
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

PROVISION OF GUARANTEE AND SECURITY DEPOSIT IN RESPECT OF A LOAN FACILITY FROM A BANK TO A NON WHOLLY-OWNED SUBSIDIARY

*Independent Financial Adviser to
the Independent Board Committee and the Shareholders*



BNP Paribas Capital (Asia Pacific) Limited

A letter from the Independent Board Committee is set out on pages 7 to 8 of this circular. A letter from BNP Paribas, the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 9 to 14 of this circular.

** for identification purposes only*

12 January 2007

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	7
LETTER FROM BNP PARIBAS	9
APPENDIX — GENERAL INFORMATION	15

DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules;
“BNP Paribas” or “Independent Financial Adviser”	BNP Paribas Capital (Asia Pacific) Limited, the independent financial adviser to the Independent Board Committee and the Shareholders and a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
“Board”	the board of Directors;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Deposit”	the deposit of HK\$622,500,000 made by the Company with HSBC as security for the Company’s obligations under the Guarantee;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Guarantee”	the joint and several guarantee entered into by the Company and Shui On Development in favour of HSBC for securing 70% of the obligations of Shanghai Yangpu under the Loan Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited (Hong Kong office);
“Independent Board Committee”	the committee of the Board comprising Dr. Cheng Wai Kin, Edgar, Professor Biddle, Gary Clark and Dr. McCarthy, Roger Lee, each being independent non-executive directors of the Company, formed to consider the matters referred to in this circular and advise Shareholders on whether the provision of the Guarantee and Deposit is fair and reasonable;
“Latest Practicable Date”	5 January 2007, being the latest practicable date for ascertaining certain information contained in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan of RMB875,000,000 made by HSBC to Shanghai Yangpu under the Loan Agreement;
“Loan Agreement”	the agreement dated 8 December 2006 between HSBC and Shanghai Yangpu in relation to the Loan;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Yangpu”	Shanghai Yangpu Centre Development Co., Ltd., a company incorporated in the PRC and a non-wholly owned subsidiary of the Company;
“Shanghai Yangpu KIZ”	Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yangpu University Town Investment and Development Co., Ltd.), a company incorporated in the PRC;
“Shareholders”	the holders of the Shares;
“Shares”	ordinary shares of nominal value US\$0.0025 each in the capital of the Company;
“Shui On Development”	Shui On Development (Holding) Limited., a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company;
“Shui On Group”	Shui On Company Limited and its subsidiary companies (excluding SOCAM and its subsidiaries);
“SOCAM”	Shui On Construction and Materials Limited;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules;
“US\$”	United States dollars, the lawful currency of the United States of America;
“%”	per cent.

LETTER FROM THE BOARD



Shui On Land Limited

瑞安房地產有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 272)

Executive Directors:

Mr. Lo Hong Sui, Vincent

(Chairman and Chief Executive Officer)

Mr. Wong Ying Wai, Wilfred

Mr. Addison, William Timothy

Independent Non-Executive Directors:

Sir John Reginald Hartnell Bond

The Honourable Leung Chun Ying

Dr. Cheng Wai Kin, Edgar

Dr. Fung Kwok Lun, William

Professor Biddle, Gary Clark

Dr. McCarthy, Roger Lee

Mr. Shaw, David John

Registered Office:

Walker House

87 Mary Street

PO Box 908GT

George Town

Grand Cayman

Cayman Islands

Place of Business

in Hong Kong:

34/F, Shui On Centre

6-8 Harbour Road

Wan Chai

Hong Kong

12 January 2007

To the Shareholders

Dear Shareholder,

CONNECTED TRANSACTION

**PROVISION OF GUARANTEE AND SECURITY DEPOSIT
IN RESPECT OF A LOAN FACILITY FROM A BANK TO
A NON WHOLLY-OWNED SUBSIDIARY**

1. INTRODUCTION

On 21 December 2006, the Company announced that its subsidiary Shanghai Yangpu had entered into the Loan, and that the Company and Shui On Development had entered into the Guarantee and the Company had made the Deposit to secure its obligations under the Guarantee.

** for identification purposes only*

LETTER FROM THE BOARD

The provision of the Guarantee and the making of the Deposit constitute financial assistance from the Company to a non wholly-owned subsidiary and a connected transaction for the Company for the purposes of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the financial assistance and to set out, amongst other things, the opinion of the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the financial assistance.

