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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)

**MAJOR TRANSACTION
DISPOSAL OF MAJORITY EQUITY INTERESTS IN
CHONGQING PROJECT**

THE AGREEMENT

On 26 May 2017, Shui On Development, the Seller (each a wholly-owned subsidiary of the Company), Vanke and the Purchaser entered into the Agreement, pursuant to which the Sale Equity will be transferred from the Seller to the Purchaser. Upon Completion, the Project Company will cease to be a subsidiary of the Company.

At the date of this announcement, the Project Company owns the Partnership Portfolio and the Remaining Portfolio. The parties agreed that prior to Completion, the form of the Project Company will be changed into a Sino-foreign cooperative joint venture such that the Sale Equity represents interests in the Partnership Portfolio (via the Project Company) only but not in the Remaining Portfolio.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio for the Company in respect of the Transactions contemplated under the Agreement is 25% or more but is less than 75%, the Transactions constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

** For identification purposes only*

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Transactions. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Transactions.

Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doretun Limited, which are controlled by Shui On Company Limited and which together constitute a closely allied group of Shareholders, holds 665,603,792 Shares, 1,693,308,826 Shares, 183,503,493 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares and 323,319,781 Shares, respectively, and together representing approximately 56.78% of the issued share capital of the Company at the date of this announcement.

The Company has obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doretun Limited for the Agreement and the Transactions pursuant to Rule 14.44 of the Listing Rules and as a result, no extraordinary general meeting will be convened to consider the Agreement and the Transactions.

A circular containing, among other things, further details of the Agreement and the Transactions is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 19 June 2017.

Shareholders and potential investors of the Company should note that the Agreement and the Transactions are subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

THE AGREEMENT

On 26 May 2017, Shui On Development, the Seller (each a wholly-owned subsidiary of the Company), Vanke and the Purchaser entered into the Agreement, pursuant to which the Sale Equity, representing 79.2% of the interests in the Partnership Portfolio (via the Project Company), will be transferred from the Seller to the Purchaser. Upon Completion, the Project Company will cease to be a subsidiary of the Company.

The principal terms of the Agreement are set out as follows.

Date

26 May 2017

Parties

- (a) Shui On Development;
- (b) the Seller;
- (c) Vanke; and
- (d) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Vanke, the Purchaser and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The Sale Equity.

Conversion into Sino-foreign cooperative joint venture

At the date of this announcement, the Project Company owns the Partnership Portfolio, details of which are set out in the paragraph headed "Information on the Project Company" in this announcement, and the Remaining Portfolio. The parties agreed that prior to Completion, the form of the Project Company will be changed into a Sino-foreign cooperative joint venture such that the Sale Equity represents interests in the Partnership Portfolio (via the Project Company) only but not in the Remaining Portfolio.

Upon Completion:

- (a) 79.2% of the interests in the Partnership Portfolio (via the Project Company) will be held by the Purchaser;
- (b) 19.8% of the interests in the Partnership Portfolio (via the Project Company) will be held by the Seller; and
- (c) 1% of the interests in the Partnership Portfolio (via the Project Company) will be held by Chongqing Yuzhong.

The Project Company will cease to be a subsidiary of the Company upon Completion. The financial results of the Partnership Portfolio (via the Project Company) will cease to be consolidated into the Company's financial statements upon Completion, whereas the financial results of the Remaining Portfolio (via the Project Company) will, as interests in the Remaining Portfolio will be held as to 99% by the Seller and 1% by Chongqing Yuzhong, continue to be consolidated into the Company's financial statements upon Completion.

Consideration

The Consideration for the disposal of the Sale Equity shall be an initial amount of RMB4,133,000,000 (equivalent to approximately HK\$4,687,000,000) (the “**Initial Consideration**”), representing 79.2% of the agreed net asset value of the Partnership Portfolio in the amount of RMB5,218,000,000 (equivalent to approximately HK\$5,918,000,000), subject to adjustment at Completion.

