518,987), the costs and the related expenses of the Transaction of approximately RMB47,717,385 (approximately HK\$60,401,753) and the applicable PRC tax amount of approximately RMB106,940,172 (approximately HK\$135,367,306).

## **USE OF PROCEEDS**

The aggregate proceeds from the Disposal, after deducting business tax, is estimated to be approximately RMB2,277,326,340 (approximately HK\$2,882,691,570). The Company intends to apply the net proceeds from the Disposal to repay existing indebtedness and fund capital and other project related expenditures related to the Company's real estate development.

## **IMPLICATION OF THE LISTING RULES**

As the relevant percentage ratios set out in the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constituted a discloseable transaction of the Company under the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under 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 Purchaser, being the subsidiary of Sunshine Insurance Group Corporation Limited, is a nationwide life insurance company specialized in providing comprehensive life insurance products such as life insurance, health insurance, accident insurance, etc. Sunshine Insurance Group Corporation Limited is one of PRC's top 500 enterprises and top 100 enterprises of the service industry, owning three major subsidiaries including Sunshine Property and Casualty Insurance Co., Ltd., Sunshine Life Insurance Co., Ltd., and Sunshine Asset Management Co., Ltd.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## DEFINITIONS

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

<b>“Asset Management Services”</b>	the asset management services to be provided by Shanghai Xintiandi to the Purchaser pursuant to the Asset Management Services Agreement;
<b>“Asset Management Services Agreement”</b>	the asset management services agreement to be entered into between Shanghai Xintiandi and the Purchaser in respect of the provision of the Asset Management Services relating to the Property;
<b>“Board”</b>	the board of Directors;
<b>“Chongqing Tiandi”</b>	a city-core development project located at Yuzhong District in Chongqing, the PRC, comprising office buildings, shopping centers, retail and entertainment outlets, hotels and residential properties;
<b>“Company”</b>	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (stock code: 272);
<b>“connected person(s); “subsidiary(ies)”</b>	each has the meaning ascribed to it in the Listing Rules;
<b>“Consideration”</b>	RMB2,412,421,970 (approximately HK\$3,053,698,696), being the aggregate consideration for the Disposal;

<b>“Director(s)”</b>	the director(s) of the Company;
<b>“Disposal”</b>	the sale of the Property by the Seller to the Purchaser pursuant to the terms and conditions of the Framework Agreement;
<b>“Framework Agreement”</b>	the framework agreement dated 29 November 2013 entered into between the Seller, the Purchaser and Shanghai Xintiandi in relation to the Transaction;
<b>“GFA”</b>	gross floor area;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Management Period”</b>	the period commencing from the date on which the first installment of the Consideration is paid by the Purchaser to 31 January 2019, subject to an extension as described in the subsection “II. Asset Management Services”;
<b>“NOI”</b>	the net operating income, arising from or in connection with the Property, of the Purchaser;
<b>“PRC”</b>	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan area;
<b>“Property”</b>	all the office floors (other than the retail portion, the underground portion, property management office space, 15/F, 30/F and 46/F) with a total GFA of 119,534.46 square metres in Phase I tower of the super high rise development project located at Lot B11 of Chongqing Tiandi, also known as Corporate Avenue 2, together with 815 underground car parking spaces;
<b>“Purchaser”</b>	Sunshine Life Insurance Co., Ltd. or, if one of its associated company is designated to purchase the Property and take up its other rights and obligations under the Framework Agreement pursuant to the terms therein (if any), such associated company;



<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Sale and Purchase Agreements”</b>	the sale and purchase agreements in respect of the Disposal to be entered into between the Seller and the Purchaser pursuant to the Framework Agreement;
<b>“Seller”</b>	Chongqing Shui On Tiandi Property Development Co., Ltd., a company established under the laws of the PRC, a non wholly-owned subsidiary of the Company;
<b>“Shanghai Xintiandi”</b>	上海新天地商業管理有限公司 (Shanghai Xintiandi Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
<b>“Shareholders”</b>	holders of shares of the Company;
<b>“Shortfall Amount”</b>	has the meaning ascribed to it under the subsection “II. Asset Management Services”;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Target NOI”</b>	the target net operating income of the Purchaser, being 8% per annum based on the Consideration received by the Seller;
<b>“Transaction”</b>	the Disposal and the Asset Management Services; and
<b>“%”</b>	percent.

*Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated into HK\$ at the rate of HK\$1.00 = RMB0.79. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates or at all.*

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

Hong Kong, 29 November 2013

*At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Freddy C. K. LEE (Chief Executive Officer) and Mr. Daniel Y. K. WAN; the non-executive director of the Company is Mr. Frankie Y. L. WONG; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.*

\* *For identification purposes only*