2. THE GUARANTEE AND THE DEPOSIT

On 11 December 2006, the Company and Shui On Development entered into the Guarantee in favour of HSBC to secure 70% of the principal amount and interest payable under the Loan granted to Shanghai Yangpu under the Loan Agreement. The other shareholder of Shanghai Yangpu, Shanghai Yangpu KIZ, has granted a guarantee in favour of HSBC to secure 30% of the principal amount and interest under the same Loan.

On the same date, the Company also made the Deposit with HSBC to secure its obligations under the Guarantee.

The Loan bears interest at the 6-month RMB base lending rate stipulated by the People's Bank of China and is repayable on or before 30 March 2007.

The Loan is secured by the Guarantee, the Deposit and the guarantee granted by Shanghai Yangpu KIZ. The Guarantee and the Deposit will last for a period equivalent to the term of the loan under the Loan Agreement.

3. REASONS FOR THE GUARANTEE AND THE DEPOSIT

Shanghai Yangpu is a subsidiary of the Company and a project company engaged in the development of the Company's Shanghai Knowledge and Innovation Community project in Shanghai's Yangpu District. The Company's 70% equity interest in Shanghai Yangpu was acquired from Shui On Company Limited in December 2004 and the remaining 30% equity interest is held by Shanghai Yangpu KIZ, an entity affiliated with the Yangpu District Government.

In December 2004, Shanghai Yangpu entered into an entrusted loan agreement with the Shanghai Enterprise Annuity Fund Development Centre as entrustor, and the Pudong Development Bank as lender. Of the facility of RMB1.5 billion granted to Shanghai Yangpu, RMB875,000,000 was drawn down for the development of the Shanghai Knowledge and Innovation Community project, a city-core development project located adjacent to numerous major universities and colleges in the Yangpu district, northeast of downtown Shanghai. The project comprises restoration of the Jiangwan Sports Stadium and construction of offices, residential and commercial buildings. It is expected to be completed in 2010.

The Shanghai Enterprise Annuity Fund Development Centre is an enterprise under the Shanghai Municipal Labour and Social Security Bureau ("SSB"). According to press reports, an investigation has been commenced by the PRC authorities into the affairs of the SSB, including loans made to property developers, potentially including the entrustment loan to Shanghai Yangpu.

LETTER FROM THE BOARD

Although the Company is not aware of any investigation in relation to the entrustment loan to Shanghai Yangpu, the Board concluded that it would be advisable to refinance that entrustment loan, by taking out the loan under the Loan Agreement and repaying the amount outstanding to the Pudong Development Bank. Following the repayment, the facility granted by the Pudong Development Bank to Shanghai Yangpu has been terminated.

The principal business of the Group is property development in the PRC, including the development, sale, leasing, management and long-term ownership of high quality residential, office, retail, entertainment and cultural properties. The Group's large-scale integrated property projects are based on master plans developed in conjunction with the local governments, and are characterised by the redevelopment and transformation of the neighbourhoods and communities of the cities in which they are located.

The principal business of Shanghai Yangpu KIZ is an investment holding company holding the 30% equity interest in Shanghai Yangpu on behalf of the Yangpu District Government.

4. CONNECTED TRANSACTION

Shanghai Yangpu KIZ is a substantial shareholder of Shanghai Yangpu, a subsidiary of the Company and hence is a connected person of the Company within the meaning of the Listing Rules. As Shanghai Yangpu KIZ holds 30% of the equity interest of Shanghai Yangpu and has the right to appoint directors to the board of Shanghai Yangpu, Shanghai Yangpu is an associate of a connected person and hence itself is also a connected person of the Company within the meaning of the Listing Rules.

The financial assistance provided by the Company to Shanghai Yangpu by way of the provision of the Guarantee and the Deposit constituted a connected transaction for the Company under Rule 14A.13(3) of the Listing Rules.

The Guarantee and the Deposit are on normal commercial terms but the total value of the financial assistance exceeds HK\$10,000,000. Hence, the provision of the financial assistance is subject to the reporting, announcement and independent shareholders' approval requirements in Rules 14A.45 to 14A.47 and 14A.49 to 14A.54 of the Listing Rules.

5. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to advise the Shareholders in respect of the granting of the financial assistance. BNP Paribas has been retained as the Independent Financial Adviser to the Independent Board Committee and the Shareholders.

