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If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION

**Disposal of 25% equity interest in Rightchina, and
an option for (i) the acquisition by WCL or its Affiliate of
an additional 25% equity interest in Rightchina; and
(ii) the assignment to WCL or its Affiliate of
the Additional Shareholders' Loans**

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

- (a) Provision of Guarantees and receipt of Loan Guarantee Fees**
(b) Provision of Shareholders' Loans

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



A letter from the Independent Board Committee is set out on pages 19 and 20 of this circular.

A letter from BNP Paribas, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 21 to 31 of this circular.

** for identification purposes only*

22 September 2008

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Additional Shareholders’ Loans”	the amount (if any) of the shareholders’ loans made by SHL to Rightchina between the Closing Date and the Option Closing Date (both dates inclusive) which is attributable to the Option Shares;
“Affiliate”	has the meaning ascribed to it in the section headed “Letter from the Board — The Transaction — Assignment and transfer” in this circular;
“Announcement”	the announcement of the Company dated 21 August 2008 in respect of, among other things, the Transaction, the provision of Guarantees and receipt of Loan Guarantee Fees and the provision of Shareholders’ Loans;
“associate”	has the meaning ascribed to it under 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 Independent 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;
“Business Day”	a day other than a Saturday or Sunday or public holiday on which banks are open in Hong Kong, the Cayman Islands and the PRC for general commercial business;
“Call Option”	an irrevocable call option granted by SHL to WCL for, subject to Closing, the acquisition of the Option Shares by WCL or its Affiliate and the assignment of the Additional Shareholders’ Loans to WCL or its Affiliate as contemplated under the Sale and Purchase Agreement;
“Closing”	closing of the Disposal;
“Closing Date”	the date of Closing;
“Company”	Shui On Land Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;

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“Construction Cost”	the total construction cost incurred and to be incurred for the purpose of or in connection with the development of the Super High Rise Project together with all related shared public facilities and infrastructures;
“Corporate Reorganisation”	the corporate reorganisation procedures carried out by the Group as provided in the Sale and Purchase Agreement, which comprise, among other things, the creation of Class A ordinary shares of GHL and Class B ordinary shares of GHL, the respective holders of which will have attributable interests in the Normal Assets Project and the Super High Rise Project, respectively, which was completed on 28 August 2008;
“CSO”	Chongqing Shui On Tiandi Property Development Company Limited (重慶瑞安天地房地產發展有限公司), a Sino-foreign joint venture company established under the laws of the PRC and a non wholly-owned subsidiary of the Company, which owns the land use rights relating to the Super High Rise Project and 99% of whose equity interest is owned by GHL;
“Development Cost”	the aggregate of the Construction Costs, interest expenses and sales and marketing costs and the Relocation and Land Costs incurred or to be incurred in connection with the development of the Super High Rise Project and the sales and marketing of the property units developed pursuant to the Super High Rise Project;
“Directors”	the directors of the Company;
“Disposal”	disposal of the Sale Shares by SHL to WCL in accordance with the terms of the Sale and Purchase Agreement;
“Existing Term Loans”	all the amount of loans for the Super High Rise Project provided by SHL to GHL up to Closing together with the interests accrued thereon calculated with reference to market rate, which will not be assigned to WCL pursuant to the Sale and Purchase Agreement and are repayable after all New Shareholders’ Loans are repaid;
“First Instalment”	the first instalment of the consideration for the Disposal in the amount of RMB612.6 million (approximately HK\$696.1 million), which is payable by WCL to SHL on or before the earlier of the Closing Date and 29 August 2008;
“GHL”	Grand Hope Limited (僑雄有限公司), a company incorporated under the laws of Hong Kong and a non wholly-owned subsidiary of the Company;

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“Group”	the Company and its subsidiaries;
“Guarantees”	guarantees or other forms of recourse to be provided by the Group and/or WCL or its Affiliate to facilitate the making of loans by the Rightchina Group’s banking sources and other third party financial institutions for the business to be carried on by the Rightchina Group;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of the Board comprising Dr. Edgar W. K. CHENG, Professor Gary C. BIDDLE and Dr. Roger L. McCARTHY, each being an independent non-executive director of the Company, formed to consider the matters referred to in this circular and advise the Independent Shareholders on whether the terms of the Transaction, the provision of the Guarantee and the provision of Shareholders’ Loans are fair and reasonable;
“Independent Shareholders”	all the Shareholders as no Shareholder is required to abstain from voting in relation to the approval of the Transaction, the provision of Guarantees and the provision of Shareholders’ Loans;
“Latest Practicable Date”	17 September 2008, being the latest practicable date for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Guarantee Fees”	the resulting guarantee fees payable by WCL or its Affiliate to the Group in the event WCL or its Affiliate does not provide its proportionate share of a Guarantee;
“New Shareholders’ Loans”	future additional shareholders’ loans to be provided by SHL and/or WCL or its Affiliate for the Super High Rise Project;
“Normal Assets Project”	the assets (other than the Super High Rise Project) indirectly owned by Rightidea through GHL after the Corporate Reorganisation;
“Option Closing”	closing of the acquisition of the Option Shares by WCL or its Affiliate and the assignment of Additional Shareholders’ Loans to WCL or its Affiliate upon the exercise of the Call Option;

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“Option Closing Date”	the date of Option Closing;
“Option Shares”	the shares in Rightchina registered in the name of SHL representing 25% of the fully diluted equity interest in Rightchina at the Option Closing Date;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Relocation and Land Costs”	the total costs incurred and to be incurred for the purpose of or in connection with obtaining the land use rights relating to the land where the Super High Rise Project is situated, and the expropriation and clearing of the said land so as to render the said land ready for development purposes;
“Rightchina”	Rightchina Limited (偉華有限公司), a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of SHL;
“Rightchina Group”	Rightchina and its subsidiaries;
“Rightchina Shareholders’ Agreement”	an agreement between SHL, WCL, Rightchina and GHL in relation to the regulation of their shareholdings in, and the management of, Rightchina;
“Rightidea”	Rightidea Limited (正思有限公司), a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of SHL;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 21 August 2008 entered into between SHL and WCL in relation to the Transaction and the Call Option (as amended by the Supplemental Agreement);
“Sale Shares”	the shares in Rightchina representing 25% of the equity interest in Rightchina at the Closing Date;
“Second Instalment”	the second instalment of the consideration for the Disposal in the amount of RMB204.2 million (approximately HK\$232 million), which is payable by WCL to SHL on or before 31 October 2008;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of ordinary shares of the Company;
“Shareholders’ Loans”	collectively, the Existing Term Loans and the New Shareholders’ Loans;
“SHL”	Score High Limited, a company incorporated under the laws of the British Virgin Islands and a non wholly-owned subsidiary of the Company;
“SHL Shareholders’ Agreement”	an agreement (as supplemented) between Shui On Development (Holding) Limited, WCL and SHL in relation to the regulation of their shareholdings in, and the management of, SHL;
“SOCAM”	Shui On Construction and Materials Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange (Stock code: 983);
“SOCL”	Shui On Company Limited, the controlling shareholder interested in approximately 54.41% of the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Super High Rise Project”	a development project in Chongqing Municipality, the PRC, situated to the south of Rui Tian Road (瑞天路), to the west of Jia Hua Bridge (嘉華大橋), to the north of Hua Sheng Road (華盛路), and to the east of Jia Jin Road (嘉金路), in Chongqing, the PRC, comprising primarily office, retail and other commercial space including car park space with a maximum gross floor area of approximately 684,915 square metres at Closing;
“Supplemental Agreement”	the supplemental agreement dated 29 August 2008 entered into between SHL and WCL for, inter alia, the revision of the instalment amounts of the consideration for the Disposal as provided in the Sale and Purchase Agreement;

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“Third Instalment”	the third instalment of the consideration for the Disposal in the amount of RMB204.2 million (approximately HK\$232 million), which is payable by WCL to SHL on or before 31 March 2009;
“Transaction”	collectively, the Disposal and the Call Option;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“WCL”	Winnington Capital Limited, a company incorporated under the laws of Hong Kong.

Unless otherwise specified in this circular and for the purpose of illustration only, RMB is translated to HK\$ at the rate of HK\$1.00 = RMB0.88. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Vincent H. S. LO

(Chairman and Chief Executive Officer)

Mr. William T. ADDISON

Non-executive Director:

The Honourable LEUNG Chun Ying

Independent Non-executive Directors:

Sir John R. H. BOND

Dr. Edgar W. K. CHENG

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

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Wan Chai

Hong Kong

22 September 2008

To the Shareholders,

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION

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an option for (i) the acquisition by WCL or its Affiliate of
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(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

- (a) Provision of Guarantees and receipt of Loan Guarantee Fees**
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* for identification purposes only

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcements of the Company dated 21 August 2008 and 29 August 2008 respectively in respect of, among other things, the Transaction, the provision of Guarantees and the provision of Shareholders' Loans.

On 21 August 2008, SHL, a non wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with WCL pursuant to which WCL will acquire from SHL a 25% equity interest in Rightchina, a wholly-owned subsidiary of SHL, for a total consideration of RMB1,021 million (approximately HK\$1,160.2 million). SHL has also, subject to Closing, granted to WCL an irrevocable call option for the acquisition by WCL or its Affiliate of a further 25% equity interest in Rightchina and the assignment to WCL or its Affiliate of the Additional Shareholders' Loans at an exercise price of approximately RMB1,072 million (approximately HK\$1,218.2 million) plus an amount equivalent to the Additional Shareholders' Loans. The major asset of Rightchina is a 99% attributable interest in the Super High Rise Project.

