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

If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the 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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

**DISPOSAL OF THE 49% INTEREST IN VALUE LAND TO MITSUI
AND FUTURE BUYBACK OF MITSUI'S INTEREST IN VALUE LAND**

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



A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 15 and 16 of this circular. A letter from Platinum, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 32 of this circular.

** For identification purpose only*

3 January 2012

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DEFINITIONS

In this circular, the following expressions shall respectively have the meanings set out below unless the context requires otherwise:

“ASP”	average selling price;
“Board”	the board of Directors;
“Business Days”	a day other than a Saturday or Sunday or public holiday on which banks are open in Hong Kong, Japan, Cayman Islands and the PRC for general commercial business;
“Buyback”	the purchase by SODH from Mitsui of the Buyback Interest pursuant to the Shareholders’ Agreement;
“Buyback Interest”	(a) all of the issued share capital of Value Land then owned by Mitsui to be transferred by Mitsui to SODH upon the occurrence of the Buyback Triggering Event under the Shareholders’ Agreement; and (b) all loans owed by Value Land to Mitsui that remain outstanding as at the date of occurrence of the Buyback Triggering Event;
“Buyback Triggering Event”	having the meaning as ascribed to it in the section entitled “Distribution of economic interest and Buyback” in this circular;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (stock code: 272);
“connected person”, “subsidiary(ies)”	each having the meaning as ascribed to it in the Listing Rules;
“Consideration”	RMB390,933,760 (approximately HK\$476,749,000), being the total cash consideration for the Sale Interest payable by Mitsui to SODH;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Interest by SODH to Mitsui in two tranches pursuant to the Sale and Purchase Agreement;
“Economic Interest Amount”	92% of the amount of the economic interest attributable to the Lot 18 Project;
“First Closing”	the closing of the sale and purchase of the First Tranche Sale Shares and the First Loan in accordance with the provisions of the Sale and Purchase Agreement;

DEFINITIONS

“First Instalment”	having the meaning as ascribed to it in the section entitled “the Sale and Purchase Agreement” in this circular;
“First Loan”	44.1% of the loans in the amount of HK\$257,986,323 owed by Value Land to SODH immediately before the First Closing;
“First Tranche Sale Shares”	4,410 shares of Value Land, representing 44.1% of the issued share capital of Value Land at the First Closing;
“Foshan Ling Nan Tian Di”	the Foshan Ling Nan Tian Di property development project which is well-positioned in the old town centre of central Chancheng District in Foshan City of Guangdong, the PRC, being a large-scale urban redevelopment project with an estimated developable gross floor area of approximately 1,498,000 square metres comprising residential, commercial and retail properties, hotels and cultural facilities;
“Foshan Yong Rui”	Fo Shan Yong Rui Tian Di Property Development Co., Limited (佛山詠瑞天地置業有限公司), a company established under the laws of the PRC, owned as to 92% by Regal Victory and 8% by seven other indirect wholly-owned subsidiaries of the Company incorporated in Hong Kong;
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of the Board comprising Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW, each being an independent non-executive Director, formed to advise the Independent Shareholders on whether the terms and conditions of the Transactions are fair and reasonable;
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to Transactions, and a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
“Independent Shareholders”	the Shareholders that are not required to abstain from voting under the Listing Rules if a general meeting is convened to approve the Transactions;

DEFINITIONS

“Knight Frank”	Knight Frank Petty Limited, an independent property valuer;
“Latest Practicable Date”	28 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Land”	the land situated at the north of East Zhaoxiang Road (兆祥東路) and the east of Shidongxia Road (市東下路) in Lot 18 of Foshan Ling Nan Tian Di with an estimated developable above-ground GFA of approximately 108,400 square metres;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lot 18 Project”	the proposed development project that forms part of Foshan Ling Nan Tian Di and situated at the Land comprising primarily the high rise residential apartments, retail and commercial complex, kindergarten and the car parking spaces;
“Magic Bright”	Magic Bright Investments Limited, a company incorporated in the British Virgin Islands, the class B shares of which are all held by Triumph Sky and the class A shares of which are all held by Value Land;
“Mitsui”	Mitsui Fudosan Residential Co., Ltd., a company incorporated under the laws of Japan;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region and Taiwan area;
“Regal Victory”	Regal Victory Limited, a company incorporated in Hong Kong, which is wholly-owned by Magic Bright;
“Residential Portion”	the residential units to be erected on the Land as part of the Lot 18 Project by reference to the design plan of the Lot 18 Project;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the agreement dated 29 November 2011 made between SODH (as seller) and Mitsui (as purchaser) in respect of the sale and purchase of the Sale Interest;
“Sale Interest”	the First Tranche Sale Shares, the Second Tranche Sale Shares, the First Loan and the Second Loan;

DEFINITIONS

“Saleable GFA”	the saleable GFA which is set out in the pre-sale permit in respect of the Residential Portion issued by the relevant PRC government authorities;
“Second Closing”	the closing of the sale and purchase of the Second Tranche Sale Shares and the Second Loan in accordance with the provisions of the Sale and Purchase Agreement;
“Second Loan”	(a) 4.9% of the loans owed by Value Land to SODH immediately before the First Closing; and (b) 49% of the loans made by SODH to Value Land after the First Closing up to the Second Closing;
“Second Tranche Sales Shares”	490 shares of Value Land that, together with the First Tranche Sale Shares, represent 49% of the issued share capital of Value Land at the Second Closing;
“Shareholders”	holders of the shares of the Company;
“Shareholders’ Agreement”	an agreement entered into between SODH, Mitsui and Value Land at the First Closing in relation to the regulation of their shareholdings in, and the management of, Value Land;
“SODH”	Shui On Development (Holding) Limited, a company incorporated under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the Sale and Purchase Agreement and the Shareholders’ Agreement, including the Disposal and the Buyback;
“Triumph Sky”	Triumph Sky Group Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Value Land”	Value Land Investment Limited, a company incorporated in the Cayman Islands and a subsidiary of the Company;
“Value Land Group”	Value Land and its subsidiaries; and
“%”	percent.

For the purpose of this circular and for illustration purpose only, conversion of RMB to HK\$ is based on the exchange rate of HK\$1.00 = RMB0.82. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.

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*)
Mr. Freddy C. K. LEE (*Chief Executive Officer*)
Mr. Daniel Y. K. WAN

Non-executive Director:

Mr. Frankie Y. L. WONG

Independent non-executive Directors:

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Registered Office:

Walker House
87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

Place of Business in Hong Kong:

34th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

3 January 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

**DISPOSAL OF THE 49% INTEREST IN VALUE LAND TO MITSUI
AND FUTURE BUYBACK OF MITSUI'S INTEREST IN VALUE LAND**

INTRODUCTION

Reference is made to the announcement of the Company dated 29 November 2011 in respect of the Transactions.

LETTER FROM THE BOARD

On 29 November 2011, SODH, a wholly-owned subsidiary of the Company, and Mitsui entered into the Sale and Purchase Agreement, pursuant to which SODH agreed conditionally to sell and Mitsui agreed conditionally to purchase the Sale Interest, being 49% equity interest of the entire issued share capital of Value Land and the related shareholder's loans, in two tranches for a total cash consideration of RMB390,933,760 (approximately HK\$476,749,000). Upon completion of the Disposal, Value Land will be held as to 51% by SODH and 49% by Mitsui.

Pursuant to the Sale and Purchase Agreement, SODH, Mitsui and Value Land have entered into the Shareholders' Agreement at the First Closing to govern their respective rights and obligations in relation to Value Land and its business operation, and the management and control of the Value Land Group.

The Transactions constitutes discloseable and connected transactions of the Company for the purposes of the Listing Rules.

The purpose of this circular is to provide you, amongst other things, with (i) further details in connection with the Transactions; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

THE SALE AND PURCHASE AGREEMENT

- Date** : 29 November 2011
- Parties** : (a) SODH as the seller; and
(b) Mitsui as the purchaser.
- Assets to be sold** : The Sale Interest, which comprises shares of Value Land representing 49% of the issued share capital of Value Land and the related shareholder's loans.
- Consideration** : The total consideration for the disposal of the Sale Interest by SODH to Mitsui is RMB390,933,760 (approximately HK\$476,749,000) which was determined based on arm's length negotiation between the parties with reference to the prevailing market value of comparable land transactions in Foshan City of Guangdong Province of the PRC.
- Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal shall be payable by Mitsui to SODH in two instalments:
- (a) RMB351,840,384 (approximately HK\$429,074,000) (representing the aggregate price for the First Tranche Sale Shares and the First Loan) (the "**First Instalment**") shall be paid at the First Closing; and

LETTER FROM THE BOARD

- (b) RMB39,093,376 (approximately HK\$47,675,000) (representing the aggregate price for the Second Tranche Sale Shares and the Second Loan) shall be paid at the Second Closing.

The consideration to be made by Mitsui to SODH under the Sale and Purchase Agreement shall be paid in HK\$ (or any other foreign currency as agreed between the parties in writing) based on an exchange rate which will be determined eight Business Days prior to the date on which such payment is due.

