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

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Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

CONTINUING CONNECTED TRANSACTIONS

THE FURTHER RENEWED CONSTRUCTION AGREEMENT IN RELATION TO THE DALIAN PROJECT

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



PLATINUM
Securities

A letter from the Independent Board Committee is set out on pages 9 to 10 of this circular.

A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 11 to 19 of this circular.

* *for identification purposes only*

14 December 2012

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DEFINITIONS

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

“Annual Cap(s)”	the maximum annual fees payable by the Richcoast Group to the Yida Group for the provision of Construction Services for the three financial years ending 31 December 2015;
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (stock code: 272);
“Construction Services”	the construction services provided and to be provided by the Yida Group to the Richcoast Group under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement, including but not limited to the excavation and/or back filling, clearance of the construction site, removal of the construction garbage, setting up drainage system and construction of the main structures of the Land;
“Continuing Connected Transactions”	the transactions contemplated under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement;
“Dalian Project”	the Dalian Tiandi property development project jointly developed and operated by the Group, the SOCAM Group and the Yida Group, being a large-scale integrated development in Dalian, the PRC, with an estimated developable gross floor area of approximately 3.3 million square metres comprising software offices, residential, commercial and retail properties, hotels and educational facilities;
“Directors”	the directors of the Company;
“Framework Construction Agreement”	the framework construction agreement dated 7 August 2008 entered into between Richcoast and Yida in respect of the provision of construction services, as supplemented by a supplemental agreement dated 17 July 2009 and the second supplemental agreement dated 26 August 2010 entered into between Richcoast and Yida;

DEFINITIONS

“Further Renewed Construction Agreement”	the third supplemental agreement dated 23 November 2012 entered into between Richcoast and Yida which further extends the term of the Framework Construction Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	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 Continuing Connected 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 the Continuing Connected 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”	all the Shareholders as no Shareholder is required to abstain from voting in relation to the approval of the Continuing Connected Transactions;
“Land”	the land area constituting the Dalian Project;
“Latest Practicable Date”	10 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lo”	Mr. Vincent H. S. LO;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan area;

DEFINITIONS

“Richcoast”	Richcoast Group Limited (a non wholly-owned subsidiary of the Company for the purposes of the Listing Rules) which is incorporated in the British Virgin Islands and is a joint venture company held as to 61.54% by Innovate Zone Group Limited (a wholly-owned subsidiary of the Company), 28.2% by Main Zone Group Limited (a member of the SOCAM Group) and 10.26% by Many Gain International Limited (a member of the Yida Group) respectively at the Latest Practicable Date;
“Richcoast Group”	Richcoast and its subsidiaries;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	ordinary shares of nominal value of US\$0.0025 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Shui On Investment Group”	Shui On Investment Company Limited and three of its wholly-owned subsidiaries namely Shui On Properties Limited, Chester International Cayman Limited and Lanvic Limited;
“SOCAM”	SOCAM Development Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 983);
“SOCAM Group”	SOCAM and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	United States dollar, the lawful currency of the United States of America;
“Yida”	Yida Group Company Limited, a limited liability company incorporated in the PRC;
“Yida Group”	Yida 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 = RMB0.80. 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:

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Place of Business in Hong Kong:

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

14 December 2012

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

THE FURTHER RENEWED CONSTRUCTION AGREEMENT IN RELATION TO THE DALIAN PROJECT

INTRODUCTION

Reference is made to the announcement of the Company dated 23 November 2012 in respect of the Continuing Connected Transactions. Under the Framework Construction Agreement, the Yida Group may enter into contracts with the Richcoast Group to provide construction services. The term of the Framework Construction Agreement will end on 31 December 2012.

* for identification purposes only

LETTER FROM THE BOARD

On 23 November 2012, the Board announced that Richcoast and Yida entered into the Further Renewed Construction Agreement to provide guidelines and basis of the Annual Caps for the provision of Construction Services by the Yida Group to the Richcoast Group for a further term of three financial years ending on 31 December 2015.

The transactions contemplated under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the approval by the Independent Shareholders.

The purpose of this circular is to provide you with further information regarding the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) and to set out the opinion of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions.