On the 29 August 2008, SHL and WCL entered into the Supplemental Agreement to revise (i) the respective amount of the instalments of the consideration for the Disposal payable under the Sale and Purchase Agreement; and (ii) the interest in Rightchina to be charged by WCL in favour of SHL upon Closing to secure the payment of the Second Instalment and the Third Instalment (including the corresponding interest thereon).

SHL, WCL, Rightchina and GHIL will enter into the Rightchina Shareholders' Agreement upon Closing, pursuant to which the Group may provide Guarantees, and further, in the event where the Group has agreed to provide WCL's or its Affiliate's proportionate share of a Guarantee, WCL or its Affiliate shall give Loan Guarantee Fees to the Group. The Company expects that the amount of provision of Guarantees by the Group at any time during the financial years ending 31 December 2008, 2009 and 2010 will not exceed annual caps of RMB200 million (approximately HK\$227.3 million), RMB500 million (approximately HK\$568.2 million) and RMB1,000 million (approximately HK\$1,136.4 million), respectively. The Company expects that the amount of receipt of Loan Guarantee Fees from WCL or its Affiliate for the financial years ending 31 December 2008, 2009 and 2010 will not exceed annual caps of RMB4 million (approximately HK\$4.5 million), RMB10 million (approximately HK\$11.4 million) and RMB20 million (approximately HK\$22.7 million), respectively.

At the date of 30 June 2008, the Existing Term Loans amounted to approximately RMB543 million (approximately HK\$617.0 million). Further, SHL, WCL, Rightchina and GHIL will enter into the Rightchina Shareholders' Agreement upon Closing, pursuant to which SHL may be required to provide New Shareholders' Loans to the Rightchina Group. The Company expects that the amount of provision of Shareholders' Loans at any time during the financial years ending 31 December 2008, 2009 and 2010 will not exceed annual caps of RMB745 million (approximately HK\$846.6 million), RMB900 million (approximately HK\$1,022.7 million), and RMB1,000 million (approximately HK\$1,136.4 million), respectively.

The Transaction constitutes a discloseable and connected transaction of the Company for the purposes of the Listing Rules. If the Call Option is exercised and the transfer of the Option Shares is completed, Rightchina will become a connected person of the Company. Therefore, (i) the provision of Guarantees and the receipt of Loan Guarantee Fees; and (ii) the provision of Shareholders' Loans, constitute possible continuing connected transactions of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further details of, among other things, the Transaction, the provision of Guarantees and the provision of Shareholders' Loans and to set out the opinion of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction, the provision of Guarantees and the provision of Shareholders' Loans.

THE TRANSACTION

The Sale and Purchase Agreement and the Supplemental Agreement

Date:

21 August 2008 and 29 August 2008

Parties:

- (1) SHL, a non wholly-owned subsidiary of the Company (as the seller); and
- (2) WCL (as the purchaser).

Before Closing, Shui On Development (Holding) Limited (a wholly-owned subsidiary of the Company) and WCL hold 80.2% and 19.8% of the equity interests in SHL, respectively.

WCL is a connected person of the Company by virtue of its shareholdings in certain subsidiaries of the Company.

Subject matter:

The transactions contemplated under the Sale and Purchase Agreement involve (i) the Disposal, i.e. the disposal by SHL to WCL of the Sale Shares, representing 25% equity interest in Rightchina at the Closing Date; and (ii) subject to Closing, the grant of the Call Option by SHL to WCL, i.e. an irrevocable call option for the acquisition by WCL or its Affiliate of the Option Shares, representing a further 25% equity interest in Rightchina at the Option Closing Date, and the assignment to WCL or its Affiliate of the Additional Shareholders' Loans.

Rightidea and Rightchina are non wholly-owned subsidiaries of the Company. Rightidea owns the entire issued Class A ordinary shares of GHL and Rightchina owns the entire issued Class B ordinary shares of GHL. GHL is an investment holding company and in turn holds a 99% equity interest in CSO. 重慶渝中國有資產經營管理有限責任公司 (Chongqing Yuzhong State-owned Assets Management Company Limited), an independent third party of the Company, holds the remaining 1% equity interest in CSO. CSO's interests in the Normal Assets Project and the Super High Rise Project will be attributed to the holder of Class A ordinary shares of GHL and the holder of Class B ordinary shares of GHL, respectively. Accordingly, the major asset of Rightchina will be a 99% attributable interest in the Super High Rise Project.

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The Super High Rise Project is an integrated commercial development project situated to the south of Rui Tian Road (瑞天路), to the west of Jia Hua Bridge (嘉華大橋), to the north of Hua Sheng Road (華盛路), and to the east of Jia Jin Road (嘉金路), in Chongqing, the PRC. The Group expects to commence development of the Super High Rise Project in various phases.

Consideration for the Disposal

Pursuant to the Sale and Purchase Agreement and the Supplemental Agreement, the total consideration for the Disposal is RMB1,021 million (approximately HK\$1,160.2 million) in cash. The First Instalment was settled by WCL on 29 August 2008. The Second Instalment and the Third Instalment, each together with the interest accrued thereon, will be paid by WCL to SHL on or before 31 October 2008 and 31 March 2009, respectively. Such payments of the consideration for the Disposal will be made in US\$ at the prevailing exchange rate to be determined with reference to the average exchange rate on each of the five Business Days immediately preceding the date of the relevant payment. WCL will charge its 10% equity interest in Rightchina in favour of SHL upon Closing to secure the payment of the Second Instalment and the Third Instalment (including the corresponding interest thereon).

The Disposal was negotiated and entered into on an arm's length basis and on normal commercial terms. The total consideration for the Disposal was determined with reference to the current location and investment appeal of the Super High Rise Project, and the future development potential of the Super High Rise Project, taking into account the Group's history, expertise and experience in constructing large-scale commercial project developments in the PRC. As disclosed in the paragraph headed "The Transaction — Financial information on Rightchina" in this circular below, subject to review by the auditors of the Company, the Group expects to record a gain of approximately RMB800 million as a result of the Closing, accordingly, the Directors consider that consideration for the Disposal is fair and reasonable.

Conditions

Closing is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

- (i) the obtaining of approvals of the Shareholders for the Sale and Purchase Agreement and the transactions contemplated in the Sale and Purchase Agreement as may be required by the Listing Rules or a waiver from such requirement of approval being obtained from the Stock Exchange, the conditions of which will not result in a material change to the terms of the Sale and Purchase Agreement;
- (ii) (where deemed appropriate by SHL), the obtaining of written acknowledgement(s) from financial institution(s) consenting to the Transaction;
- (iii) the completion of the Corporate Reorganisation; and
- (iv) the warranties provided by each of SHL and WCL under the Sale and Purchase Agreement being true and accurate in all material aspects at the Closing Date.

LETTER FROM THE BOARD

The waiver from the Stock Exchange as set out in (i) above was granted on 25 August 2008 and the Corporate Reorganisation was completed on 28 August 2008.

Closing

Given the above condition (ii) has not been satisfied by 29 August 2008 and SHL is able to demonstrate to WCL's reasonable satisfaction that such condition can be satisfied within a reasonable period of time after 29 August 2008, the Closing Date will be postponed from 29 August 2008 to a date no later than 31 October 2008. If the above condition (ii) still cannot be satisfied by the said deferred date of Closing, then SHL will transfer back the First Instalment to WCL together with the interest accrued thereon and the Sale and Purchase Agreement will terminate immediately.

Call Option

As part of the transactions contemplated under the Sale and Purchase Agreement, SHL has also, subject to Closing, granted the Call Option to WCL, which is exercisable by WCL or its Affiliate at its discretion during the period commencing from 1 December 2008 and ending on 31 December 2008, for the acquisition from SHL by WCL or its Affiliate of the Option Shares, representing a further 25% equity interest in Rightchina at the Option Closing Date, and the assignment to WCL or its Affiliate of the Additional Shareholders' Loans at an exercise price of approximately RMB1,072 million (approximately HK\$1,218.2 million) and an amount equivalent to the Additional Shareholders' Loans. The maximum amount of the Additional Shareholders' Loans to be assigned to WCL or its Affiliate is expected to be no more than RMB50 million (approximately HK\$56.8 million). The payment of such exercise price will be made by WCL or its Affiliate to SHL in US\$ at the prevailing exchange rate to be determined with reference to the average exchange rate on each of the five Business Days immediately preceding the date of payment of such price. The Company will issue an announcement upon exercise, expiry or transfer of the Call Option in accordance with the requirements under the Listing Rules. There is no price payable by WCL to acquire the Call Option.

Option Closing is conditional upon WCL or its Affiliate having paid the Second Instalment and the Third Instalment together with their respective accrued interest. The Option Closing Date will be 30 September 2009, or such earlier or later date as the parties may agree in writing.