**Closing and
Conditions
Precedent**

: The Disposal will take place in two tranches:-

First Closing:

The First Closing is conditional on the following conditions being fulfilled (or waived in accordance with the Sale and Purchase Agreement):

- (a) the Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder as may be required by the Listing Rules or a waiver under Rule 14A.43 of the Listing Rules having been obtained;
- (b) SODH having provided Mitsui with all documentary and other evidence reasonably requested by Mitsui showing that the requisite corporate reorganisation of the Value Land Group has been duly completed;
- (c) the land premium of RMB542,128,871.08 (approximately HK\$661,133,000) in respect of the Land having been paid in full by Foshan Yong Rui to the relevant PRC government authority pursuant to the relevant land use right grant contracts, and SODH having provided Mitsui with a certified copy of the receipt issued by the relevant PRC government authority for the payment of such land premium made by Foshan Yong Rui; and
- (d) there having been no material breach of the Sale and Purchase Agreement.

The First Closing was completed on 12 December 2011.

Second Closing:

The Second Closing is conditional on the following conditions being fulfilled (or waived in accordance with the Sale and Purchase Agreement):

- (a) the First Closing having been duly completed;

LETTER FROM THE BOARD

- (b) the land title certificate in respect of the Land having been obtained by Foshan Yong Rui, and SODH having provided Mitsui with a certified copy of the land title certificate in respect of the Land; and
- (c) there having been no material breach of the Sale and Purchase Agreement.

If the above conditions have not been fulfilled (or waived if applicable) by the end of the 6th month after the First Closing, Mitsui may after that date, at its option, by written notice to SODH, terminate the Sale and Purchase Agreement and within 10 Business Days from SODH's receipt of such notice, SODH shall purchase the First Tranche Sale Shares and the First Loan from Mitsui at a purchase price which shall be the sum of (xx) the First Instalment; and (yy) the interest thereon at an interest rate of 10% per annum.

The date of the Second Closing shall fall on the eighth Business Day after Mitsui is notified that the above conditions have all been satisfied or waived. If the Second Closing does not occur on the date of the Second Closing, the non-defaulting party may, at its option, by notice in writing to the defaulting party, terminate the Sale and Purchase Agreement and within 10 Business Days from the said notice, SODH shall purchase the First Tranche Sale Shares and the First Loan from Mitsui. If SODH is the defaulting party, the purchase price shall be the sum of (aa) the First Instalment; and (bb) the interest thereon at an interest rate of 10% per annum. If Mitsui is the defaulting party, the purchase price shall be the difference of (aa) the First Instalment; and (bb) the interest thereon at an interest rate of 10% per annum.

Following the Disposal, Value Land will be held as to 51% by SODH and 49% by Mitsui, and Value Land will continue to be a subsidiary of the Company.

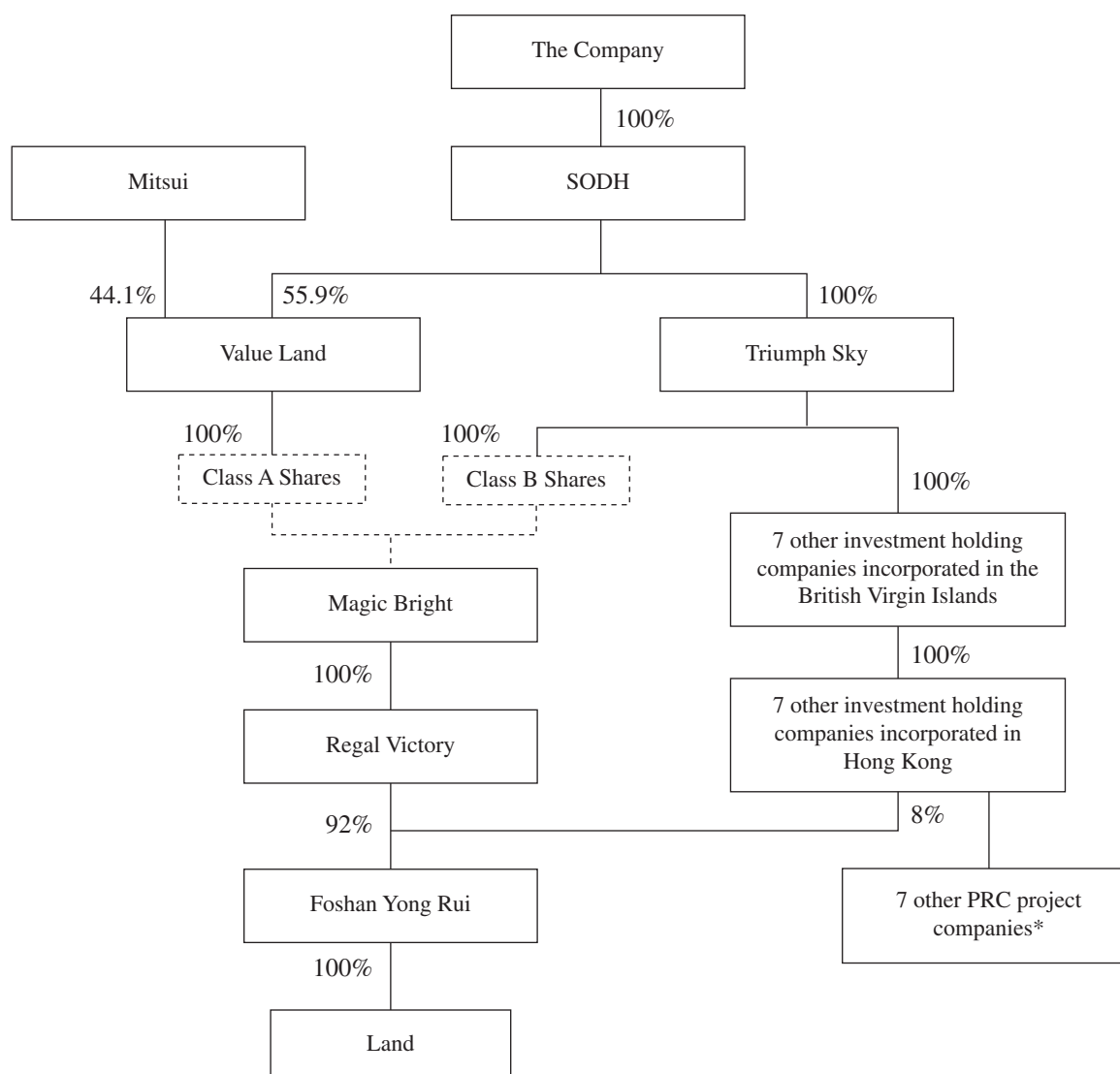
INFORMATION ON THE VALUE LAND GROUP AND THE LAND

Value Land is a company incorporated under the laws of the Cayman Islands on 2 September 2011 with an issued share capital of US\$100 divided into 10,000 shares of US\$0.01 each, which are held by SODH at the date of the Sale and Purchase Agreement. Value Land holds all the class A shares of Magic Bright, which confer the rights attributable to Regal Victory's 92% interests in Foshan Yong Rui, which will acquire the Land pursuant to the relevant land use right grant contracts. All the class B shares of Magic Bright which confer rights attributable to Regal Victory's interests in the other project companies in the PRC are held by Triumph Sky.

LETTER FROM THE BOARD

According to the preliminary independent valuation of the Land prepared by Knight Frank, the market value of the Land as at 31 October 2011 was approximately RMB794,000,000 (approximately HK\$968,293,000), being at a premium of approximately 46.49% above the unaudited net asset value of the Land as at 31 October 2011 of approximately RMB542,000,000 (approximately HK\$660,976,000).