ANNUAL CAPS

It is expected that the maximum annual fees payable by the Richcoast Group to the Yida Group under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement for each of the three financial years ending 31 December 2015 will be as follows:

	During the financial year ending 31 December		
	2013	2014	2015
Annual Caps	RMB1,000,000,000 (approximately HK\$1,250,000,000)	RMB1,000,000,000 (approximately HK\$1,250,000,000)	RMB1,000,000,000 (approximately HK\$1,250,000,000)

In determining the Annual Caps, the Directors have taken into account (i) the estimated construction costs which the Richcoast Group will incur for each of the three financial years ending 31 December 2015 based on the latest development plan of the Dalian Project; (ii) the estimated total annual contract amount payable by the Richcoast Group to the Yida Group for the Construction Services which have been awarded to the Yida Group or are in discussion between the Richcoast Group and the Yida Group; and (iii) the quality, capability and the scope of the services that can be provided by the Yida Group as compared with other contractors of similar rank.

The fees for the Construction Services are based on normal commercial terms as agreed between the Richcoast Group and the Yida Group from time to time in accordance with the prevailing market rates or, if there is no prevailing market rate available, fair and reasonable prices based on arm's length negotiations between the parties with reference to the prevailing rates as published in the relevant provincial or city guidelines. In general, the Richcoast Group engages an independent quantity surveying consultant to assist in the pricing policies. After taking into account the advice from the independent quantity surveying consultant, the price quotation from potential service providers, the relevant capability and expertise of the potential service providers to satisfy the

LETTER FROM THE BOARD

contracts requirements on the particular type of construction work required, the track record of past performance, and the expected duration to complete the construction, the management committee of the Richcoast Group will take the role to ensure that the fees paid by the Richcoast Group to the Yida Group for the Construction Services shall be in accordance with the above pricing basis.

The fees paid and/or payable by the Richcoast Group to the Yida Group in respect of the Construction Services were approximately RMB550,000,000 (approximately HK\$688,000,000) for the financial year ended 31 December 2010, RMB946,000,000 (approximately HK\$1,183,000,000) for the financial year ended 31 December 2011 and RMB171,000,000 (approximately HK\$214,000,000) in respect of the six months ended 30 June 2012.

REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

In view of the latest development plan of the Dalian Project, the Richcoast Group anticipated that Construction Services would be demanded from the Yida Group in coming years. The Dalian Project will focus on residential development for the next three years from 2013 to 2015, accompanying with certain construction works on office and retail properties, infrastructure and public utilities to complete the master development plan of the Dalian Project with the product mix that is currently preferred in the market. Taking into consideration that the estimated total annual contract amount payable by the Richcoast Group to the Yida Group for the Construction Services which have been awarded to the Yida Group or are in discussion between the Richcoast Group and the Yida Group, the Company considered that it is necessary to enter into the Further Renewed Construction Agreement to set the Annual Caps for the three financial years ending on 31 December 2015. The Directors consider that the entering into of the Further Renewed Construction Agreement will allow the Group to meet the development schedule and potentially enjoy the resulting economic benefits, which is in line with the commercial objectives of the Group. The Richcoast Group is aware that the implementation of home purchase restriction policies by the PRC Central Government has led to a slowdown in the property markets in the PRC. The Richcoast Group will position itself strategically to cope with this challenging operating environment.

The Yida Group has been engaged by the Richcoast Group since year 2008 to perform site formation work for certain plots of area of the Land. The Directors are of the view that, considering the strength and experience of the Yida Group in handling large-scale development projects in Dalian and the Group's smooth and close working experience with the Yida Group in the past, Yida is one of the few competent contractors which has adequate capacity and strong local experience to cope with the Group's scheduled development in the Dalian Project. In addition, the Group is satisfied with the Yida Group's high quality services.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group, the Further Renewed Construction Agreement (together with the Annual Caps) have been agreed on normal commercial terms after arm's length negotiations between the parties and the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As Yida (through its wholly-owned subsidiary) is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules, Yida is a connected person of the Company. Therefore, the transactions contemplated under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the Annual Caps exceed 5%, the Continuing Connected Transactions (together with the Annual Caps) are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the Listing Rules.

