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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)

CONNECTED TRANSACTION

**Sale of Economic Interest
relating to certain residential units at Wuhan Tiandi Project to
Business Infinity Global Limited**

On 27 February 2015, Shui On Development (Holding) Limited, a wholly-owned subsidiary of the Company, as the Seller and Business Infinity Global Limited as the Purchaser entered into the Investment Agreement, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Economic Interest relating to certain residential units at Wuhan Tiandi Project for a total cash consideration of RMB140,340,333 (equivalent to approximately HK\$177,645,991).

The Purchaser is a subsidiary of SOCAM for the purposes of the Listing Rules. Mr. Vincent Lo, who is the Chairman and an executive Director of the Company, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of the Company. Accordingly, Mr. Vincent Lo is a connected person of the Company. Mr. Vincent Lo, who is also the Chairman and an executive Director of SOCAM, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of SOCAM. Therefore, the Purchaser is an associate of a connected person of the Company at the listed issuer level and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the entering into of the Investment Agreement and the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

* For identification purposes only

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the sale of Economic Interest relating to the Property and the Buyback Mechanism exceed 0.1% but are less than 5%, the entering into of the Investment Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE INVESTMENT AGREEMENT

Date

27 February 2015

Parties

1. The Seller; and
2. The Purchaser.

Subject matter

The Seller agreed to sell and the Purchaser agreed to purchase the Economic Interest relating to the Property in accordance with the terms and conditions of the Investment Agreement.

Consideration

The total consideration in cash for the sale and purchase of the Economic Interest in relation to the Property is RMB140,340,333 (equivalent to approximately HK\$177,645,991) which was determined based on arm's length negotiation between the parties with reference to the prevailing market value of comparable properties in Wuhan, Hubei Province, the PRC.

The Consideration shall be paid by the Purchaser to the Seller in the following manner:

- (a) a sum of RMB40,627,116 (equivalent to approximately HK\$51,426,729) shall be paid within five (5) business days from the date of the Investment Agreement;
- (b) a sum of RMB94,796,605 (equivalent to approximately HK\$119,995,702) shall be paid within thirty (30) days from the date of the Investment Agreement;

- (c) a sum of RMB2,458,306 (equivalent to approximately HK\$3,111,780) shall be paid on the date of the payment of the Participation Payment in respect of the Participation Payment Period ending on 31 December 2015, or the date of the payment of the Participation Payment in respect of the Participation Payment Period corresponding to the last property at the Property being sold, whichever is earlier; and
- (d) a sum of RMB2,458,306 (equivalent to approximately HK\$3,111,780), representing the balance of the Consideration shall be paid on the date of the payment of the last Participation Payment, the Buyback Price or the Retention Sum, whichever is later.

If there is a discrepancy between the total saleable gross floor area stated in the Investment Agreement and the total saleable gross floor area listed in the building area surveying forecast report (房產面積預測技術報告書) to be provided by a qualified independent surveyor who has the relevant licenses and experience, the Consideration will be proportionally adjusted.

Cooperation and Responsibilities

The Seller shall procure the Project Company to:

- (i) carry out the development of Wuhan Tiandi Project in a diligent and timely manner, in order to commence the pre-sale or sale of the Property before 31 December 2015 (or such other date as may be agreed by the parties);
- (ii) conduct the pre-sale or sale of the Property at a price not less than the minimum sale prices set out in the sales plan approved by the Purchaser (or otherwise with the Purchaser's prior consent), to the extent such prices are approved by government authorities and permitted under the applicable laws, rules and regulations of the PRC;
- (iii) complete the construction of the Property by 30 April 2017 (or such other date as may be agreed by the parties) and hold at all times sufficient financing to meet such deadline; and
- (iv) deliver the Property to the respective end purchasers in accordance with the fitting-out specifications as set out in the Investment Agreement and to promptly rectify any defects in respect of the Property in accordance with the relevant property sale and purchase agreements.

Distribution of Economic Interest

The parties agreed that subject to the receipt by the Seller of part of the Consideration referred to in items (a) and (b) in the above section headed “Consideration” (i.e. the amount of RMB135,423,721 (equivalent to approximately HK\$171,422,431)), the Purchaser shall be entitled to the Economic Interest in the Property through the distribution of the Participation Payment after the Property is sold.

The Participation Payment payable by the Seller to the Purchaser under the Investment Agreement shall be calculated as follows:

$$\text{Participation Payment} = \text{Relevant Sale Proceeds} - \text{Tax}$$

where:

“Relevant Sale Proceeds” means the aggregate sale proceeds in relation to the Property being sold that have been actually received during a Participation Payment Period; and

“Tax” means the aggregate of all taxes payable by the Purchaser in respect of the Property being sold as provided in the Investment Agreement.

The Seller shall pay to the Purchaser the Participation Payment (if any) within 10 business days after the end of each Participation Payment Period.