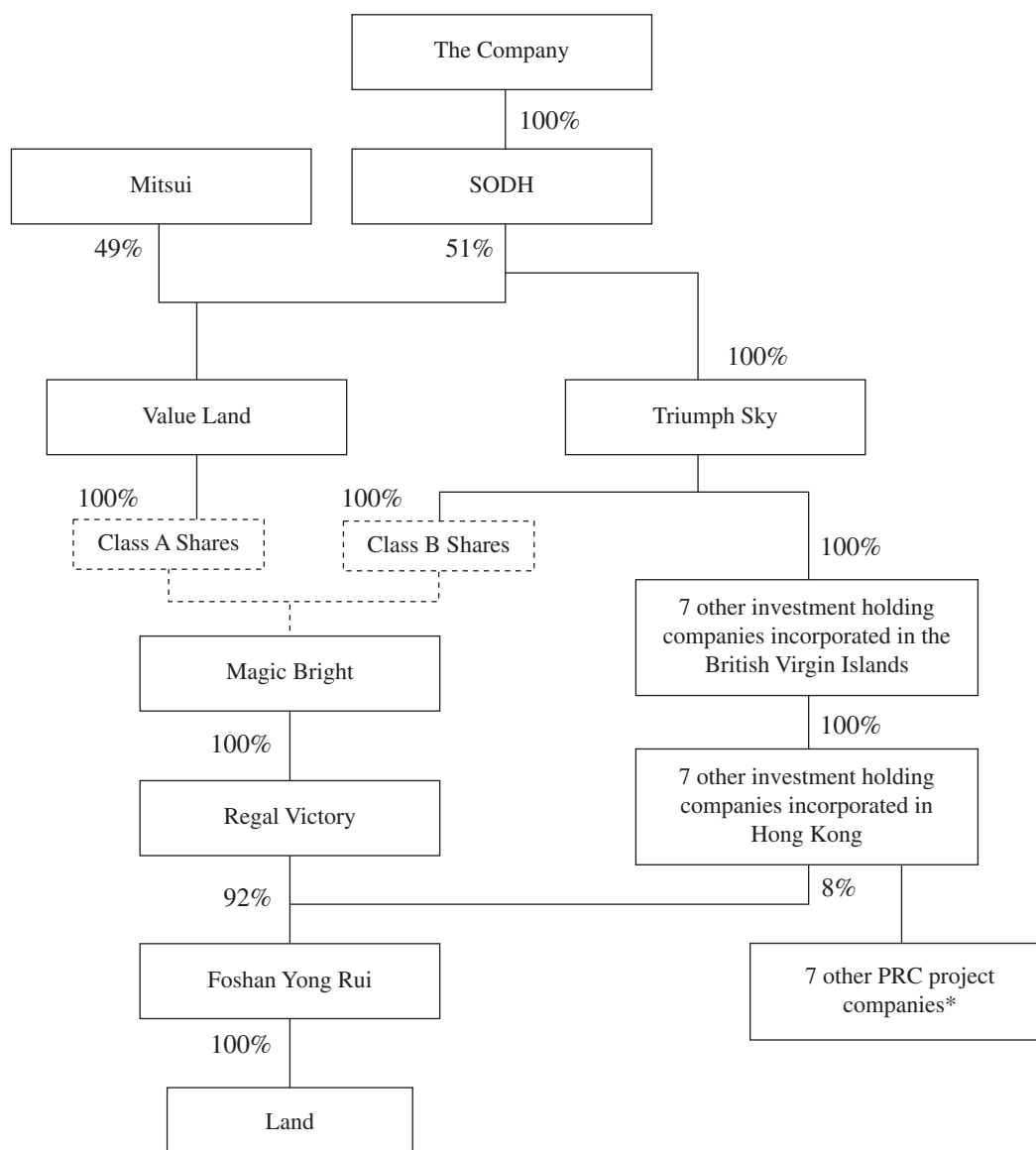
At the Latest Practicable Date and after completion of the First Closing on 12 December 2011, the shareholding and corporate structure of the Value Land Group is set out below:



* Regal Victory also holds certain interests in the other PRC project companies.

LETTER FROM THE BOARD

Upon completion of the Disposal, the shareholding structure of Value Land will be as follows:



* Regal Victory also holds certain interests in the other PRC project companies.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Sale and Purchase Agreement, SODH, Mitsui and Value Land have entered into the Shareholders' Agreement at the First Closing for the purpose of recording the terms and conditions governing the relationship between the shareholders of Value Land, the undertaking of the business, and the management and control of the Value Land Group, including without limitation to the financial commitment from SODH and Mitsui, the board composition of Value Land, the distribution of economic interest to SODH and Mitsui, and the mechanism for the transfer of shares in Value Land.

LETTER FROM THE BOARD

Distribution of economic interest and Buyback

Upon the occurrence of the earlier (the “**Buyback Triggering Event**”) of (a) on or after the expiry of 3 years and 3 months from the date of the First Closing, and at least 50% of the Saleable GFA of the Residential Portion has been sold and all relevant sales proceeds have been collected (or 3 months have lapsed after the relevant contracts representing at least 50% of the Saleable GFA have been signed, if earlier); or (b) 100% of the Saleable GFA of the Residential Portion has been sold and all relevant sales proceeds have been collected (or 3 months have lapsed after the relevant contracts in respect of 100% of the Saleable GFA of the Residential Portion have been signed, if earlier), and if Mitsui still holds shares in Value Land representing 49% of the issued share capital of Value Land, Mitsui will receive its share of the Economic Interest Amount through dividend distribution at the levels of Magic Bright and Value Land and the Buyback within 3 months from the Buyback Triggering Event.

If 49% of the Economic Interest Amount exceeds the Consideration, the difference will be distributed to Mitsui through dividend distribution at the levels of Magic Bright and Value Land, the Buyback price shall be basically the aggregate of (a) the Consideration and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback. If 49% of the Economic Interest Amount is equal to or less than the Consideration, no dividend will be declared or paid by Magic Bright or Value Land, the Buyback price shall be the aggregate of (a) 49% of the Economic Interest Amount and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback.

Under the current business plan in relation to the Lot 18 Project and to the best of the knowledge, information and belief after having made all reasonable enquiry up to the Latest Practicable Date, the Company expected that 49% of the Economic Interest Amount will be approximately RMB531,000,000 (approximately HK\$647,561,000), and such amount is estimated using base case business assumptions, and will be calculated based on the accrued revenue, costs and expenses of the Lot 18 Project at the time of the occurrence of the Buyback Triggering Event.

The Company analyzed and estimated the maximum price for the Buyback under all potential business scenarios and market situations, including (1) aggressive assumptions on the annual growth of the ASP of residential properties in Foshan City of Guangdong Province, the PRC at the rate of approximately 17.87% per annum over the next three years by reference to the historical average annual growth rate of approximately 14.33% per annum in the past five years; and (2) the most pessimistic assumption on the availability of project financing to fund the project constructions, in which case the Company assumed that SODH and Mitsui will be required to inject capital into Value Land through equity financing for the purpose of development of the Lot 18 Project. The Company estimated that the maximum price for the Buyback will be RMB730,000,000 (approximately HK\$890,244,000). The Buyback price shall be basically the aggregate of the Consideration and the additional capital injection made by Mitsui to Value Land, if any, before the Buyback. For sake of prudence, the Company estimated the maximum Buyback price payable to Mitsui under the extreme case scenarios. However, the Directors do not propose to exercise the Buyback to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Group. There

LETTER FROM THE BOARD

is no guarantee on the price of the Buyback payable by the Group to Mitsui. The Buyback merely provides a term for Mitsui to exit its investment when the Lot 18 Project is substantially completed subject to the fulfillment of the provisions of the joint venture arrangement prescribed under the Sale and Purchase Agreement and the Shareholders' Agreement. The Directors consider that the Buyback is a reasonable commercial arrangement from an investment perspective and aligns with the current business development plan of the Lot 18 Project. The Shareholders' Agreement provides that completion of the Buyback is conditional upon the Company obtaining the requisite approval from its Shareholders for the Buyback as may be required by the Listing Rules or a waiver from the Stock Exchange under Rule 14A.43 of the Listing Rules. The Company will comply with the then applicable requirements under the Listing Rules if the actual price of the Buyback exceeds the aforesaid maximum price.

USE OF PROCEEDS

As the Group will still retain control over Value Land after the Disposal, the Company does not expect to record any gain or loss in its consolidated income statement for the current financial year ending 31 December 2011. After deducting estimated tax and other expenses of approximately RMB17 million (approximately HK\$21 million), the net proceeds from the Disposal are estimated to be approximately RMB374 million (approximately HK\$456 million) and will be utilized as general working capital for the Group and also for further development of Foshan Ling Nan Tian Di.

As compared with the financial position of the Company for the six months ended 30 June 2011 (being the date of its latest unaudited financial statements), the Directors believe that the Disposal will have a positive financial impact on the Group in terms of its net asset value, the cash position and the working capital of the Group.

REASONS FOR THE TRANSACTIONS AND EXPECTED BENEFITS TO THE COMPANY

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.

Mitsui is a wholly-owned subsidiary of Mitsui Fudosan Co., Ltd., a listed company in Japan. Mitsui engages in residential property development, sale of its development and sale on consignment of other developers in Japan.

The funding gain from the Disposal will bring cash flow to the Lot 18 Project and expedite the development of Foshan Ling Nan Tian Di. Further, as Mitsui Fudosan Co., Ltd. is one of the largest real estate developers in Japan with leading expertise in development and asset management, the Company believes that the Disposal resulting in the formation of joint venture with Mitsui will enable the Group to leverage on Mitsui's contribution in attracting Japanese buyers, tenants and other participants who may be interested in the Lot 18 Project, and thus further explore the opportunities of long term strategic partnership between Mitsui and the Group.

LETTER FROM THE BOARD

IMPLICATION OF THE LISTING RULES

Mitsui is a connected person of the Company by virtue of its 30% shareholding interest in Many Praises Limited, which is an indirect non-wholly owned subsidiary of the Company. Accordingly, each of the Disposal and the Buyback constitutes a connected transaction for the Company as defined under the Listing Rules.