6. INDEPENDENT SHAREHOLDERS' APPROVAL

According to Rule 14A.43 of the Listing Rules, where independent shareholders' approval of a connected transaction is required, under certain conditions the Stock Exchange may accept that approval of the independent shareholders be given by a resolution in writing, instead of one passed at a shareholders' meeting. Those conditions are that: (a) no shareholder of the listed issuer is required

LETTER FROM THE BOARD

to abstain from voting if the Company were to convene a general meeting for the approval of the connected transaction; and (b) the written independent shareholders' approval has been obtained from a shareholder or closely allied group of shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at that general meeting to approve the connected transaction.

No shareholder of the Company would be required to abstain from voting if the Company were to convene a general meeting for the approval of the connected transaction represented by the provision of the Guarantee and the Deposit.

The provision of the financial assistance has been approved by written approval of Shui On Investment Company Limited, Shui On Properties Limited and New Rainbow Investments Limited, a closely allied group of shareholders all being subsidiaries of Shui On Company Limited and the holders of 563,713,901 Shares, 940,000,000 Shares and 746,695,324 Shares respectively, together representing approximately 53.77% of the Company's issued share capital carrying the right to attend and vote at general meetings of the Company.

Accordingly, an application has been made to the Stock Exchange for, and the Stock Exchange has granted a waiver from the obligation to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules.

7. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders set out on pages 7 to 8 of this circular, to the letter from BNP Paribas, the Independent Financial Adviser to the Company's Independent Board Committee and Shareholders in respect of the granting of the financial assistance set out on pages 9 to 14 of this circular, and to the information set out in the Appendix to this circular.

By Order of the Board
Shui On Land Limited
Lo Hong Sui, Vincent
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Shui On Land Limited

瑞安房地產有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 272)

12 January 2007

To the Shareholders

Dear Shareholder,

CONNECTED TRANSACTION

**PROVISION OF GUARANTEE AND SECURITY DEPOSIT
IN RESPECT OF A LOAN FACILITY FROM A BANK
TO A NON WHOLLY-OWNED SUBSIDIARY**

We refer to the circular (the “Circular”) dated 12 January 2007 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 11 December 2006, the Company and Shui On Development entered into the Guarantee in favour of HSBC to secure 70% of the principal amount and interest payable under the loan of RMB875,000,000 granted to Shanghai Yangpu under the Loan Agreement.

The Company has also made the Deposit with HSBC to secure its obligations under the Guarantee. The other shareholder of Shanghai Yangpu, Shanghai Yangpu KIZ, has granted a guarantee in favour of HSBC to secure 30% of the principal amount and interest under the same loan.

The Independent Board Committee was formed on 9 January 2007 to make a recommendation to the Shareholders as to whether, in its view, the granting of the financial assistance in the form of provision of the Guarantee and making of the Deposit to assist Shanghai Yangpu is fair and reasonable and in the interests of the Company and its Shareholders as a whole. BNP Paribas has been retained as independent financial adviser to advise the Independent Board Committee and Shareholders on the fairness and reasonableness of the granting of financial assistance from a financial perspective.

** for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The terms of and the reasons for the financial assistance in the form of provision of the Guarantee and making of the Deposit to assist Shanghai Yangpu are summarised in the letter from the Board set out on pages 3 to 6 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the financial assistance and the basis upon which their terms have been determined. We have also considered the key factors taken into account by BNP Paribas in arriving at its opinion regarding the granting of the financial assistance as set out in the letter from BNP Paribas on pages 9 to 14 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, amongst other things, the views of BNP Paribas, the independent financial adviser to the Independent Board Committee and the Shareholders, considers the granting of the financial assistance to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
Independent Board Committee of
Shui On Land Limited

Cheng Wai Kin, Edgar
Independent Non-Executive Director

Biddle, Gary Clark
Independent Non-Executive Director

McCarthy, Roger Lee
Independent Non-Executive Director

LETTER FROM BNP PARIBAS



BNP Paribas Capital (Asia Pacific) Limited

63/F Two International Finance Centre
8 Finance Street, Central, Hong Kong
Tel: (852) 28251888 Fax: (852) 2845 5300

12 January 2007

The Independent Board Committee and
the Shareholders of Shui On Land Limited

Dear Sirs,

CONNECTED TRANSACTION

PROVISION OF GUARANTEE AND SECURITY DEPOSIT IN RESPECT OF A LOAN FACILITY FROM A BANK TO A NON WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the provision of the Guarantee and the making of the Deposit, details of which are set out in the Letter from the Board set out on pages 3 to 6 of the circular (the "Circular") dated 12 January 2007 issued by the Company to its Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 21 December 2006, the Board announced that the Company and its wholly-owned subsidiary Shui On Development entered into the Guarantee in favour of HSBC to secure 70% of the principal amount and interest payable under the Loan. The Company also made the Deposit with HSBC to secure its obligations under the Guarantee. The other shareholder of Shanghai Yangpu, Shanghai Yangpu KIZ, granted a guarantee in favour of HSBC to secure 30% of the principal amount and interest under the Loan.