The Call Option was negotiated on an arm's length basis and on normal commercial terms. The exercise price of the Call Option was determined with reference to the current location and investment appeal of the Super High Rise Project, and the future development potential of the Super High Rise Project, taking into account the Group's history, expertise and experience in constructing large-scale commercial project developments in the PRC. As disclosed in the paragraph headed "The Transaction — Financial information on Rightchina" in this circular below, subject to review by the auditors of the Company, the Group expects to record a gain of approximately RMB840 million as a result of the Option Closing, accordingly, the Directors consider that exercise price of the Call Option is fair and reasonable.

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Rightchina Shareholders' Agreement

SHL, WCL, Rightchina and GHIL will enter into the Rightchina Shareholders' Agreement upon Closing.

Business

The business of Rightchina is to invest in and, through its subsidiaries or otherwise in the manner set out in the Rightchina Shareholders' Agreement, to develop, sell and operate the Super High Rise Project and to manage the properties or any other development erected in relation thereto.

Board representation

The board of Rightchina will comprise up to 4 directors. Upon Closing, SHL and WCL or its Affiliate will be entitled to nominate a total of three directors and one director for appointment to the board of Rightchina, respectively. After the Option Closing, each of SHL and WCL or its Affiliate will be entitled to nominate a total of two directors for appointment to the board of Rightchina. Subject to SHL and its affiliates holding in aggregate no less than 47% of the equity interest in Rightchina, the chairman of the board of Rightchina will be a director nominated by SHL, who will not have a casting vote as stipulated in the Rightchina Shareholders' Agreement.

Funding

The funding in relation to the Super High Rise Project under the Rightchina Shareholders' Agreement is summarised below:

- (i) The Development Costs will be financed by borrowings from the banking sources of the Rightchina Group and other third party financial institutions or Development Cost loans mentioned in paragraph (ii) below. The shareholders of Rightchina may (but are not obliged to) provide Guarantees in proportion with their respective equity interest in Rightchina to secure such borrowings. If WCL or its Affiliate does not provide its respective portion of such Guarantees, the Group has a right to provide such Guarantees and is entitled to receive a Loan Guarantee Fee from WCL or its Affiliate.
- (ii) To the extent that external providers of finance for all or some of the Development Costs are unavailable, the shareholders of Rightchina shall fund the shortfall amount in proportion with their respective equity interest in Rightchina by making available New Shareholders' Loans to Rightchina on terms to be mutually agreed between the parties. The terms of each New Shareholders' Loan shall, unless unanimously agreed by the shareholders, be based on terms reasonably obtainable by Rightchina for loans of similar amounts and for similar durations from reputable banks or financial institutions in Hong Kong.

Assignment and transfer

Under the Sale and Purchase Agreement and the Rightchina Shareholders' Agreement, WCL may assign and/or novate its rights and/or obligations thereunder to its affiliate. Also, WCL may transfer its shares in Rightchina to its affiliate, who shall be bound by the Rightchina Shareholders' Agreement and assume the benefits thereof. Such transferee, assignee or novatee shall be referred to as "Affiliate".

LETTER FROM THE BOARD

SHL Shareholders' Agreement

Shui On Development (Holding) Limited, WCL and SHL will enter into an addendum to record the terms upon which they have agreed to supplement and amend certain provisions of the SHL Shareholders' Agreement as a result of the Corporate Reorganisation.

Financial information on Rightchina

Based on the unaudited consolidated financial statements of Rightchina for the year ended 30 June 2008, Rightchina had an unaudited proforma consolidated net liability value of approximately RMB1 million (approximately HK\$1.1 million). Based on the unaudited proforma consolidated financial statements of Rightchina for the years ended 31 December 2006 and 31 December 2007, the unaudited proforma consolidated net losses both before and after taxation of Rightchina were approximately RMB0.3 million (approximately HK\$0.3 million) and RMB0.2 million (approximately HK\$0.2 million), respectively.

Subject to review by the auditors of the Company, the Group expects to record a gain of approximately RMB800 million (approximately HK\$909.1 million) as a result of the Closing and a further gain of approximately of RMB840 million (approximately HK\$954.5 million) as a result of the Option Closing. These gains are calculated based on the difference between the consideration, net of transaction costs, and the pro-rata net liabilities of Rightchina of approximately RMB0.3 million, multiplied by the equity interest of SHL attributable to the Group. The gain as a result of the Option Closing is subject to further adjustment on fair value and change in pro rata consolidated asset value of Rightchina for the period from the Closing Date to the exercise date of the Call Option.

After completion of the Disposal but before the Call Option is exercised and the transfer of the Option Shares is completed, Rightchina Group will remain as subsidiaries of the Company. The results of Rightchina Group will continue to be consolidated into the results of the Group. The expected gain arising from the Disposal of approximately RMB800 million (approximately HK\$909.1 million) as abovementioned, which is subject to review by the auditors of the Company, will be recognised after completion of the Disposal, and the total assets of the Group will be increased by RMB1,021 million (approximately HK\$1,160.2 million) upon receiving the consideration for the Disposal in cash. Save as aforesaid, it is expected that the Disposal will not have any other material impact to the financial results as well as the assets and liabilities of the Group.

After the Call Option is exercised and the transfer of the Option Shares is completed, assuming SHL does not dispose of any of its shares in Rightchina, SHL will hold 50% of the issued share capital in Rightchina and Rightchina Group will cease to be subsidiaries of the Company. Accordingly, the results and financial positions of Rightchina Group will no longer be consolidated into the Group and they will be accounted for as associates by using equity method of accounting. The expected gain arising from the Option Closing of approximately RMB840 million (approximately HK\$954.5 million) as abovementioned, which is subject to review by the auditors of the Company, will be recognised after the Option Closing, and the total assets of the Group will be increased by RMB1,072 million (approximately HK\$1,218.2 million) upon receiving the exercise price for the Option Shares in cash. In addition, the prepaid lease payments and the properties under development will be decreased by approximately RMB456 million (approximately HK\$518.2 million) and RMB91 million

LETTER FROM THE BOARD

(approximately HK\$103.4 million) respectively, and there will be an increase in a loan to an associate by approximately RMB547 million (approximately HK\$621.6 million). Save as aforesaid, it is expected that the exercise of the Call Option by WCL will not have any other material impact to the financial results as well as the assets and liabilities of the Group.

At the Latest Practicable Date, the Group did not intend to sell the remaining 50% of the issued share capital in Rightchina to be held by SHL after the Closing and the Option Closing.

Reasons for the Transaction

The Group considers the Transaction as one of the opportunities to form strategic partnerships with investors for leveraging their brand equity as well as their expertise and advice in financial management, investment evaluation, property development and property management, as the increase of WCL's interest in Rightchina after the Disposal can strengthen the relationship between the Group and WCL and the Call Option can motivate WCL to mobilise efforts, resources and experts for the future growth of the Rightchina Group. The Transaction also allows the Group to potentially accelerate the development schedules and undertake more new projects, and at the same time, manage its investment risks by diversifying its capital commitments without overly exposing itself to any particular project.

The Directors (including the independent non-executive Directors) consider that the Transaction is on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The proceeds from the Transaction will be used for the Group's general working capital purposes.

PROVISION OF GUARANTEES AND RECEIPT OF LOAN GUARANTEE FEES

As mentioned in the paragraph headed "The Transaction — Rightchina Shareholders' Agreement — Funding" in this circular above, SHL, WCL, Rightchina and GHIL will enter into the Rightchina Shareholders' Agreement upon Closing, pursuant to which the Group may provide Guarantees for the purpose of financing the Development Costs. The requirement of Development Costs may be realised in the form of banking facilities. Provision of guarantees may facilitate the obtaining of the bank loans for financing the development of the Super High Rise Project. In the event where the Group agrees to provide WCL's or its Affiliate's proportionate share of a Guarantee, WCL or its Affiliate shall give Loan Guarantee Fees to the Group for its input.

LETTER FROM THE BOARD

The Company expects that the amount of provision of Guarantees by the Group at any time during the following financial years will not exceed the following annual caps:

	The financial year ending 31 December		
	2008	2009	2010
Annual caps	RMB200 million (approximately HK\$227.3 million)	RMB500 million (approximately HK\$568.2 million)	RMB1,000 million (approximately HK\$1,136.4 million)

The above annual caps with respect to the provision of Guarantees are determined with reference to estimated amount of external financing which may be required for Super High Rise Project.

The Company expects that the amount of receipt of Loan Guarantee Fees from WCL or its Affiliate for the following financial years will not exceed the following annual caps:

	During the financial year ending 31 December		
	2008	2009	2010
Annual caps	RMB4 million (approximately HK\$4.5 million)	RMB10 million (approximately HK\$11.4 million)	RMB20 million (approximately HK\$22.7 million)

The above annual caps in respect of the receipt of Loan Guarantee Fees are determined with reference to, as appropriate, the difference in interest rates of the loans provided to the Rightchina Group that would have been applicable if no Guarantee is given by the Group or WCL or its Affiliate (as the case may be).