In calculating the above agreed net asset value of the Partnership Portfolio, the parties have taken into account:

- (a) the agreed total asset value of the Partnership Portfolio in the amount of RMB5,569,000,000 (equivalent to approximately HK\$6,316,000,000), which represents a premium of approximately 54.6% over the carrying value shown in the unaudited accounts of the Project Company at 31 December 2016 (being RMB3,602,000,000 (equivalent to approximately HK\$4,085,000,000)). Such premium was determined after arm's length negotiations between the parties with reference to the market valuation from an external independent professional valuer;
- (b) the construction costs (including finance costs) incurred and to be incurred for the Partnership Portfolio until Completion, whereby the initial amount of such costs at 31 December 2016 was RMB245,000,000 (equivalent to approximately HK\$278,000,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion;
- (c) other assets of the Partnership Portfolio (which are not included in the agreed total asset value of the Partnership Portfolio) at Completion, whereby the initial amount of such assets at 31 December 2016 was RMB2,000,000 (equivalent to approximately HK\$2,268,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion; and
- (d) liabilities of the Partnership Portfolio at Completion, whereby the initial amount of such liabilities at 31 December 2016 was RMB598,000,000 (equivalent to approximately HK\$678,000,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion.

For the purpose of the adjustments to the Initial Consideration at Completion, within 15 Business Days after Completion, the Seller shall produce a Completion accounts of the Partnership Portfolio to the Purchaser, confirming the final amount of the figures under items (b), (c) and (d) above at Completion, and adjusting the net asset value of the Partnership Portfolio to reflect changes up to Completion.

The Consideration was determined after arm's length negotiations between the parties with reference to the above and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment

The Consideration shall be paid in cash by the Purchaser in accordance with the terms and conditions under the Agreement set out below:

- (a) *First Installment*: within 5 Business Days after the fulfillment of all Conditions, an amount of RMB2,480,000,000 (equivalent to approximately HK\$2,813,000,000), representing 60% of the Initial Consideration, shall be paid to a bank account jointly controlled by the Seller and the Purchaser. Such amount (after deducting all applicable tax payable by the Seller in the PRC) shall be remitted to an offshore bank account designated by the Seller after all tax payment and foreign exchange requirements under the applicable PRC laws and regulations have been duly settled and fulfilled (the “**First Installment**”);
- (b) *Second Installment*: within 3 months from Completion, the US\$ equivalent of the amount of RMB827,000,000 (equivalent to approximately HK\$938,000,000), representing 20% of the Initial Consideration, shall be remitted to an offshore bank account designated by the Seller; and
- (c) *Third Installment*: within 6 months from Completion or by 15 December 2017 (whichever is earlier), or within 6 months from Completion if Completion takes place after 30 June 2017, the US\$ equivalent of the balance payment of the Consideration (having taken into account all adjustments at Completion), shall be remitted to an offshore bank account designated by the Seller.

Conditions

Completion is subject to the following Conditions:

- (a) the parties having executed all relevant transaction documents in relation to the disposal of the Sale Equity;
- (b) Chongqing Yuzhong having waived its right of first refusal to the disposal of the Sale Equity;

- (c) the approval of the Transactions by the Shareholders as required by the Listing Rules having been obtained (as applicable); and
- (d) the Project Company having completed all relevant procedures in relation to the disposal of the Sale Equity required by the Ministry of Commerce of the PRC (including the conversion of the Project Company from Sino-foreign joint enterprise to Sino-foreign cooperative joint venture).

Completion

The relevant application procedures for the change in the industry and commerce registration in the PRC for the disposal of the Sale Equity (the “**AIC Change**”) shall be proceeded with after the fulfillment of all Conditions and on the same day when the Purchaser have settled the First Installment. Completion shall take place on the Business Day after the AIC Change application.

Earnest Money

At the date of the Agreement, an earnest money in the amount of RMB200,000,000 (equivalent to approximately HK\$227,000,000) has been paid by the Purchaser and shall be returned within 5 Business Days after all relevant transaction documents have been executed and the Purchaser has delivered an irrevocable bank guarantee letter to the Seller in the amount of RMB1,240,000,000 (equivalent to approximately HK\$1,406,000,000), representing 30% of the Initial Consideration.