The relevant percentage ratios set out in the Listing Rules in respect of the Transactions are more than 5% but less than 25%. Therefore, the Transactions constitute discloseable and connected transactions of the Company which are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

None of the Directors has a material interest in the Transactions and was not required to abstain from voting on the relevant board resolutions approving the Transactions.

At the Latest Practicable Date, Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited, which are the controlled corporations of Shui On Company Limited, and which together constitute a closely allied group of Shareholders, hold 1,411,712,352 shares, 1,104,085,477 shares and 137,469,656 shares of the Company respectively. Together, they hold approximately 50.91% of the entire issued share capital of the Company at the Latest Practicable Date. Since none of the Shareholders is required to abstain from voting on the Transactions, written approvals of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited in respect of the Transactions have been obtained for the purpose of approving the 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 30 November 2011, 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 Transactions have been approved by a written approval of a closely allied group of the Shareholders.

An Independent Board Committee has been established to advise the Independent Shareholders, and Platinum has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

RECOMMENDATION

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

Accordingly, the Directors (including the independent non-executive Directors) would recommend the Independent Shareholders to vote in favour of the Transactions if a physical Shareholders' meeting were to be held.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 and 16 of this circular which contains its recommendation to the Independent Shareholders on the Transactions; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 17 to 32 of this circular which contains the Independent Financial Adviser's advice to the Independent Board Committee and the Independent Shareholders in relation to Transactions.

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)

3 January 2012

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

**DISPOSAL OF THE 49% INTEREST IN VALUE LAND TO MITSUI
AND FUTURE BUYBACK OF MITSUI'S INTEREST IN VALUE LAND**

We refer to the circular (the “**Circular**”) dated 3 January 2012 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the Transactions were entered into in the ordinary and usual course of business of the Company and the terms of the Transactions were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Platinum has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 14 of the Circular and the text of a letter of advice from Platinum as set out on pages 17 to 32 of the Circular, both of which provide details of the Transactions.

Having considered the Transactions, the advice of Platinum and the relevant information contained in the letter from the Board, we are of the opinion that the Transactions were entered into in the ordinary and usual course of business of the Company, the terms of the Transactions were agreed

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transactions are in the best interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Transactions if a physical Shareholders' meeting were to be held.

Yours faithfully,
Independent Board Committee
Shui On Land Limited

Sir John R. H. BOND
Independent non-executive
Director

Dr. William K. L. FUNG
Independent non-executive
Director

Professor Gary C. BIDDLE
Independent non-executive
Director

Dr. Roger L. McCARTHY
Independent non-executive
Director

Mr. David J. SHAW
Independent non-executive
Director

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building

4 Des Voeux Road Central

Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Website www.platinum-asia.com

3 January 2012

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE 49% INTEREST IN VALUE LAND TO MITSUI AND FUTURE BUYBACK OF MITSUI'S INTEREST IN VALUE LAND

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the connected transaction contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement (the "Transactions"). Details of the Transactions are contained in the letter from the Board as set out in the circular of the Company dated 3 January 2012 (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transactions were entered into the ordinary and usual course of business of the Company, the terms of the Transactions were agreed on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: i) the independent valuation report dated 3 January 2012 (the "Valuation Report") prepared by Knight Frank (the "Independent Valuer"); ii) the Sale and Purchase Agreement; iii) the Shareholders' Agreement; iv) the audited 2010 annual report of the Company ("2010 Annual Report"); and v) the unaudited interim report of the Company for the six months ended 30 June 2011 (the "2011 Interim Report").

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We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transactions.

We are independent from, and are not associated with the Company or any other party to the Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, and Mr. David J. SHAW, has been established to advise the Independent Shareholders as to whether the Transactions were entered into in the ordinary and usual course of business of the Company, the terms of the Transactions were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transactions are in the best interests of the Company and the Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Transactions

On 29 November 2011, SODH, a wholly-owned subsidiary of the Company, and Mitsui entered into the Sale and Purchase Agreement, pursuant to which SODH agreed conditionally to sell and

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Mitsui agreed conditionally to purchase the Sale Interest, being 49% equity interest of the entire issued share capital of Value Land and the related shareholder's loans, in two tranches for a total cash consideration of RMB390,933,760 (approximately HK\$476,749,000). Upon completion of the Disposal, Value Land will be held as to 51% by SODH and 49% by Mitsui.

Pursuant to the Sale and Purchase Agreement, SODH, Mitsui and Value Land have entered into the Shareholders' Agreement at the First Closing to govern their respective rights and obligations in relation to Value Land and its business operation, and the management and control of the Value Land Group.

2. Reasons for and benefits of the Transactions

A. Business of the Group

The Group is one of the leading property developers in the PRC. It engages principally in the development, sale, leasing, management and long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

The Group's overall strategy is to run a very unique business model, the xintiandi model, across all of their projects located in prime areas of high-growth cities in China including Shanghai, Wuhan, Chongqing, Foshan and Dalian.

The Foshan Ling Nan Tian Di property development project is well-positioned in the old town centre of central Chancheng District, Foshan's traditional downtown area and public transportation hub. Two subway stations of the Guangzhou — Foshan line connect to the project site.

The project is a large scale urban redevelopment project with an estimated developable gross floor area of approximately 1,498,000 square metres comprising office, retail, hotel, cultural facilities and residential complexes in an integrated community, similar to that of Shanghai Taipingqiao. The centrepiece of Foshan's cultural heritage is Zumiao, an immaculately preserved 900-year-old Taoism temple. This and another well-known historic area, the Donghuali, are both located within the project. The Foshan government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.

B. Business of Mitsui

Mitsui is one of the subsidiaries of Mitsui Fudosan Co., Ltd. ("MF"), which focuses in the field of residential housing business from construction to sales and after-sales service. MF, being one of the core companies of Mitsui Group, was founded in 1941 and is Japan's largest real estate developer. MF is organized into divisions of housing, office buildings, retail properties, resort and leisure, and others.

The projects developed by MF and its subsidiaries ("MF Group") include Tokyo Midtown, Nihonbashi Redevelopment Project, Toyosu Redevelopment Project, Kashiwanoha Campus City Project, etc. At present, MF Group operates approximately 200 office buildings, 60 retail facilities throughout Japan and also develops high quality and value condominiums and detached houses.

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C. Overview of Foshan

Foshan is a thriving city within the Pearl River Delta, possessing economic dynamism along with rich historical and cultural heritage. Foshan is advantageously located within the Pearl River Delta Economic zone, and is 28 km southwest from the city centre of Guangzhou. The city is the third largest economy in the Pearl River Delta, after Guangzhou and Shenzhen.

Table 1 — Foshan population

	2006	2007	2008	2009	2010
Foshan population (million)	5.86	5.92	5.95	6.00	7.19

Note: Foshan population refers to the ordinary residence in Foshan

Source: Foshan Municipal Government website (<http://www.foshan.gov.cn>) and Statistics Bureau of Guangdong Province website (http://www.gdstats.gov.cn/tjgb/t20110511_83329.htm)

As shown in Table 1 above, Foshan population has been growing from 5.86 million in 2006 to 7.19 million in 2010. The growing population in Foshan indicates a strong demand for residential properties and retail shops to cater for the expected increase in local consumption.

In light of the above, we consider that the Lot 18 Project is going to benefit from the increasing demand for residential and retail properties due to the growing population in Foshan.

Table 2 — Foshan Gross Domestic Product (“GDP”) and GDP growth

	2006	2007	2008	2009	2010	Jan to Jun 2010	Jan to Jun 2011
Foshan GDP Growth (%)	19.30%	19.20%	15.20%	13.50%	14.30%	13.80%	13.10%

Source: Foshan Year Book and Foshan Municipal Government website (<http://www.foshan.gov.cn>)

Foshan has a strong manufacturing base and has assumed a leading national position in a number of industries, including ceramics, home appliances, electronics, furniture, aluminum and stainless steel. In addition, Foshan has extensive transportation infrastructure plans that will enhance its accessibility to the downtown area of Guangzhou and enable the city to become part of the greater Guangzhou area. The Guangzhou-Foshan subway commenced operation in November 2010 and shortened the travelling time to Guangzhou to 15-20 minutes. A Hong Kong — Guangzhou Intercity Express Train is also scheduled for completion in 2014, providing a seamless connection between Hong Kong and Foshan with about 80 minutes travelling time.

As shown in Table 2 above, the GDP of Foshan grew between approximately 13.10% to 19.30% from 2006 to June 2011. Although the global financial crisis had a strong negative effect on the economic development of many countries and regions around the world in late 2008, Foshan’s GDP continued to grow steadily over the past few years.

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In light of the above, we consider that continuing GDP growth in Foshan should lead to a strong demand for high quality residential and retail properties, including the Lot 18 Project.