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

INFORMATION REGARDING THE GROUP AND THE YIDA GROUP

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

The Yida Group is a conglomerate with interests in property development, construction and furnishing, equipment manufacturing, software park development, platform development for software and information services, and professional training and education in the PRC.

INDEPENDENT SHAREHOLDERS' APPROVAL

Since none of the Shareholders is required to abstain from voting to approve the Continuing Connected Transactions, an application has been made by the Company to the Stock Exchange for, and the Stock Exchange has granted to the Company on 26 November 2012 a waiver of the requirement for the Company to hold a Shareholders' meeting in accordance with Rule 14A.43 of the Listing Rules.

On 26 November 2012, Shui On Investment Group and New Rainbow Investments Limited (a closely allied group of Shareholders holding 3,272,383,609 Shares and 143,007,098 Shares respectively representing an aggregate of approximately 56.91% of the entire issued share capital of the Company) have given written approvals of the Continuing Connected Transactions in lieu of an approval from the Independent Shareholders at a Shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders, and Platinum Securities Company Limited, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps).

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group, the Further Renewed Construction Agreement (together with the Annual Caps) have been agreed on normal commercial terms after arm's length negotiations between the parties and the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Independent Shareholders to vote in favour of the Continuing Connected Transactions if a physical Shareholders' meeting were to be held.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 9 to 10 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions set out on pages 11 to 19 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

14 December 2012

To the Independent Shareholder(s)

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**THE FURTHER RENEWED CONSTRUCTION AGREEMENT
IN RELATION TO THE DALIAN PROJECT**

We refer to the circular (the “**Circular**”) dated 14 December 2012 issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) and to advise the Independent Shareholders whether, in our opinion, the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and whether the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) have been agreed on normal commercial terms, 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 the same respect.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 8 of the Circular which contains information about the Further Renewed Construction Agreement and the letter of advice from the Independent Financial Adviser set out on pages 11 to 19 of the Circular which contains advice in respect of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps).

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Platinum, we consider that the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group, the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) have been agreed on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and we recommend the Independent Shareholders to vote in favour of the Continuing Connected Transactions if a physical Shareholders' meeting were to be held.

Yours faithfully,
**Independent Board Committee of
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.



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14 December 2012

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

THE FURTHER RENEWED CONSTRUCTION AGREEMENT IN RELATION TO THE DALIAN PROJECT

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 Continuing Connected Transactions. Details of the Continuing Connected Transactions are contained in the letter from the Board as set out in the circular of the Company dated 14 December 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 contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and whether the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) have been agreed on normal commercial terms, 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 Further Renewed Construction Agreement; (ii) the announcement of the Company dated 23 November 2012 in respect of the Continuing Connected Transactions (the “**2012 Announcement**”); (iii) the

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

announcement of the Company dated 26 August 2010 (the “**2010 Announcement**”); (iv) the circular of the Company dated 25 October 2010 (the “**2010 Circular**”); (v) the Framework Construction Agreement; (vi) the audited 2011 annual report of the Company (the “**2011 Annual Report**”); (vii) the unaudited 2011 interim report of the Company (the “**2011 Interim Report**”); and (viii) the unaudited 2012 interim report of the Company (the “**2012 Interim Report**”).

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 Continuing Connected Transactions.

We are independent from, and are not associated with the Company or any other party to the Continuing Connected 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 Continuing Connected 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 Continuing Connected 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 Continuing Connected 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 contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and whether the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) have been agreed on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

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 Continuing Connected Transactions

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.

Reference is made to the 2012 Announcement. Under the Framework Construction Agreement, the Yida Group may enter into contracts with the Richcoast Group to provide construction services. The term of the Framework Construction Agreement will end on 31 December 2012.

On 23 November 2012, the Board announced that Richcoast and Yida entered into the Further Renewed Construction Agreement to provide guidelines and basis of the Annual Caps for the provision of Construction Services by the Yida Group to the Richcoast Group for a further term of three financial years ending on 31 December 2015.