TRANSFER RESTRICTIONS

Each of the Seller and the Purchaser shall not transfer its interests held in the Partnership Portfolio (via the Project Company) unless otherwise provided in the Agreement. The transfer restrictions provided under Agreement are as follows:

- (a) *Right of first refusal*: each of the Seller and the Purchaser shall have a right of first refusal on any transfer of all (but not some) of its interests in the Partnership Portfolio (via the Project Company) on terms proposed by the intended transferor;
- (b) *Tag-along right*: subject to the right of first refusal mentioned under item (a) above, if the Purchaser or the Seller (which must hold a majority interests in the Partnership Portfolio (via the Project Company) at the relevant time) proposes to transfer all (but not some) of its interests in the Partnership Portfolio (via the Project Company) to a third party, the other party shall have the right to sell its interests on the same terms;
- (c) *Drag-along right*: subject to the right of first refusal mentioned under item (a) above, if the Purchaser or the Seller (which must hold a majority interests in the

Partnership Portfolio (via the Project Company) at the relevant time) proposes to transfer all (but not some) of its interests in the Partnership Portfolio (via the Project Company) to a third party, such party shall have the right to require the other party to transfer its interests on the same terms; and

- (d) *No partial transfer*: any transfer of interests in the Partnership Portfolio must be of all (but not some) of the interests held by the proposed transferee.

INFORMATION ON THE PROJECT COMPANY

The Project Company is established in the PRC and its principal business activity is property development and property investment in Chongqing Tiandi.

The Partnership Portfolio represents a bundle of undeveloped land parcels in Chongqing Tiandi with an aboveground gross floor area of 870,821 square metres, and a construction in progress on Lot B11-2/3 of Chongqing Tiandi with an aboveground gross floor area of 388,420 square metres.

The unaudited net asset value of the Partnership Portfolio at 31 December 2016 was approximately RMB3,236,000,000 (equivalent to approximately HK\$3,670,000,000). For the year ended 31 December 2016, the unaudited losses both before and after taxation of the Partnership Portfolio were approximately RMB98,000,000 (equivalent to approximately HK\$111,000,000) and RMB74,000,000 (equivalent to approximately HK\$84,000,000), respectively. For the year ended 31 December 2015, the unaudited profits both before and after taxation of the Partnership Portfolio were approximately RMB15,000,000 (equivalent to approximately HK\$17,000,000) and RMB11,000,000 (equivalent to approximately HK\$12,000,000), respectively.

INFORMATION ON THE GROUP

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group engages principally in the development, sale, leasing, management and ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC. Shui On Development is incorporated in Cayman Islands with limited liability and is principally engaged in investment holding and debt financing. The Seller is a company incorporated in Hong Kong with limited liability and an investment holding company.

INFORMATION ON VANKE AND THE PURCHASER

Vanke is established in the PRC and its H shares are listed on the Main Board of the Stock Exchange. Vanke is principally engaged in property development and property services. The Purchaser is a company established in the PRC with limited liability and an investment holding company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In line with the “Asset Light Strategy” that the Group has been pursuing since 2015, the Transactions allow the Group to release the hidden value in our assets at a substantial profit, while maintaining its interests and brand name in the future development of Chongqing Tiandi. The Transactions also help to improve the Group’s asset turnover rate and to recycle its capital into other development and/or investment opportunities.

Moreover, the formation of a partnership with Vanke, a top-ranked developer in the PRC, in the Partnership Portfolio (via the Project Company), and partnerships with other major companies and other potential partnerships is also part of the “Asset Light Strategy” to help accelerate the Group’s expansion in development businesses throughout the PRC.

The Directors are of the view that the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS AND USE OF PROCEEDS FROM THE DISPOSAL

Taking into account the Group’s audited accounts as of 31 December 2016, the Group anticipates that the disposal of the Sale Equity will realise a gain of approximately RMB1,699,000,000 (equivalent to approximately HK\$1,927,000,000). The anticipated gain includes the gain from the disposal of the Sale Equity and the fair value gain from the Group’s residual interests in the Partnership Portfolio which is the difference between the fair value and the carrying amount of interests retained in the Partnership Portfolio.