Table 3 — Foshan residential property average selling price (“ASP”)

	2006	2007	2008	2009	2010	Jan to Jun 2010	Jan to Jun 2011
Foshan residential property ASP (RMB per sqm)	3,863	5,285	5,385	6,251	7,546	6,928	8,152

*Note: Foshan residential property ASP refers to the commodity property sales per commodity property sales area
Source: Foshan Year Book and Foshan Municipal Government website (<http://www.foshan.gov.cn>)*

As shown in Table 3 above, the Foshan residential property ASP showed an upward trend from RMB3,863 per square metre (“sqm”) in 2006 to RMB8,152 per sqm in the first half of 2011. The trend indicates that the residential property ASP will continue to grow although there are concerns over the global economy and also residential price control policies recently issued by the PRC government.

In light of the above, we consider that the Lot 18 Project is going to benefit from the continuous increase in the ASP of residential property in Foshan.

D. Reasons for the Transactions

1. Joint venture with Mitsui

According to the Company’s Annual Report 2010, the Group is one of China’s most visionary and innovative property developers. The Group is accelerating the completion of projects while focusing on the Group’s core value of innovation by introducing both customization and standardization to meet the rapid growth of housing demand and the Group’s customer’s changing needs.

We note that MF Group has announced the “New Challenge Plan 2016”, which states that MF Group has positioned itself to be the “best partner in living and lifestyles” in the residential properties development business, and targets “growing together” in the retail properties development business. MF Group aims to rejuvenate cities by providing attractive urban spaces and services that bring affluence and comfort to urban living, and to provide variable and innovative solutions that stimulate the real estate investment market.

Mitsui focuses in the field of residential housing business from construction to sales and after-sales service. Mitsui expanded its business into China in 2005 and is aggressively expanding its exposure in China residential market.

Based on our discussion with the management of the Company, establishing a joint venture with another real estate developer to develop the Lot 18 Project can reduce the Group’s exposure to business risk under the volatile market environment. Currently, the PRC government has launched several monetary tightening policies to cool down its residential market, together with the uncertainties from the European sovereign debt crisis and the US debt crisis; the management feels that it is prudent to establish a partnership with Mitsui to reduce business risk.

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Moreover, the management believes that the Group can leverage the project development experience of Mitsui, a top Japanese property developer with a long and successful track record in the industry.

The Group previously established a joint venture business relationship with Mitsui in the Group's Dalian project in the PRC since February 2011 which has brought mutual benefits to the parties. The proposed joint venture with Mitsui on the Lot 18 Project will further strengthen this strategic partnership.

In light of the above, we consider that i) MF Group's new business plan shares similar ideas with the business plan of the Lot 18 Project of providing high-quality residential and retail properties in the Foshan redevelopment project; ii) the partnership with Mitsui can reduce the Group's exposure to business risk; iii) the partnership with Mitsui will bring potential synergy and positive impact to the Lot 18 Project; and vi) the proposed joint venture will further strengthen the mutual beneficial strategic partnership between Mitsui and the Group. As such, we are of the view that the formation of joint venture with Mitsui in the Lot 18 Project is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

2. Potential partnership in retail development

MF Group has several subsidiary companies focusing on the development of retail properties, including LaLaport management Co., Ltd., Mitsui Fudosan Frontier REIT Management Inc. and Frontier REIT SC Management Co., Ltd. and they are all well-known retail property developers in Japan. Mitsui Shopping Park LaLaport TOKYO-BAY, MITSUI OUTLET PARK Iruma, Tokyo Midtown (Shopping Areas), Mitsui Shopping Park LaLaport YOKOHAMA, Mitsui Shopping Park Urban Dock LaLaport TOYOSU, LAZONA Kawasaki Plaza, Mitsui Shopping Park LaLagarden KASUKABE and Mitsui Shopping Park LaLaport KASHIWANOHA are some of the retail property development projects delivered by MF Group.

In light of the above, we consider that, based on MF Group's track record in retail development, the formation of joint venture with Mitsui will enable the Group to benefit from MF Group's know-how which will make positive contributions to the development of the Lot 18 Project.

3. Realizing the value of the investment

As stated in the letter from the Board in the Circular, as the Group will retain control over Value Land after the Disposal, the Group does not expect to record any gain or loss in its consolidated income statement for the current financial year ending 31 December 2011.

Nevertheless, we note that the Consideration of the Disposal is 59.04% higher than the unaudited net book value of Foshan Yong Rui as at 31 October 2011. As such, it is a good opportunity for the Group to realize the value of its investment in Foshan Yong Rui.

In light of the above, we consider that the Group will benefit from realizing the value of its investment in Foshan Yong Rui, which in turn will increase the net asset value of the Group.

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4. *Immediate cash flow to the Group*

As stated in the letter from the Board in the Circular, after deducting estimated tax and other expenses of approximately RMB17 million (approximately HK\$21 million), the net proceeds from the Disposal are estimated to be approximately RMB374 million (approximately HK\$456 million) and will be utilized as general working capital for the Group and also for further development of Foshan Ling Nan Tian Di. The proceeds from the Disposal will bring positive cash flow to the Lot 18 Project and expedite the development of Foshan Ling Nan Tian Di.

The PRC government has issued several monetary tightening policies to control inflation in the PRC, that among other effects, have reduced the availability of bank loans available to real estate developers. Given the significant working capital required for developing the Foshan Ling Nan Tian Di project, the Disposal provides cash flow benefits for the Lot 18 Project that can expedite the development of Foshan Ling Nan Tian Di.

E. **Principal terms of the Transactions**

1. *The Sale and Purchase Agreement*

- Date** : 29 November 2011
- Parties** : (a) SODH as the seller; and
(b) Mitsui as the purchaser.
- Assets to be sold** : The Sale Interest, which comprises shares of Value Land representing 49% of the issued share capital of Value Land and the related shareholder's loans.
- Consideration** : The total consideration for the disposal of the Sale Interest by SODH to Mitsui is RMB390,933,760 (approximately HK\$476,749,000) which was determined based on arm's length negotiation between the parties with reference to the prevailing market value of comparable land transactions in Foshan City of Guangdong Province of the PRC.

Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal shall be payable by Mitsui to SODH in two instalments:

- (a) RMB351,840,384 (approximately HK\$429,074,000) (representing the aggregate price for the First Tranche Sale Shares and the First Loan) (the "First Instalment") shall be paid at the First Closing; and
- (b) RMB39,093,376 (approximately HK\$47,675,000) (representing the aggregate price for the Second Tranche Sale Shares and the Second Loan) shall be paid at the Second Closing.

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The consideration to be made by Mitsui to SODH under the Sale and Purchase Agreement shall be paid in HK\$ (or any other foreign currency as agreed between the parties in writing) based on an exchange rate which will be determined eight Business Days prior to the date on which such payment is due.

Closing and Conditions Precedent : The Disposal will take place in two tranches:-

First Closing:

The First Closing is conditional on the following conditions being fulfilled (or waived in accordance with the Sale and Purchase Agreement):

- (a) the Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder as may be required by the Listing Rules or a waiver under Rule 14A.43 of the Listing Rules having been obtained;
- (b) SODH having provided Mitsui with all documentary and other evidence reasonably requested by Mitsui showing that the requisite corporate reorganisation of the Value Land Group has been duly completed;
- (c) the land premium of RMB542,128,871.08 (approximately HK\$661,133,000) in respect of the Land having been paid in full by Foshan Yong Rui to the relevant PRC government authority pursuant to the relevant land use right grant contracts, and SODH having provided Mitsui with a certified copy of the receipt issued by the relevant PRC government authority for the payment of such land premium made by Foshan Yong Rui; and
- (d) there having been no material breach of the Sale and Purchase Agreement.

The First Closing was completed on 12 December 2011

Second Closing:

The Second Closing is conditional on the following conditions being fulfilled (or waived in accordance with the Sale and Purchase Agreement):

- (a) the First Closing having been duly completed;
- (b) the land title certificate in respect of the Land having been obtained by Foshan Yong Rui, and SODH having provided Mitsui with a certified copy of the land title certificate in respect of the Land; and

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(c) there having been no material breach of the Sale and Purchase Agreement.

If the above conditions have not been fulfilled (or waived if applicable) by the end of the 6th month after the First Closing, Mitsui may after that date, at its option, by written notice to SODH, terminate the Sale and Purchase Agreement and within 10 Business Days from SODH's receipt of such notice, SODH shall purchase the First Tranche Sale Shares and the First Loan from Mitsui at a purchase price which shall be the sum of (xx) the First Instalment; and (yy) the interest thereon at an interest rate of 10% per annum.

The date of the Second Closing shall fall on the eighth Business Day after Mitsui is notified that the above conditions have all been satisfied or waived. If the Second Closing does not occur on the date of the Second Closing, the non-defaulting party may, at its option, by notice in writing to the defaulting party, terminate the Sale and Purchase Agreement and within 10 Business Days from the said notice, SODH shall purchase the First Tranche Sale Shares and the First Loan from Mitsui. If SODH is the defaulting party, the purchase price shall be the sum of (aa) the First Instalment; and (bb) the interest thereon at an interest rate of 10% per annum. If Mitsui is the defaulting party, the purchase price shall be the difference of (aa) the First Instalment; and (bb) the interest thereon at an interest rate of 10% per annum.