2. Reasons for and benefits of the Continuing Connected Transactions

As stated in the letter from the Board in the Circular, in view of the latest development plan of the Dalian Project, the Richcoast Group anticipated that Construction Services would be demanded from the Yida Group in coming years. The Dalian Project will focus on residential development for the next three years from 2013 to 2015, accompanying with certain construction works on office and retail properties, infrastructure and public utilities to complete the master development plan of the Dalian Project with the product mix that is currently preferred in the market. Taking into consideration that the estimated total annual contract amount payable by the Richcoast Group to the Yida Group for the Construction Services which have been awarded to the Yida Group or are in discussion between the Richcoast Group and the Yida Group, the Company considered that it is necessary to enter into the Further Renewed Construction Agreement to set the Annual Caps for the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 (respectively, “FY2013”, “FY2014” and “FY2015”). The Directors consider that the entering into of the Further Renewed Construction Agreement will allow the Group to meet the development schedule and potentially enjoy the resulting economic benefits, which is in line with the commercial objectives of the Group. The Richcoast Group is aware that the implementation of home purchase restriction policies by the PRC Central Government has led to a slowdown in the property markets in the PRC. The Richcoast Group will position itself strategically to cope with this challenging operating environment.

Based on our discussion with the management of the Company, we understand that in its ordinary and usual course of business, the Richcoast Group will engage contractors from time to time to conduct site formation and construction works on the Dalian Project.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the Yida Group is a conglomerate with interests in property development, construction and furnishing, equipment manufacturing, software park development, platform development for software and information services, and professional training and education in the PRC.

As we understand from the management of the Company and as stated in the letter from the Board in the Circular, the Yida Group has been engaged by the Richcoast Group since year 2008 to perform site formation work for certain plots of area of the Land. The Directors are of the view that, considering the strength and experience of the Yida Group in handling large-scale development projects in Dalian and the Group's smooth and close working experience with the Yida Group in the past, Yida is one of the few competent contractors which has adequate capacity and strong local experience to cope with the Group's scheduled development in the Dalian Project. In addition, the Group is satisfied with the Yida Group's high quality services.

Given that:

- (i) engaging contractors from time to time to conduct site formation and construction works on the Dalian Project is in ordinary and usual course of business of the Richcoast Group; and
- (ii) Yida Group has strength in handling large-scale development projects in Dalian and experience in cooperating with the Group in developing the Dalian Project,

we agree with the Directors (including the independent non-executive Directors) that the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Basis of the Annual Caps

It is expected that the maximum annual fees payable by the Richcoast Group to the Yida Group under the Framework Construction Agreement as supplemented by the Further Renewed Construction Agreement for FY2013, FY2014 and FY2015 will be as follows in Table 1:

Table 1: The Annual Caps

	FY2013	FY2014	FY2015
Annual Caps	RMB1,000,000,000 (approximately HK\$1,250,000,000)	RMB1,000,000,000 (approximately HK\$1,250,000,000)	RMB1,000,000,000 (approximately HK\$1,250,000,000)

Source: Circular

In determining the Annual Caps, the Directors have taken into account (i) the estimated construction costs which the Richcoast Group will incur for each of FY2013, FY2014 and FY2015 based on the latest development plan of the Dalian Project; (ii) the estimated total annual contract amount payable by the Richcoast Group to the Yida Group for the Construction Services which have been awarded to the Yida Group or are in discussion between the Richcoast Group and the Yida Group; and (iii) the quality, capability and the scope of the services that can be provided by the Yida Group as compared with other contractors of similar rank.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

When assessing the reasonableness of the Annual Caps, we have looked into (i) the utilization rate of the previous Annual Caps; (ii) the future development of the Dalian Project; (iii) assessment of Annual Caps; and (iv) assessment of the basis of the pricing of the Construction Services.

3.1 The utilization rate of the previous Annual Caps

The fees paid and/or payable by the Richcoast Group to the Yida Group in respect of the Construction Services were approximately RMB550,000,000 (approximately HK\$688,000,000) for the financial year ended 31 December 2010 (“FY2010”), RMB946,000,000 (approximately HK\$1,183,000,000) for the financial year ended 31 December 2011 (“FY2011”) and RMB171,000,000 (approximately HK\$214,000,000) in respect of the six months ended 30 June 2012 (“1H2012”).