The Directors (including the independent non-executive Directors) consider that although the provision of Guarantees and the receipt of Loan Guarantee Fees are not in the ordinary and usual course of business, they are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

PROVISION OF SHAREHOLDERS' LOANS

At the date of 30 June 2008, the Existing Term Loans amounted to approximately RMB543 million (approximately HK\$617.0 million). Further, as mentioned in the paragraph headed "The Transaction — Rightchina Shareholders' Agreement — Funding" in this circular above, SHL, WCL, Rightchina and GHF will enter into the Rightchina Shareholders' Agreement upon Closing, pursuant to which SHL may be required to provide New Shareholders' Loans to the Rightchina Group. The purpose of the Shareholders' Loans is to finance the Development Costs. Where the external banking facilities are unavailable to fund the Development Costs due to any reason, the shareholders of Rightchina shall provide Shareholders' Loans to fund the shortfall amount in accordance with their shareholding proportion upon mutual agreement, which may facilitate the development of the Super High Rise Project.

LETTER FROM THE BOARD

The Company expects that the amount of provision of Shareholders' Loans at any time during the following financial years will not exceed the following annual caps:

	The financial year ending 31 December		
	2008	2009	2010
Annual caps	RMB745 million (approximately HK\$846.6 million)	RMB900 million (approximately HK\$1,022.7 million)	RMB1,000 million (approximately HK\$1,136.4 million)

The above annual caps are determined with reference to the current estimated Development Costs during each of the financial years ending 31 December 2008, 2009 and 2010, and the amount of Existing Term Loans outstanding in each of the respective years.

The Directors (including the independent non-executive Directors) consider that although the provision of Shareholders' Loans is not in the ordinary and usual course of business, it is on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Transaction

As the relevant percentage ratios under the Listing Rules in respect of the Transaction are less than 25%, the Transaction constitutes a discloseable transaction of the Company. WCL is a connected person of the Company by virtue of its shareholdings in certain subsidiaries of the Company. Therefore, the Transaction also constitutes a connected transaction of the Company, with not all of the relevant percentage ratios under the Listing Rules in respect of the Transaction being less than 2.5%. Accordingly, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The provision of Guarantees, the receipt of Loan Guarantee Fees, and the provision of Shareholders' Loans

If the Call Option is exercised and the transfer of the Option Shares is completed, Rightchina will become a connected person of the Company. Therefore, (i) the provision of Guarantees and the receipt of Loan Guarantee Fees; and (ii) the provision of Shareholders' Loans, constitute possible continuing connected transactions of the Company. As not all of the relevant percentage ratios under the Listing Rules with reference to the annual caps in respect of (i) the provision of Guarantees; and (ii) the provision of Shareholders' Loans, are less than 2.5%, such continuing connected transactions are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. As all of the relevant percentage ratios under the Listing Rules with reference to the annual caps in respect of the receipt of Loan Guarantee Fees are less than 2.5%, such continuing connected transactions are subject to the reporting and announcement requirements under the Listing Rules.

LETTER FROM THE BOARD

INFORMATION REGARDING THE GROUP AND WCL

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.

WCL engages principally in the provision of consultancy, financial, investment and project co-ordinating services.

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 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 the general meeting to approve the connected transaction.

Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited, a closely allied group of Shareholders, each being a subsidiary of SOCL, at the date of the Announcement held 940,000,000 shares, 941,678,594 shares and 396,071,631 shares of the Company, respectively. Together they held approximately 54.41% of the entire issued share capital of the Company at the date of the Announcement. Since none of the Shareholders is required to abstain from voting on (i) the entering into of the Sale and Purchase Agreement; (ii) the Transaction; (iii) the provision of Guarantees; and (iv) the provision of Shareholders' Loans, written approvals of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited have been obtained for the purpose of approving the above transactions in lieu of an approval from the Independent Shareholders at a shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

An application has been made by the Company to the Stock Exchange for, and the Stock Exchange has granted to the Company on 25 August 2008, a waiver of the requirement for the Company to hold a shareholders' meeting in accordance with Rule 14A.43 of the Listing Rules, on the basis that the above transactions have been approved by a written approval of a closely allied group of Shareholders.

An Independent Board Committee of the Company has been established to advise the Independent Shareholders, and the Independent Financial Adviser has been retained to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the above transactions.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are fair and reasonable, and that the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) would recommend the Independent Shareholders to vote in favour of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans if a physical shareholders' meeting was to be held.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 19 and 20 of this circular, to the letter from BNP Paribas, the Independent Financial Adviser, to the Independent Board Committee and Independent Shareholders in respect of the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans set out on pages 21 to 31 of this circular, and to the information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

22 September 2008

To the Independent Shareholder(s)

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION

**Disposal of 25% equity interest in Rightchina, and
an option for (i) the acquisition by WCL or its Affiliate of
an additional 25% equity interest in Rightchina; and
(ii) the assignment to WCL or its Affiliate of
the Additional Shareholders' Loans**

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

- (a) Provision of Guarantees and receipt of Loan Guarantee Fees**
(b) Provision of Shareholders' Loans

We refer to the circular (the "Circular") dated 22 September 2008 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.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are fair and reasonable and in the interests of the Company and the Shareholders as a whole. BNP Paribas has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans.

** for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 18 of the Circular and the text of a letter of advice from BNP Paribas, as set out on pages 21 to 31 of the Circular, both of which provide details of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans.

Having considered the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans, the advice of BNP Paribas and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are fair and reasonable so far as the Independent Shareholders are concerned, and that the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans if a physical shareholders' meeting was to be held.

Yours faithfully,
**Independent Board Committee of
Shui On Land Limited**

Dr. Edgar W. K. CHENG
*Independent
Non-executive Director*

Professor Gary C. BIDDLE
*Independent
Non-executive Director*

Dr. Roger L. McCARTHY
*Independent
Non-executive Director*

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

22 September 2008

The Independent Board Committee and
the Independent Shareholders of Shui On Land Limited
34/F, Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

**Disposal of 25% equity interest in Rightchina, and
an option for (i) the acquisition by WCL of
an additional 25% equity interest in Rightchina; and
(ii) the assignment of the Additional Shareholders' Loans**

and

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

**(a) Provision of Guarantees
(b) Provision of Shareholders' Loans**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Transaction, the provision of Guarantees and the provision of Shareholders' Loans. Terms defined in the circular (the "Circular") shall have the same meanings when used in this letter unless the context requires otherwise.

WCL is a connected person of the Company by virtue of its shareholdings in certain subsidiaries of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under the Listing Rules and is subject to the independent shareholders' approval requirement under the Listing Rules. It is noted that the Transaction also constitutes a discloseable transaction of the Company under the Listing Rules.

If the Call Option is exercised and the transfer of the Option Shares is completed, Rightchina will become a connected person of the Company. Therefore, the provision of Guarantees and the provision of Shareholders' Loans constitute possible continuing connected transactions of the Company and are subject to the independent shareholders' approval requirements under the Listing Rules.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to consider the transactions and to advise the Independent Shareholders as to the fairness and reasonableness. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give them an opinion as to whether the terms of the above transactions are on normal commercial terms, and in the ordinary and usual course of business, and as to the fairness and reasonableness of the above transactions with respect to the interests of the Company and the Shareholders as a whole. It should be noted that we have been engaged to advise the Independent Board Committee and the Independent Shareholders regarding the Transaction, the provision of Guarantee, and the provision of Shareholders' Loans in the context of connected transactions under the Listing Rules only and have not been engaged to advise on the commercial or technical feasibility, profitability or any other matters in relation to the disposal of equity interest in Rightchina.

We are a licensed corporation holding a licence to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). We shall receive a fee from the Company for the delivery of this letter. The Company has also agreed to indemnify BNP Paribas and certain related persons against certain liabilities and expenses in connection with this engagement.

Save as described in this letter and apart from normal professional fees for our services to the Company as described above, no other arrangement exists whereby we are entitled to receive any fees or benefits from the Company, its subsidiaries or associates. As at the Latest Practicable Date, BNP Paribas S.A., our parent company, beneficially owned certain shares of the Company, representing less than 0.1% of the issued share capital of the Company. We do not consider that these shareholding interests would affect the objectivity of our advice, given the fact that the interests held in the Company are no different from those of the Independent Shareholders in relation to the above transactions. Accordingly, we consider ourselves suitable to give independent financial advice to the Independent Board Committee and the Independent Shareholders on the above transactions.

In arriving at our advice, we have relied on the statements, information and facts supplied, the opinions expressed and the representations made by the Directors, the Company's advisers and the management of the Company including those set out in the Circular and assumed that all statements, intentions, opinions and representations made, 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 up to and including the date of the Circular and that they may be relied upon. We have also assumed that all statements of intention of the management or the Directors, as set forth in the Circular, will be implemented and that all of the expectations of the Directors can be met. We have also relied on the assumptions described in the Circular and certain information available to the public and we have assumed such information to be accurate and reliable. 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 Group nor have we conducted any valuation or appraisal of any assets or liabilities, nor have we conducted any form of investigation into the commercial viability of the future prospects of the Group or future prospects of any of the other parties to the aforementioned agreement. We have further assumed that all government, regulatory or other consents and approvals necessary for the effectiveness and implementation of the agreements have been or will be obtained

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

without any adverse effect on the contemplated benefits to the Company. We have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular and we have no reasons to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided.

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 Independent Shareholders. It should be understood that subsequent developments or changes could occur that, if known at the time we rendered our opinion, would have affected or altered our opinion. We assume no responsibility or liability under such circumstances.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our view on the Transaction, the provision of Guarantees and the provision of Shareholders' Loans, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analyses taken as a whole.