Equity interest of Shanghai Yangpu is held as to 70% by the Company and the remaining 30% by Shanghai Yangpu KIZ. Shanghai Yangpu KIZ is a substantial shareholder of Shanghai Yangpu, a non-wholly owned subsidiary of the Company and hence a connected person of the Company within the meaning of the Listing Rules. As Shanghai Yangpu KIZ holds 30% interest of Shanghai Yangpu and has the right to appoint directors to the board of Shanghai Yangpu, Shanghai Yangpu is an associate of a connected person and hence itself is also a connected person of the Company within the

LETTER FROM BNP PARIBAS

meaning of the Listing Rules. Pursuant to Rule 14A.13(3) of the Listing Rules, the financial assistance provided by the Company to Shanghai Yangpu by way of provision of the Guarantee, together with the Deposit as security for the Company's obligation under the Guarantee, constitute a connected transaction for the Company. Accordingly, the Independent Board Committee has been established to consider the provision of the Guarantee and the making of the Deposit and to advise the Shareholders as to its fairness and reasonableness.

As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to whether the provision of the Guarantee and the making of the Deposit is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Apart from the normal advisory fees for our services as described above, we may receive normal advisory fees for the provision of other financial advisory services to the independent non-executive directors of the Company. As at the Latest Practicable Date, a group of companies ("BNP Paribas Group") to which we belong, provided financings to the Group and certain other group companies of Shui On Company Limited, with an aggregate loan amount less than 1% of total assets of BNP Paribas Group (based on its consolidated balance sheet as at 30 June 2006). Save as described in this letter, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

In addition, as at the Latest Practicable Date, BNP Paribas Arbitrage (HK) Ltd, a member of BNP Paribas Group, held 75,500 Shares, representing approximately 0.002% of the issued share capital of the Company. We do not consider the shareholding interest would affect the objectivity of our advice in respect of the provision of the Guarantee and the making of the Deposit, given the fact that the interests so held in the Company are the same as those held by other Shareholders. The aggregate value of the financings and the said Shares is immaterial in comparison with either the consolidated assets or net assets of the BNP Paribas Group taken as a whole. Accordingly, we are independent of the Company and we consider ourselves suitable to give independent financial advice to the Independent Board Committee and the Shareholders in relation to the provision of the Guarantee and the making of the Deposit.

In formulating our opinion, we have relied on the information and facts supplied by the Company and the opinions expressed by and the representations of the Directors and the management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Company and/or the Directors and management of the Company and all the information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be so in all respects at the date of the Circular. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have no reason to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided. We consider that we

LETTER FROM BNP PARIBAS

have reviewed sufficient information to enable us to reach an informed view. We have not, however, carried out any independent verification of such information, nor have we conducted an independent investigation into the business and affairs of the Company, or the parties involved in the provision of the Guarantee and the making of the Deposit.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us as of the date of the opinion. We have no obligation to update this opinion to take into account subsequent events occurring after this opinion is delivered to the Independent Board Committee and the Shareholders. As a result, circumstances could develop or change subsequent to the date of the Circular that if had they been known at the time we rendered our opinion, would have altered or affected our opinion whether in whole or in part. We assume no responsibility or liability under such circumstances.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our view on the connected transaction, we have taken into consideration the principal factors and reasons as set out below.

Background of the Group and Shanghai Yangpu

The principal business of the Group is property development in the PRC, including the development, sale, leasing, management and long-term ownership of high quality residential, office, retail, entertainment and cultural properties. The Group's large-scale integrated projects are based on master plans developed in conjunction with the local governments, and are characterised by the redevelopment and transformation of the neighbourhoods and communities of the cities in which they are located. As at 30 June 2006, the Group had access to over 8.1 million square metres of gross floor area and open areas and other public facilities under its land use rights certificates, land grant contracts and legally binding master agreements with district government.