Table 2: The utilization rate

	FY2010	FY2011	FY2012*
Fees paid and/or payable by the Richcoast Group to the Yida Group (<i>RMB million</i>)	550	946	342
Annual Cap (<i>RMB million</i>)	1,000	1,000	1,000
Utilization rate	55.0%	94.6%	34.2%

Note: FY2012 figures represents annualized 1H2012 figures for easy comparison

Source: Company information

As illustrated in the Table 2 above, we note that the utilization rate of the Annual Caps fell from 94.6% in 2011 to 34.2% in 2012 (as at 30 June 2012). This shows a significant decrease in the amount of construction works given to the Yida Group by the Richcoast Group in relation to the Dalian Project.

We note that the PRC Central Government has implemented several measures aimed at curbing residential property prices since 2010, including restrictions on second-home purchases and a higher requirement on down payments. We further note that such restrictive measures had affected the property market in Dalian since 2010 as the property sales in terms of gross floor area (“GFA”) and turnover decreased by approximately 25.1% and 14.4% year-on-year (“YoY”) respectively. As for 2012, we understand from the management of the Company that the average selling price (“ASP”) fell by approximately 32.4% from approximately RMB18,500 per sq.m in the six months ended 30 June 2011 (“1H2011”) to RMB12,500 per sq.m in 1H2012. As discussed with the management of the Company, the drop in ASP of the Dalian Project was attributable to two reasons: (i) the units delivered in 1H2012 were mainly apartments, while the delivery in 1H2011 consisted of a mix of apartments and premium-priced townhouses; and (ii) the ASP of apartments decreased by approximately 14.0% from RMB11,718 per sq.m in the first ten months of 2011 to RMB10,073 per sq.m in the first ten months of 2012.

As mentioned in the letter from the Board in the Circular, the Richcoast Group is aware that the implementation of home purchase restriction policies by the PRC Central Government has led to a

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slowdown in the property markets in the PRC. The Richcoast Group will position itself strategically to cope with this challenging operating environment. Therefore, due to the recent performance of the property market in Dalian as described above, the Richcoast Group slowed down the development of Dalian Project in 1H2012.

We understand from the management of the Company that it is a normal business practice for the management to make certain adjustments to the pace and/or amount of construction works in light of the performance of each city's local property markets from time to time. We further understand from the management of the Company that they had slowed down certain parts in the Dalian Project, due to the relatively lackluster performance of the property market in Dalian in 2011 and 2012, while the Company accelerated the construction works in other projects located in other cities including Shanghai and Wuhan.

As such, we consider it is reasonable for the management of the Company to slow down the development of the Dalian Project in 2012 in light of the relatively lackluster performance of the property markets in Dalian while accelerating the construction works of other Group's projects.

3.2 Future development of the Dalian Project

As discussed with the management of the Company, most of the construction activities will resume in 2013, mainly to be consistent with the Directors' view on the positive long-term outlook of the property market in Dalian. Meanwhile, despite the recent slowdown of the property markets in Dalian, the management of the Company remains optimistic in the long-term.

As illustrated in the Table 3 below, the gross domestic product (the "GDP") of Dalian consistently grew at a higher rate than the national average. We consider the continuing strong GDP growth in Dalian should lead to a strong demand for high quality residential and retail properties. As such, we agree with the management of the Company on the long-term positive outlook of the property market in Dalian.

Table 3: GDP of China and Dalian (2008 - 1H2012)

	FY2008	FY2009	FY2010	FY2011	1H2012
National GDP (<i>RMB billion</i>)	31,404.5	34,090.3	40,151.3	47,156.4	22,709.8
<i>YoY growth</i>	9.6%	9.2%	10.4%	9.2%	7.8%
Dalian GDP (<i>RMB billion</i>)	380.3	435.0	515.8	615.0	340.1
<i>YoY growth</i>	16.5%	15.0%	15.2%	13.5%	10.1%

Note: "FY2008" and "FY2009" refer to the two financial years ended 31 December 2008 and 2009 respectively

Source: 2008 - 2011 yearly statistics bulletins and 2012 first half year statistics bulletin for both the PRC and Dalian

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In addition, we understand from the management of the Company that the development cycle of residential property would be around two to three years. Given the Company's optimistic long-term outlook of the property market in Dalian, we concur with the management of the Company that, apart from resuming most of the temporarily slowed down development of the Dalian Project, commencing certain new projects in 2013 will help the Company meet its development schedule and potentially enjoy the resulting economic benefits by capturing the long-term growth of property market in Dalian.