Following the Disposal, Value Land will be held as to 51% by SODH and 49% by Mitsui, and Value Land will continue to be a subsidiary of the Company.

2. Basis of determining the Consideration

As stated in the letter from the Board in the Circular, the Consideration of RMB390,933,760 (approximately HK\$476,749,000) was determined based on arm's length negotiation between the parties with reference to the prevailing market value of comparable land transactions in Foshan. It represents a premium of approximately 9.22% above the effective interest of 45.08% of the market value of the Land of approximately RMB794,000,000 (approximately HK\$968,293,000) as at 31 October 2011 in the valuation report prepared by the Independent Valuer.

To assess the basis in determining the Consideration, we have reviewed the Valuation Report, discussed with the Independent Valuer and the management of the Company. We have discussed with the Independent Valuer and noted that they have considered the market-based valuation approach in valuing the properties under development.

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The Independent Valuer adopted the market-based valuation approach by making reference to comparable properties transactions including but not limited to residential and retail properties as available in the market and certain adjustments based on the professional judgment of the Independent Valuer through careful consideration of factors such as respective locations, and accessibilities in valuing the properties under development. The Independent Valuer has also taken into account the cost of development including but not limited to construction costs, finance costs and the development proposals of the project.

The market value of the properties under development is 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 Independent Valuer advised that the market-based valuation approach is commonly adopted and well recognized methodology in valuing the properties under development.

In addition, we have also discussed with the Independent Valuer regarding the major assumptions made in valuing the properties under development. We understand that the major assumptions made in valuing the properties under development were based on reference to the comparable ASP of residential and retail properties in the nearby area in Foshan. As such, we are of the view that the major assumptions made in valuing the properties under development, are reasonable.

Given the valuation approach is commonly adopted and well recognized methodology in valuing the properties under development, the major assumptions made in connection with the valuation approach are reasonable; we are of the view that the basis in determining the Consideration is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

3. Shareholders' Agreement

Pursuant to the Sale and Purchase Agreement, SODH, Mitsui and Value Land have entered into the Shareholders' Agreement at the First Closing for the purpose of recording the terms and conditions governing the relationship between the shareholders of Value Land, the undertaking of the business, and the management and control of the Value Land Group, including without limitation to the financial commitment from SODH and Mitsui, the board composition of Value Land, the distribution of economic interest to SODH and Mitsui, and the mechanism for the transfer of shares in Value Land.

i. Distribution of economic interest and Buyback

Upon the occurrence of the earlier (the "Buyback Triggering Event") of (a) on or after the expiry of 3 years and 3 months from the date of the First Closing, and at least 50% of the Saleable GFA of the Residential Portion has been sold and all relevant sales proceeds have been collected (or 3 months have lapsed after the relevant contracts representing at least 50% of the Saleable GFA have been signed, if earlier); or (b) 100% of the Saleable GFA of the Residential Portion has been sold and all relevant sales proceeds have been collected (or 3 months have lapsed after the relevant contracts in respect of 100% of the Saleable GFA of the Residential Portion have

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been signed, if earlier), and if Mitsui still holds shares in Value Land representing 49% of the issued share capital of Value Land, Mitsui will receive its share of the Economic Interest Amount through a dividend distribution at the levels of Magic Bright and Value Land and the Buyback within 3 months from the Buyback Triggering Event.

If 49% of the Economic Interest Amount exceeds the Consideration, the difference will be distributed to Mitsui through a dividend distribution at the levels of Magic Bright and Value Land, the Buyback price shall be basically the aggregate of (a) the Consideration, and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback. If 49% of the Economic Interest Amount is equal to or less than the Consideration, no dividend will be declared or paid by Magic Bright or Value Land, the Buyback price shall be the aggregate of (a) 49% of the Economic Interest Amount and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback.

ii. Scenario 1

As stated in the letter from the Board in the Circular, under the current business plan in relation to the Lot 18 Project and to the best of our knowledge, information and belief after having made all reasonable enquiry up to the Latest Practicable Date, the Company expected that 49% of the Economic Interest Amount will be approximately RMB531,000,000 (approximately HK\$647,561,000), and such amount is estimated using base case business assumptions, and will be calculated based on the accrued revenue, costs and expenses of the Lot 18 Project at the time of the occurrence of the Buyback Triggering Event.

Under the scenario 1 circumstances, the 49% of the Economic Interest Amount exceeds the Consideration. As such, the Buyback price will be same as the Consideration assuming no additional capital injection made by Mitsui to Value Land before the Buyback.

We have discussed with the management of the Company regarding the major assumptions made in estimating the Economic Interest Amount under scenario 1. The Economic Interest Amount is calculated based on the estimated revenue, costs and expenses of the Lot 18 Project.

In terms of the estimated revenue generated from the Lot 18 Project, we understand that approximately 81.18% of the revenue will be generated from the expected sales of residential properties. The expected sales of residential properties were calculated based on: i) the assumption of 100% of the sales of residential properties; and ii) the recent transactions of actual ASP of comparable residential properties in the nearby area plus the estimated average annual growth of average selling rate of approximately 8% per annum over the next three years which has taken into account several tightening policies imposed by the Foshan government on the property market.

In terms of the estimated costs and expenses of the Lot 18 Project, we understand that the costs mainly included: i) construction cost which was fixed and agreed in the Shareholders' Agreement; ii) project management fee which represented 3% of estimated sales proceeds from the sales of residential properties and carparks; iii) interest expense which was calculated based

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on the estimated construction loan and the borrowing rate of People's Bank of China; and iv) taxation including sales tax, land appreciation tax and corporate income tax etc which were calculated based on the respective tax rates charged by State Administration of Taxation of the PRC.

In light of the above, we consider that the basis and assumptions made under scenario 1, in estimating the Economic Interest Amount under the current business plan of the Group in relation to the Lot 18 Project and management's best knowledge, information and belief after having made all reasonable enquiry up to the Latest Practicable Date, are fair and reasonable.

iii. Scenario 2

As stated in the letter from the Board in the Circular, the Company analyzed and estimated the maximum price for the Buyback under all potential business scenarios and market situations, including (1) aggressive assumptions on the annual growth of the residential selling price; and (2) the most pessimistic assumption on the availability of project financing to fund the project constructions, in which case the Company assumed that SODH and Mitsui will be required to inject capital into Value Land through equity financing for the purpose of development of the Lot 18 Project. As at the Latest Practicable Date, the Company estimated that the maximum price for the Buyback will be RMB730,000,000 (approximately HK\$890,244,000). The Shareholders' Agreement provides that completion of the Buyback is conditional upon the Company obtaining the requisite approval from its Shareholders for the Buyback as may be required by the Listing Rules or a waiver from the Stock Exchange under Rule 14A.43 of the Listing Rules. The Company will comply with the then applicable requirements under the Listing Rules if the actual price of the Buyback exceeds the aforesaid maximum price.

Under the scenario 2 circumstances, the maximum Buyback price will be RMB730,000,000 (approximately HK\$890,244,000).

We have discussed with the management of the Company regarding the above two assumptions made in estimating the maximum price for the Buyback.

In terms of the aggressive assumptions on the annual growth of residential selling price, we understand that the estimated price of residential sales was based on the recent transactions of actual ASP of comparable residential properties in the nearby area in Foshan plus the estimated average annual growth rate of approximately 17.87% per annum over the next three years with reference to the historical average annual growth rate of approximately 14.33% per annum over the past five years in Foshan residential property ASP, as shown in Table 3 above.

In terms of the most pessimistic assumption on the availability of project financing to fund the project constructions, the Company assumes that no debt facility can be extended by external borrowers to Foshan Yong Rui, therefore, both shareholders will need to inject additional equity capital into Value Land to fund the development. Both parties estimated the funding needs and

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agreed in the Shareholder's Agreement that the additional capital injection requirement into Value Land will not exceed RMB600,000,000 (approximately HK\$731,707,000). As 49% shareholder of Value Land, the maximum amount of additional capital injection by Mitsui will not exceed RMB294,000,000 (approximately HK\$358,537,000).

We also understand from the management of the Company that the likelihood of the Buyback price to reach the maximum of RMB730,000,000 (approximately HK\$890,244,000) is remote under the scenario 2 as Foshan Yong Rui should be able to obtain debt facilities from external borrowers to finance the estimated funding needs of the Lot 18 Project.