Shanghai Yangpu is a project company engaged in the development of the Company's Shanghai Knowledge and Innovation Community project, a city-core development project located adjacent to numerous major universities and colleges in Yangpu district, northeast of downtown Shanghai, one of the fastest growing cities in China. The project comprises restoration of the Jiangwan Sports Stadium and construction of offices, residential and commercial buildings. As advised by the Company, the construction of the project commenced in June 2004 and the project is expected to be completed in 2010. The Directors expect that the total gross floor area of the project will be approximately 537,000 square metres.

The inception of Shanghai Yangpu is in line with the business strategy of the Group. Equity interest of Shanghai Yangpu is held as to 70% by the Company and the remaining 30% by Shanghai Yangpu KIZ, an entity affiliated with the Yangpu District Government. Shanghai Yangpu KIZ is an investment holding company holding the 30% equity interest in Shanghai Yangpu on behalf of the Yangpu District Government. The Company and Shanghai KIZ has nominated four directors and two directors to Shanghai Yangpu, respectively. The Company has control over the board of Shanghai Yangpu and the day-to-day operation of Shanghai Yangpu is managed by the Company as a subsidiary.

LETTER FROM BNP PARIBAS

Basic information of the Loan

The Loan was drawn on 18 December 2006 and is repayable on or before 30 March 2007. Under the Loan Agreement, Shanghai Yangpu is required to pay an upfront fee. Interest will be charged at 6-month RMB base lending rate stipulated by the People's bank of China.

Under the terms of the Loan Agreement, both shareholders of Shanghai Yangpu have provided guarantee in favour of HSBC in the proportion of their equity interests in Shanghai Yangpu to secure the principal amount and interest under the Loan. It is noted that Shanghai Yangpu is an indirect subsidiary of Shui On Development (an entity wholly-owned by the Company) and the Guarantee is provided by the Company and Shui On Development on a joint and several basis. The Company has further made the Deposit to secure its obligation under the Guarantee. The Directors consider that the terms of the Loan Agreement (including the provision of the Guarantee and the making of the Deposit) to be on normal commercial terms.

Reasons for the Loan, the Guarantee and the Deposit

In December 2004, Shanghai Yangpu entered into an entrusted loan agreement with the Shanghai Enterprise Annuity Fund Development Centre as entrustor, and the Pudong Development Bank as lender. Of the facility of RMB1.5 billion granted to Shanghai Yangpu, RMB875,000,000 was drawn down for the development of the Shanghai Knowledge and Innovation Community project. The Shanghai Enterprise Annuity Fund Development Centre is an enterprise under the Shanghai Municipal Labour and Social Security Bureau ("SSB"). Under the terms of the entrustment loan, Shanghai Yangpu pledged certain lands and buildings; the Company and the other shareholder of Shanghai Yangpu, Shanghai Yangpu KIZ, also entered into a guarantee in proportion to their respective beneficial shareholdings in favour of the Pudong Development Bank.

It was reported in the Chinese and Hong Kong press that an investigation had been commenced by the PRC authorities into the affairs of the SSB, including loans made to the property developers, potentially including the entrustment loan to Shanghai Yangpu. As stated in its prospectus (the "Prospectus") dated 20 September 2006, the Company was in the process of negotiating alternative sources of financing to replace the drawn and undrawn portions of the entrustment loan. As stated in the Letter from the Board contained in the Circular, although the Company was not aware of any investigation in relation to the entrustment loan to Shanghai Yangpu, the Board concluded that it would be advisable to refinance the entrustment loan, by taking out the loan under the Loan Agreement and repaying the amount outstanding to the Pudong Development Bank.

It is noted that unless and until Shanghai Yangpu repays the entrustment loan, the Pudong Development Bank will not release the assets pledged to the entrustment loan. It is also noted that, since the available assets of Shanghai Yangpu have already been pledged for project loans including the entrustment loan, no other assets of Shanghai Yangpu are available that they could be pledged for the refinancing of the entrustment loan. In the absence of any pledged assets, under the Loan Agreement, the Company (together with Shui On Development) and Shanghai Yangpu KIZ were requested to grant a guarantee in their capacity as shareholders of, and in the proportion of their equity interests in Shanghai Yangpu for the purpose of facilitating the grant of the Loan as a bridging loan facility to Shanghai Yangpu. The Company was further requested to make the Deposit to secure its

LETTER FROM BNP PARIBAS

obligation under the Guarantee. Under the terms of the Guarantee, HSBC shall be entitled to enforce the Deposit together with the interest earned and the Company's other bank deposits with HSBC to settle the contingent obligation up to the aggregate amount of the principal, the interest accrued and the default penalty arisen from 70% of the Loan at the time of the settlement. The Directors consider that such request not to be unreasonable given the fact that Shanghai Yangpu is a subsidiary of the Company and Shanghai Yangpu KIZ is an investment holding company holding the 30% equity interest in Shanghai Yangpu on behalf of the Yangpu District Government.