As such, we are of the view that the slowdown of the development of the Dalian Project in 2012 is only temporary and the resumption of the currently slowed down projects and the commencement of certain new projects starting from 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.3 Assessment of the Annual Caps

As discussed above, it is reasonable for the Richcoast Group to resume most of the currently temporarily slowed down projects and commence certain new projects in 2013. As illustrated in the Table 4 below, we have reviewed the budget for the Dalian Project in the next three years and understand from the management of the Company that the scale of the Construction Services provided by the Yida Group will be generally in line with that in 2011, being the year before the Richcoast Group temporarily slowed down the development of the Dalian Project.

Table 4: Estimated amount to be paid to Yida in 2013, 2014 and 2015

	2013	2014	2015
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Residential:			
- High and Medium Rise Residential Towers	767	409	436
- Villas	28	-	-
- Serviced Apartments	4	-	-
Retail	91	113	148
Office	-	255	218
Hotel	78	181	58
School	13	7	27
Infrastructure	-	-	90
<i>Total</i>	<u>981</u>	<u>965</u>	<u>977</u>
<i>Annual Caps</i>	1,000	1,000	1,000

We note that the Annual Caps of RMB1,000,000,000 for FY2013, FY2014 and FY2015 are in line with the fees paid and/or payable by the Richcoast Group to Yida Group in 2011 of approximately RMB946,000,000.

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As such, we are of the view that setting the Annual Caps at RMB1,000,000,000 is consistent with the Company's business strategy and is fair and reasonable.

3.4 Assessment of the basis of pricing of the Construction Services

As stated in the letter from the Board in the Circular, we note that the fees for the Construction Services are based on normal commercial terms as agreed between the Richcoast Group and the Yida Group from time to time in accordance with the prevailing market rates (the "**Prevailing Market Rates**") or, if there is no prevailing market rate available, fair and reasonable prices based on arm's length negotiations between the parties with reference to the prevailing rates as published in the relevant provincial or city guidelines.

Based on further discussions with the management of the Company, we understand that, in order to determine the Prevailing Market Rates, the Richcoast Group will make reference to the relevant pricing terms from previous contracts of similar kind entered into by the Richcoast Group and/or the other industry players. If the Prevailing Market Rates cannot be determined after such process, the Richcoast Group will then make reference to the prevailing rates which are made available to the public by the relevant government authorities through various official government websites and publications on a quarterly basis.

In addition, we understand that the Richcoast Group will engage an independent quantity surveyor to assist in the pricing policies. The independent quantity surveyor will provide professional opinion in relation to the pricing, nature of the construction work and capability and expertise required. As such, we are of the view that the determination process of the basis of pricing of the Construction Services is fair and reasonable.

Furthermore, we note that in order to comply with the pricing basis, the Richcoast Group will take into account: (i) the advice from the independent quantity surveying consultant; (ii) price quotation from potential service providers; (iii) the relevant capability and expertise of the potential service providers to satisfy the contracts requirements on the particular type of construction work required; (iv) the track record of past performance; and (v) the expected duration to complete the construction. The management committee of the Richcoast Group will take on the lead role to ensure that the fees paid by the Richcoast Group to the Yida Group for the Construction Services will be in accordance with the determined pricing basis. Based on these understandings, we consider the measures implemented by the Company to comply with the determined pricing basis are fair and reasonable.

Given that:

- (i) it is reasonable for the management of the Company to slow down the development of Dalian Project in 2012 in light of the relatively lackluster performance of property market in Dalian while accelerating the construction works of other Group's projects;
- (ii) the slowdown of the development of the Dalian Project in 2012 is only temporary and the resumption of currently slowed down projects and commencement of certain new projects starting from 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole;

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- (iii) setting the Annual Caps at RMB1,000,000,000 to be in line with the fees paid and/or payable by the Richcoast Group to the Yida Group in 2011 is fair and reasonable;
- (iv) the determination process of the basis of pricing of the Construction Services is fair and reasonable; and
- (v) the measures implemented by the Company to comply with the determined pricing basis are fair and reasonable,

we are of the view that the Annual Caps under the Further Renewed Construction Agreement have been agreed on normal commercial terms, are fair and reasonable, and 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) the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and
- (ii) the Annual Caps under the Further Renewed Construction Agreement have been agreed on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the transactions contemplated under the Further Renewed Construction Agreement are in the ordinary and usual course of business of the Group and the terms of the Further Renewed Construction Agreement and the transactions contemplated thereunder (together with the Annual Caps) have been agreed on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the Continuing Connected Transactions if a physical Shareholders' meeting were to be held.