Taking into account transaction taxes and expenses at approximately RMB210,000,000 (equivalent to approximately HK\$238,000,000) and subject to fulfillment of any post-Completion undertakings, the total net proceeds from the disposal of the Sale Equity will be approximately RMB3,923,000,000 (equivalent to approximately HK\$4,449,000,000) which is expected to reduce Group’s net gearing by approximately 11%. The Group intends to apply the proceeds from the disposal of the Sale Equity to repay indebtedness with near term maturity and to fund general working capital.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio for the Company in respect of the Transactions contemplated under the Agreement is 25% or more but is less than 75%, the Transactions constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Transactions. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Transactions.

Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doreturn Limited, which are controlled by Shui On Company Limited and which together constitute a closely allied group of Shareholders, holds 665,603,792 Shares, 1,693,308,826 Shares, 183,503,493 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares and 323,319,781 Shares, respectively, and together representing approximately 56.78% of the issued share capital of the Company at the date of this announcement.

The Company has obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doreturn Limited for the Agreement and the Transactions pursuant to Rule 14.44 of the Listing Rules and as a result, no extraordinary general meeting will be convened to consider the Agreement and the Transactions.

A circular containing, among other things, further details of the Agreement and the Transactions is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 19 June 2017.

Shareholders and potential investors of the Company should note that the Agreement and the Transactions are subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

DEFINITIONS

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

“Agreement”	the transaction cooperation agreement (交易合作協議) dated 26 May 2017 entered into between Shui On Development, the Seller, Vanke and the Purchaser
“AIC Change”	has the meaning ascribed to it in the paragraph headed “Completion” in this announcement

“associate(s)”, “close associate(s)”, “connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a calendar day on which commercial banks in the PRC, the U.S. and Hong Kong are open for general business and for processing of inter-bank deposit and payment
“Chongqing Tiandi”	重慶天地, a real estate development project held and operated by the Project Company in Chongqing, PRC
“Chongqing Yuzhong”	Chongqing Yuzhong State-Owned Asset Management Company Limited (重慶渝中國有資產經營管理有限公司), a state-owned enterprise established in the PRC
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (stock code: 272)
“Completion”	completion of the disposal of the Sale Equity in accordance with the terms and conditions of the Agreement
“Condition(s)”	conditions precedent to the Completion contained in the Agreement, details of which are set out in the paragraph headed “Conditions” in this announcement
“Consideration”	the total consideration payable by the Purchaser for the disposal of the Sale Equity, details of which are set out in the paragraph headed “Consideration” in this announcement
“Director(s)”	the director(s) of the Company
“First Installment”	has the meaning ascribed to it in the paragraph headed “Payment” in this announcement
“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
“Initial Consideration”	has the meaning ascribed to it in the paragraph headed “Consideration” in this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Portfolio”	the portfolio of properties held by the Seller (via the Project Company) subject to the disposal of the Sale Equity as contemplated under the Agreement, details of which are set out in the paragraph headed “Information on the Project Company” in this announcement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Project Company”	Chongqing Shui On Tiandi Real Estate Development Company Limited* (重慶瑞安天地房地產發展有限公司), a Sino-foreign joint enterprise established in the PRC at the date of this announcement, and shall, prior to Completion, be converted into Sino-foreign cooperative joint venture established in the PRC pursuant to the Agreement
“Purchaser”	重慶錦瀾實業有限公司, a company established in the PRC with limited liability and a subsidiary of Vanke
“Remaining Portfolio”	the portfolio of properties held by the Seller (via the Project Company) which is not subject to the disposal of the Sale Equity as contemplated under the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	79.2% of all equity interests in the Project Company, representing 79.2% of the interests in the Partnership Portfolio (via the Project Company)

“Seller”	Grand Hope Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Shares”	the ordinary shares of the Company with nominal value of US\$0.0025 each
“Shareholders”	holders of the Shares
“Shui On Development”	Shui On Development (Holding) Limited, an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Agreement
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Vanke”	China Vanke Co., Ltd* (萬科企業股份有限公司), a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2202) and the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 000002)
“%”	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 = RMB0.88171. 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, 26 May 2017

At the date of this announcement, the executive Directors are Mr. Vincent H. S. LO (Chairman) and Mr. Douglas H. H. SUNG (Chief Financial Officer); the non-executive Director is Mr. Frankie Y. L. WONG; and the independent non-executive Directors are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW and Mr. Anthony J. L. NIGHTINGALE.