The Directors confirm that it is a common practice in the PRC that the lending banks require the provision of corporate guarantee or other forms of securities from a borrower's shareholders, especially in the case when no tangible asset can be pledged to the lending banks. In this respect, it should be noted that the Loan is required to serve as a bridging facility to refinance the entrustment loan.

The Directors advise that the pledged assets consisted of certain lands and buildings with the appraisal value at approximately RMB1,421 million as of 30 June 2006 as set out in the property valuation report dated 20 September 2006 contained in the Prospectus. The Directors believe that with the said assets released as collateral, Shanghai Yangpu is very likely to obtain new banking facilities from financial institutions. In fact, the Company has advised that it is in discussions with some financial institutions with an aim to refinance the Loan before the maturity.

Financial position

The Directors advise that the Company has allocated its readily available funds to make the Deposit of HK\$622,500,000 with HSBC. The Directors confirm that such Deposit will not pose cashflow pressure on the Group. The Deposit is interest-bearing at current market rates and the Directors consider the interest earned from the Deposit will not be significantly different from that earned by placing the Deposit with other financial institutions over the same period of time.

The Guarantee will become a contingent liability of the Company. The exposure under the Guarantee represents approximately 3% of the total assets of the Group as at 31 March 2006 as adjusted for the completion of the Company's global offering with the exercise of the over allotment option. In this relation, it should be noted that Shanghai Yangpu is managed and operated by the Company as a subsidiary. Further, the Directors consider that the realisation of the contingent liability would be remote, after taking into account the prevailing property market situation in Shanghai, and the likely event that refinancing facility would be available once the pledged assets to the entrustment loan is released.

Connected parties

The provision of the Guarantee and the making of the Deposit for the benefit of a non-wholly owned subsidiary, namely Shanghai Yangpu, constitutes a connected transaction for the Company under the Listing Rules. It should be noted that the provision of the Guarantee by the Company (together with Shui On Development) and a separate guarantee by Shanghai Yangpu KIZ are in proportion to their equity interests in Shanghai Yangpu. No guarantee fees are payable by Shanghai Yangpu to the guarantors. The Company has further made the Deposit to secure its obligations under

LETTER FROM BNP PARIBAS

the Guarantee. In this regard, it should be noted that the obligation of the Company to repay the Loan arises from the Guarantee and not the making of the Deposit. It is noted that Shanghai Yangpu and Shanghai Yangpu KIZ, did not have any right to attend and vote in the general meetings of the Company as at the Latest Practicable Date. No Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of this connected transaction. Shui On Investment Company Limited, Shui On Properties Limited and New Rainbow Investments Limited, a closely allied group of shareholders all being subsidiaries of Shui On Company Limited and together holding approximately 53.77% of the Company's issued share capital carrying the right to attend and vote at general meetings of the Company, have already approved the transaction by written approval. The Company has obtained from the Stock Exchange a waiver from strict compliance to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules.

CONCLUSION

Having considered the above principal reasons and factors set out in this letter, we are of the view that the provision of the Guarantee and the making of the Deposit is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking — North Asia

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

(a) *The Company*

Long position in the Shares of the Company

Name of director	Nature of interests	Total number of Shares	Approximate percentage of interests in the Company
Mr. Lo Hong Sui, Vincent	Other	2,250,409,225 ^(Note 1)	53.77%
Dr. Fung Kwok Lun, William	Personal	3,200,000	0.07%

Note:

- (1) The Shares are directly held by subsidiaries of Shui On Company Limited ("SOCL"), namely Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo, Bosrich Holdings Inc. and HSBC International Trustee Limited are deemed to be interested in such Shares under the SFO. Mr. Lo is also deemed to be interested in Shares held by New Rainbow Investments Limited, a wholly owned subsidiary of SOCAM.