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

Lenny Li
Director

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 enquires, 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 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
	Personal interests	Family interests	Other interests	Share Options	Other Equity Derivatives		
Mr. Lo	—	1,387,141 <i>(Note 1)</i>	3,415,390,707 <i>(Notes 2 & 5)</i>	—	276,182,711 <i>(Note 5)</i>	3,692,960,559	61.53%
Mr. Freddy C. K. LEE	286,000	208,500 <i>(Note 3)</i>	—	13,577,747 <i>(Note 3)</i>	—	14,072,247	0.23%
Mr. Daniel Y. K. WAN	—	—	—	9,575,766	—	9,575,766	0.15%
Dr. William K. L. FUNG	4,133,593	—	—	—	—	4,133,593	0.06%
Professor Gary C. BIDDLE	228,860	—	—	—	—	228,860	0.0038%

Notes:

- (1) These interests were beneficially owned by Ms. Loletta CHU (“**Mrs. Lo**”), the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 1,387,141 Shares under Part XV of the SFO.
- (2) In respect of such interests, 3,411,881,764 Shares of which were beneficially owned by Shui On Company Limited (“**SOCL**”) through its controlled corporations, comprising 1,468,577,844 Shares, 1,527,879,950 Shares, 143,007,098 Shares, 100,000,000 Shares and 172,416,872 Shares held by Shui On Properties Limited (“**SOP**”), Shui On Investment Company Limited (“**SOI**”), New Rainbow Investments Limited (“**NRI**”), Lanvic Limited and Boswell Limited (“**Boswell**”) respectively whereas SOP, Lanvic Limited and Boswell are the wholly-owned subsidiaries of SOI. 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.
- (3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 Shares and 943,861 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) In respect of such interests, 3,508,943 Shares of which were beneficially owned by Chester International Cayman Limited (“**Chester International**”), and Chester International is also 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 is deemed to be interested in such 279,691,654 Shares under Part XV of the SFO.
- (6) These percentages have been compiled based on the total number of issued Shares (i.e. 6,001,294,642 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 interests	RMB5,000,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000

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 have since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

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 and Boswell	director
Mr. Frankie Y. L. WONG	SOCL, SOP, SOI and Boswell	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 (i.e. SOCL and its subsidiaries, but excluding SOCAM Group). The core businesses of the Shui On Group including property development and investment projects in Hong Kong, New York and the PRC, as more fully described in the section headed "Relationship with the Shui On Group" of the Company's prospectus dated 20 September 2006. The Company has entered into a non-competition agreement with SOCL and Mr. Lo pursuant to which

SOCL and Mr. Lo have severally undertaken not to compete with the business of the Company. For more details, see the section headed “Relationship with the Shui On Group” of the Company’s prospectus dated 20 September 2006. In addition, Mr. Lo is also the chairman and controlling shareholder of SOCAM which is engaged in property development in the PRC.

Save as referred to herein, at the Latest Practicable Date, none of the Directors or their respective associates had any 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 qualifications of the expert who has given opinion and advice, which is contained in this circular, are set out as follows:

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.

Platinum has given and has 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:

- (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 2011 (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

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 2011, 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, Wan Chai, Hong Kong during normal business hours on any business day other than public holidays, from the date of this circular up to and including 27 December 2012:

- (a) the Framework Construction Agreement;
- (b) the Further Renewed Construction Agreement;
- (c) the “Letter from the Independent Board Committee” as set out in this circular;
- (d) the “Letter of Advice from the Independent Financial Adviser” as set out in this circular;
and
- (e) the letter of consent from Platinum referred to in item 5 of this Appendix I.