Transaction

Background

The Group is one of the leading property developers in the PRC and 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. WCL engages principally in the provision of consultancy, financial, investment and project co-ordinating services.

Upon completion of the Corporate Reorganisation, the major asset of Rightchina will be a 99% attributable interest in the Super High Rise Project, an integrated commercial development project, situated to the south of Rui Tian Road (瑞天路), to the west of Jia Hua Bridge (嘉華大橋), to the north of Hua Sheng Road (華盛路), and to the east of Jia Jin Road (嘉金路), in Chongqing, the PRC. The project comprises primarily office, retail and other commercial space including car park space with a maximum gross floor area of approximately 684,915 square metres at Closing. Further information about the Super High Rise Project is available from the valuation report ("Valuation Report") as set out in Appendix I to the Circular.

As stated in the Letter from the Board in the Circular, Rightchina had an unaudited proforma consolidated net liability value of approximately RMB1 million as at 30 June 2008 and the unaudited proforma consolidated net losses both before and after taxation for the two years ended 31 December 2006 and 2007 were approximately RMB0.3 million and RMB0.2 million, respectively.

Reasons for the Transaction

As stated in the Letter from the Board in the Circular, the Group considers the Transaction as one of the opportunities to form strategic partnerships with investors for leveraging their brand equity as

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

well as their expertise and advice in financial management, investment evaluation, property development and property management, as the increase of WCL's interest in Rightchina after the Disposal can strengthen the relationship between the Group and WCL and the Call Option can motivate WCL to mobilise efforts, resources and experts for the future growth of the Rightchina Group. The Transaction also allows the Group to potentially accelerate the development schedules and undertake more new projects, and at the same time, manage its investment risks by diversifying its capital commitments without overly exposing itself to any particular project. In this relation, we have no reason to doubt the Group's commercial rational for the Transaction.

The Directors consider that the Transaction represents a good opportunity for it to manage its investment risk by diversifying its capital commitments without overly exposing itself to any particular project. The proceeds from the Transaction will be used for the Group's general working capital purposes.

Principal terms of the Sales and Purchase Agreement

Under the Sales and Purchase Agreement, WCL will acquire from SHL a 25% equity interest in Rightchina for a total consideration of RMB1,021 million. The First Instalment was settled by WCL on 29 August 2008. The Second Instalment and the Third Instalment, each together with the interest accrued thereon, will be paid by WCL to SHL on or before 31 October 2008 and 31 March 2009, respectively. WCL will charge its 10% equity interest in Rightchina in favour of SHL upon Closing to secure the payment of the Second Instalment and the Third Instalment (including the corresponding interest thereon).

As part of the transactions contemplated under the Sale and Purchase Agreement, SHL has also, subject to Closing, granted the Call Option to WCL, which is exercisable by WCL or its Affiliate at its discretion during the period commencing from 1 December 2008 and ending on 31 December 2008, for the acquisition from SHL by WCL or its Affiliate of the Option Shares, representing a further 25% equity interest in Rightchina as at the Option Closing Date, and the assignment to WCL or its Affiliate of the Additional Shareholders' Loans at an exercise price of approximately RMB1,072 million and an amount equivalent to the Additional Shareholders' Loans. The maximum amount of the Additional Shareholder's Loans to be assigned to WCL or its Affiliate is expected to be no more than RMB50 million. There is no price payable by WCL to acquire the Call Option.

Condition on which Closing is conditional upon are set out in the Letter from the Board in the Circular. Option Closing is conditional upon WCL or its Affiliate having paid the Second Instalment and the Third Instalment of the consideration for the Disposal together with their respective accrued interest.

As stated in the Letter from the Board in the Circular, given that the condition (ii) has not been satisfied by 29 August 2008 and SHL is able to demonstrate to WCL's reasonable satisfaction that such condition can be satisfied within a reasonable period of time after 29 August 2008, the Closing Date will be postponed from 29 August 2008 to a date no later than 31 October 2008. If the above condition (ii) still cannot be satisfied by the said deferred date of Closing, SHL will transfer back the said First Instalment to WCL together with the interest accrued thereon and the Sale and Purchase Agreement will terminate immediately.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

SHL, WCL, Rightchina and GHJ will enter into the Rightchina Shareholders' Agreement upon Closing. The funding in relation to the Super High Rise Project under the Rightchina Shareholders' Agreement is summarised below:

- (i) The Development Costs will be financed by borrowings from the banking sources of the Rightchina Group and other third party financial institutions or Development Cost loans mentioned in paragraph (ii) below. The shareholders of Rightchina may (but are not obliged to) provide Guarantees in proportion with their respective equity interest in Rightchina to secure such borrowings. If WCL or its Affiliate does not provide its respective portion of such Guarantees, the Group has a right to provide such Guarantees and is entitled to receive a Loan Guarantee Fee from WCL or its Affiliate.
- (ii) To the extent that external providers of finance for all or some of the Development Costs are unavailable, the shareholders of Rightchina shall fund the shortfall amount in proportion with their respective equity interest in Rightchina by making available New Shareholders' Loans to Rightchina on terms to be mutually agreed between the parties.

In addition, we note that SHL and WCL or its Affiliate will be entitled to nominate a total of three directors and one director for appointment to the board of Rightchina, respectively. After the Option Closing, each of SHL and WCL or its Affiliate will be entitled to nominate a total of two directors for appointment to the board of Rightchina. Subject to SHL and its affiliates holding in aggregate no less than 47% of the equity interest in Rightchina, the chairman of the board of Rightchina will be a director nominated by SHL, who will not have a casting vote as stipulated in the Rightchina Shareholders' Agreement.

The business of Rightchina is to invest in and, through its subsidiaries or otherwise in the manner set out in the Rightchina Shareholders' Agreement, to develop, sell and operate the Super High Rise Project and to manage the properties or any other development created in relation thereto.

The Existing Term Loans will not be assigned to WCL pursuant to the Sale and Purchase Agreement and are repayable after all New Shareholders' Loans are repaid. At the date of 30 June 2008, the Existing Term Loans amounted to approximately RMB543 million (approximately HK\$617.0 million).

Consideration for the Disposal and the exercise price of the Call Option

It is stated in the Letter from the Board in the Circular that the Disposal and the Call Option were negotiated and entered into on an arm's length basis. It is also stated in the Letter from the Board in the Circular that the Directors (including the view of the independent non-executive Directors) consider that the Transaction is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the exercise price of the Call Option for every single shareholding, represents 5% premium to the consideration for every single shareholding of the Disposal. We are advised that the 5% premium was determined after taking into account the market outlook and the timing difference between grant of the Call Option and exercise period of the Call Option.

We have considered various approaches involving a comparison with the fair value of net assets of Rightchina, the price-to-earning approach and the price-to-book approach.

i. *Price-to-earning*

The major asset of Rightchina is the 99% attributable interest in the Super High Rise Project, which is a piece of undeveloped land. Accordingly, we do not consider it suitable to use the price-to-earning approach as an appropriate measure of valuation for the purpose of our advice to the Independent Board Committee and Independent Shareholders.

ii. *Price-to-book*

Rightchina is a private company and its major asset is a piece of undeveloped land. Price-to-book multiple is based on book values which may or may not fully reflect the fair market value of property interests, depending on whether the property interests are held under development or for investment. Accordingly, we do not consider it suitable to use the price-to-book approach as an appropriate measure of valuation for the purpose of our advice to the Independent Board Committee and Independent Shareholders.

We, therefore, consider assessment of the consideration for the Disposal and the exercise price of the Call Option by way of a comparison with the fair value of net assets of Rightchina to be a more appropriate approach.

The Super High Rise Project in its existing state for 99% interest attributable to Rightchina was valued at an aggregate of RMB1,417.7 million as at 30 June 2008 by Knight Frank Petty Limited (“Knight Frank”), an independent professional property valuer. Such valuation is set out in note 15 to the Valuation Report, assuming that all land grant fees, costs of public utility services and relocation costs of the property had been fully settled.

We have discussed with Knight Frank the valuation methodology adopted for the preparation of the valuation report and noted that it has complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS valuation standards on properties (First Edition 2005). The valuation methodology adopted by Knight Frank is its opinion of the market value of the property which it would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. This estimate specifically excludes an estimated price inflated or deflated by

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

As advised by the Company, the unaudited proforma consolidated net liability of Rightchina as at 30 June 2008 and revaluation surplus attributable to Rightchina as at 30 June 2008 (net of tax) were RMB1 million and RMB653 million, respectively. Thus, the adjusted net asset value of Rightchina was RMB652 million. Accordingly, the adjusted net asset value of the 25% equity interest in Rightchina under the Disposal and the 25% equity interest in Rightchina under the Call Option can be calculated as follows:

	<i>RMB million</i>
25% equity interest of the adjusted net asset value of Rightchina (net of tax)	163
Add: Estimated transaction costs*	<u>23</u>
	186
Total consideration for the Disposal	<u>1,021</u>
Premium	835
Premium attributable to the effective interests held by the Company	670

	<i>RMB million</i>
25% equity interest of the adjusted net asset value of Rightchina (net of tax)	163
Add: Estimated additional costs*	<u>24.3</u>
	187.3
Exercise price of the Call Option	<u>1,072</u>
Premium	884.7
Premium attributable to the effective interests held by the Company	709.5

* The estimated transaction and additional costs represent the estimated professional services fees incurred and to be incurred for the Disposal and exercise of the Call Option respectively.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We note the significant premiums shown above. We also note that as referred to in the Letter from the Board in the Circular, the consideration for the Disposal and the exercise price of the Call Option were determined with reference to the current location and investment appeal of the Super High Rise Project and the future development potential of Super High Rise Project, taking into account the Company's history, expertise and experience in constructing large-scale commercial project development in the PRC.