As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under section 352 of the SFO.

(b) *Associated Corporation — SOCAM*(i) *Long position in the ordinary shares of SOCAM*

Name of director	Nature of interests	Total number of shares	Approximate percentage of interests in SOCAM
Mr. Lo Hong Sui, Vincent	Other	189,615,000 ^(Note 1)	66.86%
Mr. Wong Ying Wai, Wilfred	Other	189,615,000 ^(Notes 1 & 2)	66.86%
Dr. Fung Kwok Lun, William	Personal	682,000	0.24%

Notes:

- (1) These shares comprised 181,871,000 SOCAM shares beneficially owned by SOCL and 7,744,000 SOCAM shares in which SOCL is deemed to be interested under sections 317 and 318 of the SFO.

The 181,871,000 SOCAM shares beneficially owned by SOCL comprise 166,148,000 SOCAM shares and 15,723,000 SOCAM shares held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares under the SFO.

On 27 August 2002, SOCL granted call options over certain existing SOCAM shares beneficially owned by SOCL to each of Mr. Wong Ying Wai, Wilfred (“Mr. Wilfred Wong”), Mr. Wong Hak Wood, Louis (“Mr. Louis Wong”) and Mr. Wong Yuet Leung, Frankie as part of the incentive reward for the services to SOCAM. 50% of such SOCAM shares transferred to or to be transferred upon exercise of call options shall be subject to a restriction of disposal within 12 months from the date such shares were transferred. Mr. Wilfred Wong and Mr. Louis Wong have exercised all their call options and accordingly are deemed to be parties to an agreement to acquire SOCAM shares under section 317 of the SFO. As such, under section 318 of the SFO, SOCL is deemed to be interested in an aggregate of 7,744,000 SOCAM shares, comprising 3,700,000 SOCAM shares and 3,000,000 SOCAM shares underlying equity derivatives of SOCAM (as explained in note (2) below) owned by Mr. Wilfred Wong and 1,044,000 SOCAM shares owned by Mr. Louis Wong.

- (2) Mr. Wilfred Wong was interested in 3,700,000 SOCAM shares. He was also interested in 3,000,000 SOCAM shares underlying equity derivatives of SOCAM held by Sino Grand Investments Limited (which is wholly owned by Mr. Wilfred Wong). Such underlying shares are unlisted cash settled options with an expiry date of 20 December 2008. The aggregate interests as set out in the table above also include the interests of SOCL and Mr Louis Wong deemed under sections 317 and 318 of the SFO as mentioned in note 1 above.

(ii) *Short position in the ordinary shares of SOCAM*

Name of director	Nature of interest	Total number of shares	Approximate percentage of interest in SOCAM
Mr. Lo Hong Sui, Vincent	Other	1,600,000 ^(Note 1)	0.56%

Note:

- (1) Those shares represent the outstanding balance of the call options granted by SOCL under the call option arrangement mentioned in note (1) to item (A)(b)(i) above.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of SFO); or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(B) **Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as the Directors and the chief executive of the Company were aware, the following persons had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote at general meetings of the Company:

Name	Capacity	Total number of Shares	Approximate percentage of shareholding
HSBC International Trustee Limited	Trustee	2,250,409,225 ^(Note 1)	53.77%
Bosrich Holdings Inc.	Trustee	2,250,409,225 ^(Note 1)	53.77%
Shui On Company Limited	Interest of Controlled Corporation	2,250,409,225 ^(Note 1)	53.77%
Shui On Holdings Limited	Interest of Controlled Corporation	1,503,713,901 ^(Note 2)	35.93%

Name	Capacity	Total number of Shares	Approximate percentage of shareholding
Shui On Investment Company Limited	Beneficial Owner and Interest of Controlled Corporation	1,503,713,901 ^(Note 2)	35.93%
Shui On Properties Limited	Beneficial Owner	940,000,000 ^(Note 2)	22.46%
SOCAM	Interest of Controlled Corporation	746,695,324 ^(Note 3)	17.84%
New Rainbow Investments Limited	Beneficial Owner	746,695,324 ^(Note 3)	17.84%

Notes:

- (1) These Shares are directly held by subsidiaries of SOCL, namely Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary and HSBC International Trustee is the trustee. Accordingly, Mr. Lo Hong Siu, Vincent, HSBC International Trustee Limited and Bosrich Holdings Inc. are deemed to be interested in such Shares under the SFO.
- (2) These Shares comprised 563,713,901 Shares beneficially owned by Shui On Investment Company Limited (“SOI”) and 940,000,000 Shares beneficially owned by Shui On Properties Limited (“SOP”), which is a wholly-owned subsidiary of SOI. SOI is deemed to be interested in the 940,000,000 Shares owned by SOP under the SFO and has an aggregate interest in 1,503,713,901 Shares. SOI is owned by Shui On Holdings Limited. Accordingly, Shui On Holdings Limited is also deemed to be interested in the 1,503,713,901 Shares held by SOI under the SFO.
- (3) These Shares are beneficially owned by New Rainbow Investments Limited, a wholly owned subsidiary of SOCAM. Accordingly, SOCAM is deemed to be interested in such Shares under the SFO.

Save as disclosed herein, the Directors and the chief executive of the Company were not aware of anyone who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 % or more of the issued share capital carrying rights to vote at general meetings of the Company.

(C) Interests in other members of the Group

Save as disclosed below, as at the Latest Practicable Date and so far as the Directors and the chief executive of the Company were aware, there were no other persons other than the Directors or chief executive of the Company or his respective associate(s) who were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of owner of shares or equity interest	Name of non-wholly owned subsidiary of the Company	Approximate % of shareholding
Equity Millennium Limited	Bondwise Profits Limited	20%
	Cititop Pacific Limited	20%
	Galore Profits Limited	20%
	Globe State Properties Limited	20%
	Oriental Gain Limited	20%
	Profitstock Holdings Limited	20%
	Shanghai Jing-Fu Property Co., Ltd.	19.8%
	Shanghai Lakeville Properties Co. Ltd.	19.8%
Shun Hing China Investment Limited	Bondwise Profits Limited	10%
	Cititop Pacific Limited	10%
	Galore Profits Limited	10%
	Globe State Properties Limited	10%
	Oriental Gain Limited	10%
	Profitstock Holdings Limited	10%
Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.	Shanghai Yangpu Centre Development Co., Ltd.	30%

(D) Material Interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Company since 31 March 2006, being the date to which the latest published audited financial statements of the Company were made up, which is subsisting at the date of this circular and is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors or any professional advisers named in paragraph 8 of this Appendix had since 31 March 2006, being the date to which the latest published audited financial statements of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

Mr Lo Hong Sui, Vincent is the Chairman and Chief Executive Officer of the Company, and the ultimate controlling shareholder, Chairman and Chief Executive Officer of the Shui On Group. The core businesses of the Shui On Group include property development and investment projects in Hong Kong, New York and the PRC, as more fully described in the section headed "Relationship with the Shui On Group" of the Company's prospectus dated 20 September 2006. The Company has entered into a non-competition agreement with Shui On Company Limited (the ultimate holding company of the Shui On Group) and Mr. Lo Hong Sui, Vincent pursuant to which Shui On Company Limited and Mr Lo Hong Sui, Vincent have severally undertaken not to compete with the business of the Company. For more details, see the section headed "Relationship with the Shui On Group" of the Company's prospectus dated 20 September 2006.

Save as referred to herein, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which compete or may compete with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 March 2006, being the date to which the latest published audited financial statements of the Company were made up.

7. CONSENTS

BNP Paribas has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they respectively appear.

8. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the professional advisers who have given opinions or advice contained in this circular:

Names	Qualifications
BNP Paribas	A licensed corporation in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, BNP Paribas Arbitrage (HK) Ltd, a member of a group of companies to which BNP Paribas belongs held 75,500 Shares, representing approximately 0.002% of the issued share capital of the Company. Save as disclosed above, as at the Latest Practicable Date, BNP Paribas was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Uy Kim Lun, a qualified lawyer in Hong Kong.
- (b) The qualified accountant of the Company is Mr. Feng Wo Yin, Derek, a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (c) The registered office of the Company is Walker House, 87 Mary Street, PO Box 908GT, George Town, Grand Cayman, Cayman Islands.
- (d) The place of business in Hong Kong is 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Freshfields Bruckhaus Deringer at 11th Floor, 2 Exchange Square, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including 25 January 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee set out in this circular;
- (c) the letter of advice from BNP Paribas to the Independent Board Committee and the Shareholders set out in this circular;
- (d) the letter of consent from BNP Paribas referred to in paragraph 7 of this Appendix;
- (e) the Guarantee; and
- (f) the Loan Agreement.