In light of the above, we consider that the basis and assumption made, under scenario 2, in estimating the maximum Buyback price under the aggressive assumptions on the annual growth of residential selling price and the most pessimistic assumption on the availability of project financing, are fair and reasonable.

iv. Buyback arrangement

As stated in the letter from the Board in the Circular, we note that there is a Buyback arrangement where the Group will buyback 49% of the issued share capital of Value Land from Mitsui upon the occurrence of the Buyback Triggering Event subject to certain conditions as stated in section 3(i) above. We understand that one of the conditions, where the Buyback will only be triggered on or after the expiry of 3 years and 3 months from the date of the First Closing and at least 50% of the Saleable GFA of the Residential Portion has been sold and all relevant sales proceeds have been collected (or 3 months have lapsed after the relevant contracts representing at least 50% of the Saleable GFA have been signed, if earlier), is in line with the Lot 18 Project timeline. In addition, there are two criteria set where one of them have to be met under the Buyback arrangement. As such, from an investment perspective, we consider that this is a reasonable commercial arrangement because it is reasonable for Mitsui to exit its investment when the Lot 18 Project is substantially completed.

Furthermore, we note that if 49% of the Economic Interest Amount exceeds the Consideration, the Buyback price shall be basically the aggregate of (a) the Consideration and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback which implies the total investment amount made by Mitsui on the Lot 18 Project. As such, we consider that the Buyback price for 49% of the Economic Interest Amount exceeds the Consideration, is reasonable because it is commercially reasonable for Mitsui to exit its investment by receiving back its total capital cost invested in the Lot 18 Project.

On the other hand, if 49% of the Economic Interest Amount is equal to or less than the Consideration, the Buyback price shall be the aggregate of (a) 49% of the Economic Interest Amount and (b) the additional capital injection made by Mitsui to Value Land, if any, before the Buyback which implies that Mitsui will also bear the loss of Value Land proportional to its equity interest. As such, we consider that the Buyback price is also reasonable by taking into consideration of Mitsui's proportional equity interest in the event that the Value Land suffers a loss.

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Given that the Buyback mechanism is a reasonable commercial arrangement and the Buyback price is reasonable, we consider that the Buyback arrangement was entered into on a fair and reasonable basis.

F. Financial Impacts of the Disposal

1. *Effect on net asset value*

As disclosed in the 2011 Interim Report, the unaudited net asset value attributable to shareholders of the Company as at 30 June 2011 was approximately RMB25,308 million (approximately HK\$30,863 million). As stated in the letter from the Board in the Circular, the effective interest of 45.08% of the unaudited net asset value of the Land as at 31 October 2011 was approximately RMB244 million (approximately HK\$298 million) while the Consideration was approximately RMB391 million (approximately HK\$477 million). Upon completion of the Disposal, the net asset value attributable to Shareholders will be increased. As such, we consider that the Disposal will have a positive effect on the net asset value of the Group.

2. *Effect on cash / working capital*

As disclosed in the 2011 Interim Report, the Group had current assets of approximately RMB26,431 million (approximately HK\$32,233 million) including bank balances and cash of approximately RMB4,052 million (approximately HK\$4,941 million) and current liabilities of approximately RMB14,608 million (approximately HK\$17,815 million). After deducting estimated tax and other expenses of approximately RMB17 million (approximately HK\$21 million), the net proceeds from the Disposal of approximately RMB374 million (approximately HK\$456 million) is expected to enhance the Group's current assets. The cash position and working capital of the Group will be strengthened upon completion of the Disposal. As such, we consider that the Disposal will have a positive impact on the cash position and the working capital of the Group.

In light of:

- i) the positive effect on the net asset value of the Group; and
- ii) the positive effect on the cash position and the working capital of the Group

we are of the view that the Disposal will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

G. Financial Impacts of the Buyback

1. *Effect on cash and net asset value*

Upon the occurrence of the Buyback Triggering Event, the Group will be required to pay to Mitsui i) at the Buyback price of RMB390,933,760 (approximately HK\$476,749,000) which is same as the Consideration assuming no additional capital injection made by Mitsui to Value Land before the Buyback under scenario 1; and ii) at the Buyback price of a maximum of RMB730,000,000

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

(approximately HK\$890,244,000) under scenario 2, in exchange for the 49% equity interest of the entire issued share capital of Value Land from Mitsui. The decrease of cash position of the Group as a result of the Buyback will be offset against the increase of 49% equity interest in Value Land. As such, we are of the view that the Buyback will not have an impact on the net asset value of the Group and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- i) although the Transactions are not entirely in the usual and ordinary course of business of the Group, they are squarely in line with the business strategy of the Group;
- ii) the Lot 18 Project is going to benefit from the increasing demand for residential and retail properties due to the growing population and steady increase in GDP in Foshan;
- iii) the Lot 18 Project is going to benefit from the continuous increase in the ASP of residential property in Foshan;
- iv) the formation of joint venture with Mitsui will enable the Group to benefit from MF Group's positive contributions to the development of the Lot 18 Project;
- v) the Group will benefit from realizing the value of its investment in Foshan Yong Rui which in turn will increase the net asset value of the Group;
- vi) the Disposal provides cash flow benefits for the Lot 18 Project that can expedite the development of Foshan Ling Nan Tian Di;
- vii) the basis in determining the Consideration is fair and reasonable;
- viii) the basis and assumptions made, under scenario 1, in estimating the Economic Interest Amount are fair and reasonable;
- ix) the basis and assumptions made, under scenario 2, in estimating the maximum Buyback price are fair and reasonable;
- x) the Buyback arrangement was entered into on a fair and reasonable basis;
- xi) the Disposal will have an overall positive financial effect on the Group; and
- xii) the Buyback will not have an impact on the net asset value of the Group.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we are of the view that the Transactions were in line with the business strategy of the Group, the terms of the Transactions were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transactions are in the best interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Ian Ramsay
Director and Head of Corporate Finance

Lenny Li
Director

The following is the text of a letter and valuation report, prepared for inclusion in this circular, received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation of the Land as of 31 October 2011.



Knight Frank
4/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

T +852 2840 1177
F +852 2840 0600
www.knightfrank.com.hk

3 January 2012

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

Dear Sirs

LOT 18 OF FOSHAN LING NAN TIAN DI SITUATED AT NORTH OF EAST ZHAO XIANG ROAD AND EAST OF SHI DONG XIA ROAD, CHANCHENG DISTRICT, FOSHAN, GUANGDONG PROVINCE, 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 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 31 October 2011.

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 by adopting direct comparison approach with reference to sales evidence of comparable properties with adjustments made to account for any difference. We have assumed that the property will be completed in accordance with the development proposals provided to us and the relevant approvals for the proposals have been obtained. We have also taken into account the cost of development including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the property.

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 the property nor for any expenses or taxation that 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 PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC 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, construction schedule, particulars of occupancy, floor and site areas, development proposals, construction costs 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 area 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.

REMARKS

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

CURRENCY

All money amounts stated are in Renminbi.

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

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

Clement W M Leung, MRICS, MHKIS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 18 years’ experience in the valuation of properties in Hong Kong, Macau and Asia Pacific Region and has 16 years’ experience in the valuation of properties in the People’s Republic of China.

VALUATION REPORT

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 October 2011																				
Lot 18 of Foshan Ling Nan Tian Di situated at north of East Zhao Xiang Road and east of Shi Dong Xia Road, Chancheng District, Foshan, Guangdong Province, The PRC	<p>Foshan Ling Nan Tian Di Project is a large-scale redevelopment project and will be a mixed use property development project upon completion located at the city centre of Foshan in Chancheng District.</p> <p>The property is part of the Foshan Ling Nan Tian Di Project. The property comprises a plot of irregularly shaped site with an area of approximately 24,645 sq m (265,279 sq ft).</p> <p>The property is planned to be developed into a comprehensive development including high-rise residential apartments, retail and commercial complex, kindergarten and 732 car parking spaces. The area details are listed as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Gross Floor Area</th> </tr> <tr> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>103,790</td> <td>1,117,196</td> </tr> <tr> <td>Public facilities</td> <td>4,610</td> <td>49,622</td> </tr> <tr> <td>Basement Retail</td> <td>12,000</td> <td>129,168</td> </tr> <tr> <td>Basement Car Park</td> <td>29,280</td> <td>315,170</td> </tr> <tr> <td>Total:</td> <td><u>149,680</u></td> <td><u>1,611,156</u></td> </tr> </tbody> </table>	Use	Gross Floor Area		sq m	sq ft	Residential	103,790	1,117,196	Public facilities	4,610	49,622	Basement Retail	12,000	129,168	Basement Car Park	29,280	315,170	Total:	<u>149,680</u>	<u>1,611,156</u>	The property is currently a vacant site with some dilapidated buildings due to be demolished.	RMB794,000,000 (100% interest attributable to the Group: RMB794,000,000)
Use	Gross Floor Area																						
	sq m	sq ft																					
Residential	103,790	1,117,196																					
Public facilities	4,610	49,622																					
Basement Retail	12,000	129,168																					
Basement Car Park	29,280	315,170																					
Total:	<u>149,680</u>	<u>1,611,156</u>																					
	The property is held under land use right terms expiring on 30 November 2057 for office use, 30 November 2047 for commercial and hotel use and 30 November 2077 for residential use.																						