In this regard, as set out in note 14 to the Valuation Report that the market value of the proposed development of the properties of the Super High Rise Project assuming they were completed as at 30 June 2008 was estimated to be approximately RMB7.6 billion. Again, such valuation assumes that all land grant fees and relocation costs, had been fully settled. It should however be noted that the Super High Rise Project will be developed over a period of several years and it will be subject to risks of uncertainty on fluctuation of market value and future development costs. As at the Latest Practicable Date, a substantial part of the said costs have not been incurred or paid. All the said costs are subject to change, depending on the results of actual negotiations, project progress, inflation, financing costs, foreign exchange rates and other relevant factors.

In light of the significant premium shown above and the valuation of the project on completion, we believe that the consideration for the Disposal and the exercise price of the Call Option are justifiable.

Financial effects of the Transaction

As stated in the Letter from the Board in the Circular, subject to review by the auditors of the Company, the Group expects to record a gain of approximately RMB800 million as a result of the Closing and a further gain of approximately of RMB840 million as a result of the Option Closing. These gains are calculated based on the difference between the consideration, net of transaction costs, and the pro-rata net liabilities of Rightchina of approximately RMB0.3 million, multiplied by the equity interest of SHL attributable to the Group. The gain as a result of the Option Closing is subject to further adjustment on fair value and change in pro rata consolidated asset value of Rightchina for the period from the Closing Date to the exercise date of the Call Option.

After completion of the Disposal but before the Call Option is exercised and the transfer of the Option Shares is completed, Rightchina Group will remain as subsidiaries of the Company. The results of Rightchina Group will continue to be consolidated into the results of the Group. The expected gain arising from the Disposal of approximately RMB800 million as mentioned above, which is subject to review by the auditors of the Company, will be recognised after completion of the Disposal, and the total assets of the Group will be increased by RMB1,021 million upon receiving the consideration for the Disposal in cash. Save as aforesaid, it is expected that the Disposal will not have any other material impact to the financial results as well as the assets and liabilities of the Group.

After the Call Option is exercised and the transfer of the Option Shares is completed, assuming SHL does not dispose of any of its shares in Rightchina, SHL will hold 50% of the issued share capital in Rightchina and Rightchina Group will cease to be subsidiaries of the Company. Accordingly, the

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

results and financial positions of Rightchina Group will no longer be consolidated into the Group and they will be accounted for as associates by using equity method of accounting. The expected gain arising from the Option Closing of approximately RMB840 million as mentioned above, which is subject to review by the auditors of the Company, will be recognized after the Option Closing, and the total assets of the Group will be increased by RMB1,072 million upon the receipt of the exercise price for the Option Shares in cash. In addition, the prepaid lease payments and the properties under development will be decreased by approximately RMB456 million and RMB91 million respectively, and there will be an increase in a loan to an associate by approximately RMB547 million. Save as aforesaid, it is expected that the exercise of the Call Option by WCL will not have any other material impact to the financial results as well as the assets and liabilities of the Group.

It should however be noted that since the carrying amounts of the assets and liabilities of Rightchina may be substantially different from the amounts reviewed by the auditors of the Company when the audited financial statements for the year ending 31 December 2008 are issued, the actual premiums on the Disposal and the Call Option may be different from the estimated premiums on disposal shown above.

Guarantees and Shareholders' Loans

Background, reasons and terms

On the basis of the latest development plan and the management's estimate based on past project experience, the Directors advise that the Development Costs are currently estimated to be approximately RMB5.4 billion. Approximately RMB543 million was paid through advances by the Group in the form of the Existing Term Loans. The remaining portion of the estimated Developments Costs will be paid over a period of several years.

As stated in the letter from the Board in the Circular, the requirement of Development Costs may be realised in the form of banking facilities. Provision of Guarantees may facilitate the obtaining of the bank loans for financing the development of the Super High Rise Project. In the event where the Group agrees to provide WCL's or its Affiliate's proportionate share of Guarantee, WCL or its Affiliate shall give Loan Guarantee Fees to the Group for its input. Where the external banking facilities are unavailable to fund the Development Costs due to any reason, the shareholders of Rightchina shall provide Shareholders' Loans to fund the shortfall amount in accordance with their shareholding proportion upon mutual agreement, which may facilitate the development of the Super High Rise Project. The Directors have no current intention that loan guarantee fees will be paid by the Rightchina Group for the provision of Guarantees by its shareholders. The Directors also advise that the Loan Guarantee Fees are determined with reference to, as appropriate, the difference in interest rates of loans provided to the Rightchina Group that would have been applicable if no Guarantee is given by the Group or WCL or its Affiliate (as the case may be). It is noted that for reason set out above, the receipt of Loan Guarantee Fees constitute possible continuing connected transactions of the Company. Nevertheless, it is not subject to independent shareholders' approval. Particulars of the amount of receipt of Loan Guarantees Fees from WCL or its Affiliate are set out in the Letter from the Board in the Circular.

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The Directors (including the independent non-executive Directors) consider that although the provision of Guarantees and the provision of Shareholders' Loans are not in the ordinary and usual course of business, they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In this regard, it should be noted that in the event that the Group provides the Guarantee for WCL, which would be in addition to its proportionate share, it would receive the Loan Guarantee Fees. It should also be noted that the provision of the Shareholders Loans is in accordance with their shareholding proportion. The Guarantees and the Shareholders' Loans are for the funding of the Development Costs in relation to the Super High Rise Project, the major asset of Rightchina. We noted that there were some precedents over the past 12 months where some Hong Kong listed PRC property developers provided guarantees and/or shareholders' loans to fund property development projects. It is not uncommon for shareholders to fund this type of property development projects by the provision of guarantees and shareholders' loans. The Company will receive the interest income at the prevailing market interest rate from Rightchina for provision of the Shareholders' Loans in proportion to its shareholding. Further, it is not uncommon that no guarantee fee is paid for this type of transaction given that its shareholders are entitled to the economic benefits from Rightchina in accordance with their equity interests. For the above reasons, we consider the terms of the provision of the Guarantee and the provision of the Shareholders' Loans under the Rightchina Shareholders' Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Annual Caps

The continuing connected transactions will be subject to, among other things, the relevant annual cap for each of the three financial years ending 31 December 2010. As referred to in the Letter from the Board in the Circular, the Company proposes to set the following annual caps:

	Financial year ending 31 December		
	2008	2009	2010
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Provision of Guarantees	200	500	1,000
Provision of Shareholders' Loans	745	900	1,000

In determining whether the above annual caps proposed by the Company are fair and reasonable so far as the Independent Shareholders are concerned, we have discussed with the Company the basis for setting the annual caps for the above possible continuing connected transactions and have taken into account the reasons and factors as set out below.

As stated in the Letter from the Board in the Circular, the above annual caps with respect to the provision of Guarantees are determined with reference to estimated amount of external financing which may be required for Super High Rise Project and the above annual caps with respect to Shareholders' Loans are determined with reference to the current estimated Development Costs during

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

each of the financial years ending 31 December 2008, 2009 and 2010, and the amount of Existing Term Loans outstanding in each of the respective years. In this regard, it should be noted that the development of the Super High Rise Project will be undertaken in stage over a period of five to seven years, i.e. beyond the end of 2010.

Taking into account the funding schedule for Development Costs up to 2010, we consider the annual caps for the provision of Guarantees and the provision of Shareholders' Loans to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We note that upon the expiry of the period ending 31 December 2010, in respect of the possible continuing connected transactions set out above, the Company is required to fully comply with the requirements of the Listing Rules. This will provide the shareholders of the company with an opportunity to review and reconsider the annual caps of such transaction.

CONCLUSION

Having considered the above principal reasons and factors, we are of the view that the terms of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are fair and reasonable, and that the Transaction, the provision of Guarantees and the provision of Shareholders' Loans are on normal commercial terms and in the interests of the Company and the Shareholders as a whole notwithstanding that provision of Guarantees and provision of Shareholders' Loans are not in ordinary and usual course of business of the Company.

Accordingly, we would advise the Independent Board Committee to recommend, and we ourselves would recommend, the Independent Shareholders to vote in favour of the Transaction, the provision of Guarantees and the provision of Shareholders' Loans if a physical shareholders' meeting was to be held.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Cecil Ng
Executive Director

Set out below is the letter and valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose for incorporation in this circular in connection with their valuation of the property interest of the Group in the PRC as at 30 June 2008.