Exit mechanisms

Upon sale of 90% of the saleable gross floor area of the Property and receipt of all relevant sale proceeds, the Purchaser shall have the right to, at any time:-

1. serve a written notice on the Seller requiring the Seller to procure the sale of all the Property that has not been sold (the “**Remaining Property**”) at the market price determined by the Seller (the “**Sale of Remaining Property**”); or
2. serve a written notice on the Seller requiring the Seller to purchase the Economic Interest relating to the Remaining Property (the “**Buyback Mechanism**”) at the market price as agreed by the parties (the “**Buyback Price**”).

If the Purchaser serves a written notice on the Seller requiring the Sale of Remaining Property, the Seller shall procure the Project Company to use its reasonable commercial endeavours to sell the Remaining Property within 120 days after the date of such notice from the Purchaser and pay to the Purchaser the relevant Participation Payment. In the event that the Remaining Property is not sold within such 120-day period, the Buyback Mechanism shall apply, unless waived by the Purchaser.

If the Buyback Mechanism is initiated, it is estimated that the Buyback Price payable by the Seller to the Purchaser would not exceed RMB25,000,000 (equivalent to approximately HK\$31,600,000).

Termination

The Investment Agreement may be terminated if (A) the Seller assigns or transfers or ceases to own, directly or indirectly, any interest in the Property other than as contemplated in the Investment Agreement and the Seller is not in a position to fully fulfill its obligations under the Investment Agreement; or (B) the Seller breaches any of the material obligations under the Investment Agreement (unless fully remedied within one (1) month after having been notified in writing of such breach).

If the Investment Agreement is terminated due to (A) or (B) above, provided that the Seller has received part of the Consideration referred to in items (a) and (b) in the above section headed “Consideration” (i.e. the amount of RMB135,423,721 (equivalent to approximately HK\$171,422,431)), the Seller shall pay to the Purchaser (i) any Participation Payment accrued but not yet paid to the Purchaser; and (ii) an aggregate amount of (x) the aggregate value of all the Property that has not been sold or of which all relevant sale proceeds have not been received by the Project Company and (y) an 8% annualized return on the amount referred to in (x), within ten (10) business days after the receipt of the notice of termination and part of the Consideration referred to in items (c) and (d) in the above section headed “Consideration” may be adjusted in accordance with the Investment Agreement; and, in the case of termination due to (B) above, (iii) any other direct or indirect damages or losses suffered by the Purchaser as a result of the breach.

INFORMATION ON THE PROPERTY

There was no profit attributable to the Property for each of the two financial years ended 31 December 2013 and 31 December 2014. According to the independent valuation of the Property prepared by Knight Frank Petty Limited, the total market value of the Property as at 31 December 2014 was RMB135,000,000 (equivalent to approximately HK\$171,000,000).

FINANCIAL EFFECTS AND USE OF PROCEEDS

There is no direct gain or loss to be recorded by the Company as a result of the sale of Economic Interest relating to the Property. The expected gain to be accrued to the Company from the disposal of the Property to end purchasers is estimated to be approximately RMB23,000,000 (equivalent to approximately HK\$29,000,000) after the deduction of the estimated tax and other expenses of approximately RMB39,000,000 (equivalent to approximately HK\$49,000,000). Such estimation of the expected gain is based on the latest estimated development cost available to the Company. The actual gain derived from the sale of Economic Interest relating to the Property can only be ascertained upon the Property being completed when the final development cost is available and accordingly, the actual gain to be recognized in the consolidated financial statements of the Company may differ from the estimated gain as disclosed above.

The Group intends to apply the proceeds to repay existing indebtedness and fund capital and other project related expenditures related to the Company's real estate development.

REASONS FOR ENTERING INTO THE INVESTMENT AGREEMENT

The sale of Economic Interest in respect of the Property facilitates the collection of offshore sale proceeds generated from the sale of onshore interest, which provides cash flowing in to support future development of the Group, without any impact on the Seller's existing equity interest in the Project Company.

IMPLICATION OF THE LISTING RULES

The Purchaser is a wholly-owned subsidiary of the Fund, in which SOCAM indirectly holds only 0.075% share interest. However, as the Fund is managed by a subsidiary of SOCAM as its general partner, the Purchaser, being a subsidiary of the Fund, is regarded as a subsidiary of SOCAM for the purposes of the Listing Rules. Mr. Vincent Lo, who is the Chairman and executive Director of the Company, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of the Company. Accordingly, Mr. Vincent Lo is a connected person of the Company. Mr. Vincent Lo, who is also the Chairman and executive Director of SOCAM, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of SOCAM. Therefore, the Purchaser is an associate of a connected person of the Company at the listed issuer level and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the entering into of the Investment Agreement and the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the sale of Economic Interest relating to the Property and the Buyback Mechanism exceed 0.1% but are less than 5%, the entering into of the Investment Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. In the event that the Buyback Price will exceed RMB25,000,000 (equivalent to approximately HK\$31,600,000), the Company will comply with the then applicable requirements under the Listing Rules as and when appropriate.