Notes:

- Pursuant to the Contract for Grant of Foshan Chancheng District State-owned Land Use Right dated 30 May 2008 entered into among Foshan Land Resources Bureau and Fo Shan Yi Kang Property Development Co., Ltd., Foshan Shui On Property Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., FoShan Yuan Kang Property Development Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., FoShan Rui Dong Property Development Co., Ltd., FoShan Rui Fang Property Development Co., Ltd. and FoShan Rui Kang Tian Di Property Development Co., Ltd. (collectively referred to as the "Grantees"), the former party agreed to grant the land use right of the whole development to the Grantees. The salient conditions as stipulated in the aforesaid contract are, inter alia, cited as follows:

- | | | | |
|-------|-----------------|---|---|
| (i) | Total site area | : | 639,320 sq m |
| (ii) | Net site area | : | 517,471 sq m |
| (iii) | Use | : | public facilities use (mainly office, commercial and hotel) and residential use |
| (iv) | Land use term | : | 70 years for residential, 50 years for office and 40 years for commercial and hotel from 30 November 2007 |

- | | | | |
|--------|---|---|------------------|
| (v) | Land premium | : | RMB7,510,000,000 |
| (vi) | Plot ratio | : | <=2.9 |
| (vii) | Site coverage | : | <=40% |
| (viii) | Green area ratio | : | >=25% |
| (ix) | Total gross floor area (excluding basement and semi-basement car park) should not exceed 1,500,665.90 sq m and gross floor area of basement and semi-basement (excluding basement for defense use) should not exceed 501,500.00 sq m. | | |
2. Pursuant to the Supplemental Agreement of the Contract for Grant of Foshan State-owned Construction Land Use Right entered into between Foshan Land Resources Bureau and Fo Shan Yong Rui Tian Di Property Development Co., Ltd. (“Foshan Yong Rui”) dated 17 September 2010, the salient conditions as stipulated in the aforesaid agreement are, inter alia, cited as follows:
- | | | | |
|-------|--|---|--|
| (i) | Net site area | : | 24,645 sq m |
| (ii) | Land premium | : | RMB542,128,871.08 |
| (iii) | Total gross floor area (excluding basement and semi-basement carpark and plant room) should not exceed 108,290.13 sq m and gross floor area of basement and semi-basement (excluding basement for defense use) should not exceed 49,260.00 sq m. | | |
| (iv) | Commencement of construction | : | The construction works should be commenced within 1 year from the date when the land premium was fully paid. |
| (v) | Construction period | : | The construction period should be within 3 years from the expiry date of commencement of construction. |
3. Pursuant to the Construction Land Planning Permit No. Di Zi Di 440604200900031 issued by Foshan Planning Bureau dated 21 September 2009, the whole development with a total site area of 517,471 sq m was permitted to be developed.
4. As advised by the Group, the construction cost incurred and the outstanding construction cost of the property as at the valuation date were approximately RMB5,500,000 and RMB1,000,000,000 respectively. Accordingly, we have taken into account the aforesaid costs in our valuation. In our opinion, the gross development value of the proposed development of the property, assuming they were complete as at the valuation date, was estimated approximately as RMB2,540,000,000.
5. We have been provided with the opinion of the Group’s PRC legal adviser, which contains, inter alia, the following information:
- | | | | |
|-------|--|--|--|
| (i) | Foshan Yong Rui is a legally established foreign invested limited company. | | |
| (ii) | The property was obtained by legally implemented land bid invitation, auction and listing procedure and the aforesaid Contract for Grant of Foshan Chancheng District State-owned Land Use Right and the Supplemental Agreement of the Contract for Grant of Foshan State-owned Construction Land Use Right were legally signed. | | |
| (iii) | Foshan Yong Rui fully paid the land premium and the situation which led to the aforesaid Contract for Grant of Foshan Chancheng District State-owned Land Use Right and the Supplemental Agreement of the Contract for Grant of Foshan State-owned Construction Land Use Right become invalid does not exist. | | |
| (iv) | There is no legal obstacle for Foshan Yong Rui to obtain the State-owned Land Use Right Certificate of the property. After obtaining the State-owned Land Use Right Certificate, Foshan Yong Rui can legally use, mortgage, transfer and let the land use rights of the property. | | |

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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 the 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) Long position in the shares and the underlying shares

Name of Directors	Number of Ordinary Shares			Interests in the underlying shares		Total	Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date (Note 6)
	Personal interests	Family interests	Other interests	Share Options (Note 4)	Other Equity Derivatives (Note 5)		
Mr. Vincent H. S. LO ("Mr. Lo")	—	1,333,430 (Note 1)	3,266,796,897 (Note 2)	—	276,182,711 (Note 5)	3,544,313,038	68.00%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	—	5,077,338 (Note 3)	—	5,571,838	0.10%
Dr. William K. L. FUNG	4,133,593	—	—	—	—	4,133,593	0.08%
The Honourable LEUNG Chun Ying	—	—	—	500,000	—	500,000	0.01%
Sir John R. H. BOND	—	—	—	500,000	—	500,000	0.01%

Name of Directors	Number of Ordinary Shares			Interests in the underlying shares		Total	Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date (Note 6)
	Personal interests	Family interests	Other interests	Share Options (Note 4)	Other Equity Derivatives		
Professor Gary C. BIDDLE	220,000	—	—	500,000	—	720,000	0.01%
Dr. Roger L. McCARTHY	—	—	—	500,000	—	500,000	0.01%
Mr. David J. SHAW	—	—	—	500,000	—	500,000	0.01%

Notes:

- (1) These shares were beneficially owned by Ms. Loletta CHU (“Mrs. Lo”), the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.
- (2) These shares were beneficially owned by Shui On Company Limited (“SOCL”) through its controlled corporations, comprising 1,411,712,352 shares, 1,717,614,889 shares and 137,469,656 shares held by Shui On Properties Limited (“SOP”), Shui On Investment Company Limited (“SOI”) and New Rainbow Investments Limited (“NRI”) respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. (“Bosrich”). 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 (“HSBC Trustee”) is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such Shares under Part XV of the SFO. The 1,717,614,889 shares held by SOI include SOI’s interests in 613,529,412 shares which will be issued by the Company as initial consideration upon completion of the transactions (including the sale and purchase of the entire issued share capital of Rimmer Investments Limited and 66.7% of the entire issued share capital of Magic Garden Investments Limited) under the agreement dated 9 September 2011 amongst Rich Bright Holdings Limited (an indirect wholly-owned subsidiary of the Company), Cassidy Enterprises Corp. (an indirect wholly-owned subsidiary of SOI) and SOI, the details of which are set out in the circular of the Company dated 6 October 2011.
- (3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 946,218 share options held by his spouse under Part XV of the SFO.
- (4) These represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for Shares.
- (5) Chester International Cayman Limited (“Chester International”) was taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. Chester International is a direct wholly-owned subsidiary of SOI. Accordingly, Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.
- (6) These percentages have been compiled based on the total number of issued shares (i.e. 5,211,587,981 shares) at the Latest Practicable Date.

(b) Interests in the debentures of the Company

Name of Director	Nature of Interests	Amount of Debentures
Dr. William K. L. FUNG	Interest of controlled corporation	RMB12,700,000

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal	RMB5,000,000

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.

At the Latest Practicable Date, save for the transactions as disclosed in the circular of the Company dated 6 October 2011, none of the Directors or the proposed Directors had any direct or indirect interests in any assets which had since 31 December 2010 (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 were proposed to be acquired or disposed of by or leased to any member of the Group.

At the Latest Practicable Date, saved as disclosed in this circular and in the Company's circular dated 6 October 2011, 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.

At the Latest Practicable Date, save as disclosed below, none of the Directors or the proposed Directors was a director or employee of a company which had an interest or short position in the shares and 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 Directors	Name of companies which had such discloseable interest or short position	Position within such companies
Mr. Lo	SOCL, SOP, SOI, NRI	director
Mr. Frankie Y. L. WONG	SOCL, SOP, SOI	director

3. SERVICE CONTRACTS

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

4. COMPETING INTERESTS

Mr. Lo is the Chairman 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 Development Limited 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 interests in the businesses, which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

5. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion and advice, which are contained in this circular:

Name	Qualification
Platinum	a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Knight Frank	Property Valuer

Both Platinum and Knight Frank have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and references to its name in the form and context in which it appears.

6. EXPERT'S INTEREST

At the Latest Practicable Date, Platinum and Knight Frank:

- (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) did not have any direct or indirect interest in any assets which had since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as the decrease in turnover and profit for the period as disclosed in the 30 June 2011 interim financial statements, at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. 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, Hong Kong during normal business hours on any business day other than public holidays, from the date of this circular up to and including 18 January 2012:

- (i) the Sale and Purchase Agreement;
- (ii) the "Letter from the Independent Board Committee" as set out in this circular;
- (iii) the "Letter of Advice from the Independent Financial Adviser" as set out in this circular;
- (iv) the valuation report dated 3 January 2012 prepared by Knight Frank as set out in Appendix I; and
- (v) the letter of consent from each of Platinum and Knight Frank referred to in item 5 of this Appendix.