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knightfrank.com

22 September 2008

The Directors
Shui On Land Limited
26/F Shui On Plaza
333 Huai Hai Zhong Road
Shanghai
The PRC

Dear Sirs,

LOT B11-1/02 OF CHONGQING TIANDI PROJECT, HUALONGQIAO DEVELOPMENT AREA, YU ZHONG DISTRICT, CHONGQING, THE PEOPLE'S REPUBLIC OF CHINA

In accordance with your instructions for us to value the captioned property interest held by Shui On Land Limited (hereinafter referred to as the "Company") and/or its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 June 2008.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

We have valued the property which is held by the Group for future development in the PRC on the basis that the property will be developed and completed in accordance with the development proposal provided to us. We have assumed that the approvals for the proposal have been obtained. In arriving at our opinion of market value, we have valued the property by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

VALUATION ASSUMPTION

We have valued the market value of the property interest based on the assumption that proper title to the property have been obtained and all outstanding premium, compensation/resettlement costs and any associated payments have been fully settled.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and its PRC legal adviser, Jin Mao PRC Lawyers, regarding the title and other legal matters relating to the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restriction and outgoings of an onerous nature which could affect its value.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Group's legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its legal adviser which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, ownership, particulars of occupancy, floor and site areas, development proposal and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore

only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site area of the property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

We have inspected the property. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc. for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

In preparing our valuation report, we have complied with “The HKIS Valuation Standards on Properties (First Edition 2005)” published by the Hong Kong Institute of Surveyors and all the requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

CURRENCY

All money amounts stated are in Renminbi.

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Alex S L Ng
MRICS MHKIS RPS (GP)
Executive Director

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung
MRICS MHKIS RPS (GP)
Executive Director

Notes: Alex S L Ng, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 22 years’ experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People’s Republic of China and Asia Pacific regions since 1988.

Clement W M Leung, BSc (Hons), MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since August 1999 and has 14 years’ experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People’s Republic of China and Asia Pacific regions.

VALUATION REPORT

Property interest held by the Group for future development in the PRC

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 30 June 2008
Lot B11-1/02 of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing the PRC	Chongqing Tiandi Project (“the Development”) is situated in Yu Zhong District covering a site with area of approximately 1,210,039 sq m (13,024,860 sq ft). The Development is bounded by No. 24 on the east Hua Cun and No. 132 Hua Long Qiao Cun, No. 82-2 Hong Yan Cun on the west and No. 377 Jiao Nong Cun, a railway route under the ridges on the south and the southern coast of Jia Ling Jiang on the north.	The property is being occupied by a number of low to medium-rise buildings due to be demolished.	RMB1,432,000,000 (79.4% interest attributable to the Group: RMB1,137,008,000) <i>(please refer to note (15) below)</i>

Demolition and relocation works is currently ongoing and the whole project is proposed to be finished in 12 years.

The Development will provide a board range of facilities that include merchandise mart, luxury hotels, intelligent office buildings as well as residential clusters, dining, shopping and entertainment amenities.

The property comprises Lot B11-1/02 of the Development with a total site area of approximately 55,554 sq m (597,983 sq ft). The area details of the property upon completion are listed as follows:

Use	Gross Floor Area	
	sq m	sq ft
Office	325,000	3,498,300
Retail	116,000	1,248,624
Service apartment	52,000	559,728
Hotel	54,000	581,256
Car park	<u>134,000</u>	<u>1,442,376</u>
Total	<u>681,000</u>	<u>7,330,284</u>

As advised by the Company, the maximum gross floor area of the property upon completion is approximately 684,915 sq m.

The land use right of the property is assumed to be granted for a term of 40 years for commercial, 70 years for residential and 50 years for composite uses commencing from the date of issuance of the real estate ownership certificate.

Notes:

1. Pursuant to the Joint Venture Contract entered into between Chongqing Yu Zhong State-owned Assets Management Company Limited, an independent third party to the Group ("Party A") and Grand Hope Limited, a non wholly-owned subsidiary of the Company ("Party B") on 18 November 2003 and the approval letter No. Yu Zhong Wai Jing (2006) 91, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract and the approval letter are as follows:
 - (i) Name of joint venture company : Chongqing Shui On Tiandi Property Development Company Limited (the "Joint Venture")
 - (ii) Period of operation : 70 years from the date of issue of the business licence
 - (iii) Total investment amount : US\$230,000,000 (currently increased to US\$330,000,000)
 - (iv) Registered capital : US\$90,500,000 (currently increased to US\$190,000,000) (Party A: 1%, Party B: 99%)
 - (v) Operation : property development, construction, operation and management
 - (vi) Profit sharing arrangement : the profit after tax and funds is shared according to the investment ratio of the parties
 - (vii) The demolition and relocation works should be commenced before 31 December 2003
 - (viii) After the Joint Venture obtaining the land use right, the land should be solely used for self-development and the transfer (other than sale of commodity housing), lease, mortgage to third party or dispose of such right is not permitted prior to a written confirmation by Party A. The Joint Venture/Party B should not transfer the land use right for speculative purpose
 - (ix) The total investment amount of the Development is estimated to be approximately RMB10,000,000,000
2. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China issued in 2008, the Joint Venture with a registered capital of US\$190,000,000 and a total investment amount of US\$330,000,000 is allowed to operate for a period of 70 years.
3. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.
4. Pursuant to the Business Licence dated 9 July 2008 issued by the Chongqing Commercial Administration Bureau, the Joint Venture was established with a registered capital of US\$190,000,000 for a period commencing from 21 November 2003 and expiring on 20 November 2073. The scope of business includes property development, operation and management.
5. Pursuant to an authorization document endorsed by the Mayor of the People's Government of Chongqing dated 19 August 2003, the District Representative of the People's Government of Yu Zhong District is authorized to sign a co-operation agreement with Hong Kong Shui On Group.
6. Pursuant to the co-operation agreement entered into between the People's Government of Chongqing Yu Zhong District ("Party C") and Party B on 19 August 2003, both parties agreed to jointly develop a site with an area of approximately 1,250,000 sq m (currently change to 1,210,039 sq m). The salient conditions of the agreement are, inter alia, listed below:
 - (i) The agreed cost for the development is composed of land premium and relocation cost

- (ii) Both parties agreed to form a joint venture company in charge of the development of which the investment ratio of Party C and Party B should be 1% and 99% respectively
 - (iii) Party B can invite other investor to participate in the project as long as it complies with the requirements of relevant planning departments
 - (iv) The project should be constructed in phases and the demolition and relocation works should be completed within 4 years and the whole development should be completed within 12 years
 - (v) The 4 years condition stated above expired on 31 December 2007
 - (vi) The standard of demolition and relocation costs is RMB1,200,000/mu which is valid for 4 years commencing from 31 December 2003
 - (vii) After the above-mentioned period, relocation cost will be adjusted according to the People's Bank of China announced interest rate on one year term
 - (viii) The joint venture company/Party B should apply for a rent application for several parcels of lands before the end of 2010
 - (ix) The joint venture company and/or Party B shall not obtain real estate development loans in settling relocation and resettlement costs without obtaining a written approval from either Party C or the China partner of the joint venture company
 - (x) After the joint venture company obtaining the land use right, the land should be solely used for self-development and the transfer (other than sale of commodity housing), lease, mortgage to a third party or disposal of such right is not permitted prior to the written confirmation by Party C or the China partner of the joint venture company. The joint venture company/Party B should not transfer the land use right for speculative purpose
 - (xi) Either party to the agreement should neither transfer the whole or any part of the agreement without prior written consent by other party
 - (xii) Demolition and relocation works should be commenced before 31 December 2003 covering an area of approximately 500 mu
 - (xiii) Party C is responsible for obtaining relevant land use right certificate, and the land use right term should be 40 years for commercial, 70 years for residential and 50 years for composite use
7. Pursuant to the authorization agreement endorsed by the Mayor of the People's Government of Yu Zhong District dated 19 November 2003, the directing department in charge of the development of Hua Long Pian Qu of Yu Zhong District is authorized to represent the People's Government of Yu Zhong District to handle the development of the site including demolition, relocation, joint venture, development, construction and other administration, economic and legal affairs.
8. According to the information provided, tentative time schedule for resettlement is stated in various relocation agreements which have superceded the schedule as mentioned in note 6 above.
9. Pursuant to the Contract for Grant of State-owned Land Use Right No. Yu Di (2005) He Zi (Zhong Qu) Di 92 and its amendment agreement both entered into between the Chongqing Real Estate and Land Resources Administration Bureau ("Party D") and the Joint Venture on 3 March 2005 and 8 June 2007 respectively, Party