The Directors (excluding (1) Mr. Vincent Lo, who has a material interest in the Transactions given his interest in SOCAM as mentioned above; and (2) Mr. Philip Wong, who is a non-executive director of SOCAM) consider that the terms of the Investment Agreement and the Transactions are entered into after arm's length negotiation between the parties, are fair and reasonable and in the interests of the Company and its shareholders as a whole. Mr. Vincent Lo and Mr. Philip Wong have abstained from voting on the relevant resolutions passed by the Board to approve the Investment Agreement and the Transactions. None of the other Directors has any material interest in the Transactions or was required to abstain from voting on the resolutions passed by the Board to approve the Investment Agreement and the Transactions.

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 is a wholly-owned subsidiary of the Fund of which the principal business activity is to invest in real estate projects.

DEFINITIONS

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

“associate(s)”, each shall have the meaning as ascribed to it under
“connected person(s)”, and the Listing Rules;
“subsidiary(ies)”

“Board”	the board of Directors;
“Buyback Mechanism”	having the meaning as ascribed to it in the section headed “The Investment Agreement — Exit mechanisms” of this announcement;
“Buyback Price”	having the meaning as ascribed to it in the section headed “The Investment Agreement — Exit mechanisms” of this announcement;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange (stock code: 272);
“Consideration”	the total consideration for the sale and purchase of the Economic Interest under the Investment Agreement, being RMB140,340,333 (equivalent to approximately HK\$177,645,991);
“Director(s)”	the director(s) of the Company;
“Economic Interest”	the ownership of and the right to receive the Participation Payment in accordance with the terms and conditions of the Investment Agreement;
“Fund”	SoTan China Real Estate I, LP, a limited partnership formed in England under the Limited Partnerships Act 1907;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Investment Agreement”	the investment agreement dated 27 February 2015 entered into between the Seller and the Purchaser in relation to the sale and purchase of the Economic Interest relating to the Property;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Philip Wong”	Mr. Philip K. T. WONG, an executive Director of the Company;

“Mr. Vincent Lo”	Mr. Vincent H. S. LO, the Chairman and executive Director of the Company;
“Participation Payment”	the amount payable by the Seller to the Purchaser as described in the section headed “The Investment Agreement — Distribution of Participation Payment” of this announcement;
“Participation Payment Period”	<p>(a) where the pre-sale or sale of the Property has commenced, in respect of the first (1st) Participation Payment Period, a period commencing from the commencement of the pre-sale or sale of the Property and ending on 30 September 2015;</p> <p>(b) where the pre-sale or sale of the Property has commenced, in respect of the second (2nd) Participation Payment Period, a period commencing from 1 October 2015 and ending on 31 December 2015;</p> <p>(c) in respect of the third (3rd) Participation Payment Period until the seventh (7th) Participation Payment Period, a period commencing after the end of the preceding Participation Payment Period and ending on each quarter day (i.e. 31 March 2016, 30 June 2016, 30 September 2016, 31 December 2016 and 31 March 2017 (as the case may be)); or</p> <p>(d) in respect of any subsequent Participation Payment Period, a period commencing immediately after the end of the preceding Participation Payment Period and ending on 31 December of the same year;</p> <p>provided that if the Purchaser serves a written notice on the Seller requiring the Sale of Remaining Property, the relevant Participation Payment Period shall commence from the date of such notice and end on 120 days thereafter if the Remaining Property is sold during the 120-day period;</p>
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region and Taiwan area;

“Project Company”	Wuhan Shui On Tiandi Property Development Company Limited (武漢瑞安天地房地產發展有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Seller, which owns Wuhan Tiandi Project;
“Property”	twelve residential units at Wuhan Tiandi Project, with an estimated total gross floor area of 4,481.77 square metres;
“Purchaser”	Business Infinity Global Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Fund;
“Remaining Property”	having the meaning as ascribed to it in the section headed “The Investment Agreement — Exit mechanisms” of this announcement;
“Retention Sum”	the amount of RMB13,600,000 (equivalent to approximately HK\$17,200,000), which the Seller is entitled under the Investment Agreement to withhold from any Participation Payment before delivery of all the Property to respective end purchasers if (i) all Property has been sold and all sale proceeds have been received, or (ii) the Purchaser serves a written notice on the Seller requiring the Seller to purchase the Economic Interest relating to the Remaining Property under the Buyback Mechanism, and is payable to the Purchaser together with any interest accrued thereon and all the remaining Participation Payment that the Investor may be entitled to under the Investment Agreement within ten (10) business days after actual delivery of all the Property (in the case of (ii) above, other than the Remaining Property) to respective end purchasers;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Remaining Property”	having the meaning as ascribed to it in the section headed “The Investment Agreement — Exit mechanisms” of this announcement;
“Seller”	Shui On Development (Holding) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company;

“SOCAM”	SOCAM Development Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 983);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the Investment Agreement, including the sale and purchase of the Economic Interest relating to the Property and the Buyback Mechanism;
“Wuhan Tiandi Project”	Wuhan Tiandi property development project in the Jiang’an District, Wuhan, Hubei Province, the PRC, a large-scale mixed-use development comprising office, retail, food and beverage, entertainment and residential properties; and
“%”	per cent.

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, 27 February 2015

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Daniel Y. K. WAN and Mr. Philip K. T. WONG; 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.