- D agreed to grant the Joint Venture the land use right of portion of the Development (Phase 2) with a site area of approximately 537,532 sq m at a consideration of RMB1,593,808,260 (RMB682,378,760 for land grant fee and RMB911,429,500 for relocation cost) for a land use right term of 40 years for commercial use, 70 years for residential use and 50 years for composite use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee. Portion of the property is vested in the said contract.
10. Pursuant to the Contract for Grant of State-owned Land Use Right No. Yu Di (2007) He Zi (Zhong Qu) Di 48 entered into between Party D and the Joint Venture on 6 March 2007, Party D agreed to grant the Joint Venture the land use right of portion of the Development (Phase 3) with a site area of approximately 333,134 sq m at a consideration of RMB1,134,540,000 (RMB184,105,429 for land grant fee, RMB950,351,287 for relocation cost and RMB83,284 for others) for a land use right term of 40 years for commercial use and 50 years for residential use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee. Portion of the property is vested in the said contract.
 11. Pursuant to the Resettlement and Relocation Agreement entered into between the Joint Venture and the directing department for the development and construction of Hua Long Qiao Pian Qu (重慶市渝中區化龍橋片區開發建設指揮部) ("Party E") on 3 March 2005, the relocation cost for portion of the Development with a site area of approximately 761mu (currently change to 806 mu) was agreed as RMB913,200,000.
 12. Pursuant to the Resettlement and Relocation Agreement entered into between the Joint Venture and Party E on 6 March 2007, the relocation cost for portion of the Development with a site area of approximately 561.45 mu was agreed at RMB949,777,100.
 13. Pursuant to two sale and purchase agreements of shares entered into between Shui On Development (Holdings) Limited and Winnington Capital Limited on 1 September 2006 and Ocean Equity Holdings Limited, an independent third party to the Group to the best of the Company's knowledge, on 9 September 2006, the Group owns 80.2% attributable interest of Party B and therefore the interest of the Joint Venture attributable to the Group was diluted from 99% to 79.4%.
 14. In our opinion, the market value of the proposed developments of the property, assuming they were completed as at the valuation date, was estimated approximately as RMB7,626,000,000.
 15. In the course of our valuation, we have assumed that all land grant fees, costs of public utility services and relocation costs of the property have been fully settled.
 16. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
 - (i) The Contracts for Grant of State-owned Land Use Right of Phases 2 and 3 of the Development are legal, valid and executable.
 - (ii) Land grant fees for Phases 2 and 3 of the Development (including the property) as stipulated in the Contracts for Grant of State-owned Land Use Right have been fully settled.
 - (iii) There is no legal obstacles for the Joint Venture to apply for the land use right certificate of the property.
 - (iv) After obtaining land use right certificate and building ownership certificate of the property, the Joint Venture can transfer, let, mortgage or handle in other ways the land use right of the property and the buildings erected thereon according to the Contracts for Grant of State-owned Land Use Right and relevant laws.

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

At the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its 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 been taken under such provisions of the 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*

(i) *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. Vincent H. S. LO (“Mr. Lo”)	Other	2,277,750,225 <i>(Note 1)</i>	54.41%
Mr. William T. ADDISON	Personal	200,000	0.004%
Dr. William K. L. FUNG	Personal	3,700,000	0.08%

Note:

- (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 (PTC) Inc. (formerly known as Bosrich Holdings Inc.). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo, Bosrich Holdings (PTC) Inc. and HSBC International Trustee Limited are deemed to be interested in such shares under the SFO.

(ii) *Share options of the Company*

At the Latest Practicable Date, the following Directors had interests in the share options granted by the Company under the share option scheme adopted by the Company on 8 June 2007:

Name of Director	Date of grant	Subscription price per share HK\$	Exercise period	Number of shares subject to the options
Mr. William T. ADDISON	20/06/2007	7.00	20/06/2009 to 19/06/2016	5,000,000
The Honourable LEUNG Chun Ying	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000
Sir John R. H. BOND	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000
Dr. Edgar W. K. CHENG	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000
Professor Gary C. BIDDLE	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000
Dr. Roger L. McCARTHY	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000
Mr. David J. SHAW	20/06/2007	7.00	20/06/2007 to 19/06/2012	500,000

At the Latest Practicable Date, no short position was recorded in the register required to be kept under Section 352 of the SFO.

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

Name of Director	Nature of interests	Total number of SOCAM shares	Approximate percentage of interests in SOCAM
Mr. Lo	Other	181,981,000 (Note 1)	56.53%
Dr. William K. L. FUNG	Personal	682,000	0.21%

Notes:

- (1) Among 181,981,000 SOCAM shares beneficially owned by SOCL, 166,148,000 SOCAM shares and 15,833,000 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 (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary. Accordingly, Mr. Lo is deemed to be interested in such shares under the SFO.

(ii) *Short position in the SOCAM shares*

Name of Director	Nature of interests	Total number of SOCAM shares	Approximate percentage of interests in SOCAM
Mr. Lo	Other	1,600,000 <i>(Note 1)</i>	0.49%

Note:

- (1) These shares represent the call option granted by SOCL on 27 August 2002 to Mr. Frankie Y. L. WONG as part of the incentive reward to his services to SOCAM. Mr. Lo is deemed to have short position in these shares under the SFO.

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its 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 been taken under such provisions of the 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.

Save as disclosed in the announcement of the Company dated 26 February 2008, at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been 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.

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

(B) Interests of Substantial Shareholders

Save as disclosed below and under the section “Interests of Directors and chief executive of the Company” above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Total number of shares	Approximate percentage of shareholding
HSBC International Trustee Limited	Trustee	2,277,750,225 <i>(Note 1)</i>	54.41%
Bosrich Holdings (PTC) Inc.	Trustee	2,277,750,225 <i>(Note 1)</i>	54.41%
SOCL	Interest of Controlled Corporation	2,277,750,225 <i>(Note 1)</i>	54.41%
SOCAM	Interest of Controlled Corporation	396,071,631 <i>(Note 2)</i>	9.46%

Notes:

- (1) The 2,277,750,225 shares are beneficially owned by SOCL through its subsidiaries, comprising 940,000,000 shares, 941,678,594 shares and 396,071,631 shares held respectively by 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 (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to be interested in such shares under the SFO.
- (2) 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.

(C) Interests in other members of the Group

Save as disclosed below, 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 percentage of shareholding
Elegant Partners Limited	Foresight Profits Limited	25%
	Hollyfield Holdings Limited	25%
	Shanghai Rui Hong Xin Cheng Co., Ltd.	24.75%
	Silomax Limited	25%
	Selfers Limited	25%
	Shanghai Ruichen Property Co., Ltd.	25%
Equity Millennium Limited	Bondwise Profits Limited	20%
	Cititop Pacific Limited	20%
	Globe State Properties Limited	20%
	Shanghai Lakeville Properties Co., Ltd.	19.80%
Shun Hing China Investment Limited	Bondwise Profits Limited	10%
	Cititop Pacific Limited	10%
	Globe State Properties Limited	10%
Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.	Shanghai Yang Pu Centre Development Company Limited	30%
Trophy Property Development L.P.	Portspin Limited	49%
	Legend City Limited	49%
	Fieldcity Investments Limited	25%
	Super Field Limited	25%
	Wuhan Shui On Tian Di Property Development Co., Ltd.	25%

Name of owner of shares or equity interest	Name of non wholly-owned subsidiary of the Company	Approximate percentage of shareholding
Main Zone Group Limited	Richcoast Group Limited	28.20%
	Teamachieve Holdings Limited	28.20%
	Asia Great Investment Limited	28.20%
	Tennick Holdings Limited	28.20%
	Charmful Investment Limited	28.20%
	Timeglobe Holdings Limited	28.20%
	Garco Investment Limited	28.20%
	Hopeful Zone Investments Limited	28.20%
	Sinoco Investment Limited	28.20%
Many Gain International Limited	Richcoast Group Limited	10.26%
	Teamachieve Holdings Limited	10.26%
	Asia Great Investment Limited	10.26%
	Tennick Holdings Limited	10.26%
	Charmful Investment Limited	10.26%
	Timeglobe Holdings Limited	10.26%
	Garco Investment Limited	10.26%
	Hopeful Zone Investments Limited	10.26%
	Sinoco Investment Limited	10.26%
Winnington Capital Limited	Score High Limited	19.80%
	Grand Hope Limited	19.80%
	Chongqing Shui On Tian Di Development Co., Ltd.	19.60%

3. SERVICE CONTRACTS

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

4. LITIGATION

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.

5. COMPETING INTERESTS

Mr. Lo 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 including 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 SOCL and Mr. Lo pursuant to which SOCL and Mr. Lo 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. In addition, Mr. Lo is also the chairman and controlling shareholder of SOCAM which is engaged in property development in the PRC.

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

6. EXPERT AND CONSENT

The qualifications of the experts who have given their respective opinion and advice, which are contained in this circular, are set out as follows:

Name	Qualification
BNP Paribas	A corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Knight Frank Petty Limited	Property Valuer

BNP Paribas and Knight Frank Petty Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their respective letter and references to their names in the form and context in which they appear.

7. EXPERT’S INTEREST IN ASSETS

At the Latest Practicable Date, BNP Paribas and Knight Frank Petty Limited:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) were not interested, directly or indirectly, 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 since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Company have been made up.

9. GENERAL

- (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. George W. K. CHAN, a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The principal share registrars and transfer office of the Company is Butterfield Fund Services (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands.
- (d) The Hong Kong branch share registrars and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The registered office of the Company is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.
- (f) The place of business of the Company in Hong Kong is 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.
- (g) The English version 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 the place of business of the Company in Hong Kong at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong during normal business hours on any business day other than public holidays, from the date of this circular up to and including 10 October 2008:

- (a) the Sale and Purchase Agreement;
- (b) the Supplemental Agreement;
- (c) the form of the SHL Shareholders' Agreement;
- (d) the form of the Rightchina Shareholders' Agreement;

- (e) the “Letter from the Independent Board Committee” as set out in this circular;
- (f) the “Letter of Advice from the Independent Financial Adviser” as set out in this circular;
- (g) the valuation report dated 22 September 2008 prepared by Knight Frank Petty Limited as set out in Appendix I; and
- (h) the letters of consent from each of BNP Paribas and Knight Frank Petty Limited referred to in paragraph 6 of this Appendix II.