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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the appropriate course of action to take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other independent professional adviser.

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities referred to herein.

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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: 00272)**

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **DISPOSAL OF THE HOTEL PROJECT**

**AT HONGQIAO COMMERCIAL CORE ZONE, MINHANG DISTRICT,  
SHANGHAI, THE PRC KNOWN AS THE HUB HOTEL**

**AND**

#### **DISPOSAL OF SHARES IN MAGIC GARDEN**

**AND**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**PLATINUM**  
Securities

Platinum Securities Company Limited

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A letter from the Board is set out on pages 6 to 25 of this circular.

A notice convening the extraordinary general meeting to be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 24 October 2014 at 10:30 a.m. is set out on pages 65 to 66 of this circular. A proxy form for the meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's place of business in Hong Kong at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof (as the case may be), should you so wish.

\* For identification purposes only

30 September 2014

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	6
<b>Introduction</b> .....	7
<b>A. The Transactions</b> .....	7
<b>B. The HUB Hotel Disposal</b> .....	7
Information on The HUB Hotel .....	7
The HUB Hotel Framework Deed .....	8
The PRC SPAs .....	13
Financial effect of and use of proceeds from The HUB Hotel Disposal .....	14
<b>C. The MGI Disposal</b> .....	14
Information on Magic Garden .....	14
Information on Langham Xintiandi Hotel .....	16
Information on Shanghai Li Xing and the Proposed Li Xing Demerger .....	16
The Magic Garden SPA .....	17
Financial effect of and use of proceeds from the MGI Disposal .....	22
<b>D. Reasons for and benefits of The HUB Hotel Disposal and the MGI Disposal</b> ...	22
<b>E. Listing Rules implications</b> .....	23
<b>F. Recommendation</b> .....	24
<b>G. General information on the Group, GE Holdings, Wisdom Joy and G.E. Hotel</b> .	24
<b>H. Additional information</b> .....	25
<b>Letter from the Independent Board Committee</b> .....	26
<b>Letter from the Independent Financial Adviser</b> .....	28
<b>Appendix I — Property Valuation Report</b> .....	50
<b>Appendix II — General Information</b> .....	60
<b>Notice of EGM</b> .....	65

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## DEFINITIONS

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

“Aboveground Pre-SPA”	the PRC pre-sale and purchase agreement (預售合同) in respect of the sale and purchase of the aboveground portion of The HUB Hotel;
“Andaz Hotel”	the real property or properties located at 7/1 Qiu, Jiefang 107, Huaihai Middle Road, Luwan District (now known as Huangpu District), Shanghai, the PRC;
“associate(s)”, “close associate(s)”, “controlling shareholder”, “connected person(s)”, “subsidiary(ies)”	each has the meaning defined under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day other than a Saturday, a Sunday or a public holiday in Hong Kong or the PRC, on which banks in Hong Kong and the PRC are open to the general public for business;
“BVI”	the British Virgin Islands;
“Carpark SPAs”	the PRC sale and purchase agreements (出售合同) in respect of the sale and purchase of 27 car parking spaces that form part of “The HUB” development project that are connected to The HUB Hotel;
“CXI”	China Xintiandi Investment Company Limited, a limited liability company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange (stock code: 00272);
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened at Concord Room I, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 24 October 2014 at 10:30 a.m. or any adjournment thereof, the notice of which is set out on pages 65 to 66 of this circular;

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## DEFINITIONS

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“G.E. Hotel”	G.E. Hotel (Xintiandi) Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of GE Holdings;
“GE Group”	GE Holdings and its subsidiaries;
“GE Holdings”	Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 00041);
“GE Subsidiary”	the entity that Wisdom Joy has agreed under The HUB Hotel Framework Deed to establish as its indirect wholly-owned PRC subsidiary;
“Grace Period Conditions”	means the conditions that must be fulfilled before a grace period is permitted for payment obligations under a PRC SPA;
“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 all the independent non-executive Directors of the Company, constituted to advise the Independent Shareholders on whether the terms of the Transactions are fair and reasonable;
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, 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 financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Transactions;
“Independent Shareholders”	Shareholders who have no material interest in the Transactions;
“Landton”	Landton Limited (禮東有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Victorious Run;
“Langham Xintiandi Hotel”	the real property or properties located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), Shanghai, the PRC;

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## DEFINITIONS

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“Latest Practicable Date”	25 September 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Magic Garden”	Magic Garden Investments Limited, a company incorporated under the laws of BVI with limited liability;
“Magic Garden SPA”	the agreement dated 27 August 2014 related to the MGI Disposal;
“Metro Land”	京投銀泰股份有限公司 (Metro Land Limited*), a company incorporated in the PRC with limited liability and owned by an independent third party;
“MGI Disposal”	the disposal of the MGI Sale Shares by CXI to G.E. Hotel, and the assignment of the MGI Shareholder Loan by CXI to G.E. Hotel, each pursuant to the Magic Garden SPA;
“MGI Group”	Magic Garden, Victorious Run and Landton;
“MGI Sale Shares”	two-thirds of the entire issued share capital of Magic Garden, currently held by CXI;
“MGI Shareholder Loan”	loans in the aggregate amount of approximately RMB466,900,000 at the date of the Magic Garden SPA owed by Magic Garden (together with other members of the MGI Group) to CXI;
“Mr. LO”	Mr. Vincent H. S. LO;
“PRC”	the People’s Republic of China, for the purpose of this circular excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
“PRC SPAs”	collectively, the Aboveground Pre-SPA, the Underground Preliminary SPA, the Underground Hotel SPA and the Carpark SPAs;
“PRC Initial Payment”	has the meaning ascribed to it in the sub-section titled “B. The HUB Hotel Disposal — The HUB Hotel Framework Deed — Consideration”;
“Preliminary PRC SPAs”	collectively, the Aboveground Pre-SPA and the Underground Preliminary SPA;

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## DEFINITIONS

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“Property Valuation Report”	the report prepared by the Property Valuer in respect of Langham Xintiandi Hotel and The HUB Hotel included in Appendix I to this Circular;
“Property Valuer”	DTZ Debenham Tie Leung Limited;
“Proposed Li Xing Demerger”	has the meaning ascribed to it in the sub-section titled “C. The MGI Disposal — The Magic Garden SPA — Information on Shanghai Li Xing and the Proposed Li Xing Demerger”;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Li Xing”	上海禮興酒店有限公司 (Shanghai Li Xing Hotel Company Limited*), a company incorporated in the PRC with limited liability;
“Shanghai Ruiqiao”	上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Shareholders”	the holders of the Shares;
“Shares”	the ordinary shares of the Company with nominal value of US\$0.0025 each;
“Shine First”	Shine First Limited, a company incorporated under the laws of BVI with limited liability and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“The HUB Hotel”	the hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, the PRC;
“The HUB Hotel Disposal”	the proposed disposal of The HUB Hotel by Shine First pursuant to The HUB Hotel Framework Deed and the PRC SPAs;
“The HUB Hotel Disposal Long Stop Date”	31 December 2014, which will be automatically extended to 27 February 2015 if the GE Subsidiary is not set up with the necessary capacity to acquire The HUB Hotel (including having sufficient funds to satisfy the PRC Initial Payment) due to reasons other than failure to comply with obligations under The HUB Hotel Framework Deed (or such later date as Shine First and Wisdom Joy may agree in writing);

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## DEFINITIONS

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“The HUB Hotel Framework Deed”	the deed dated 27 August 2014 relating to the framework for The HUB Hotel Disposal;
“The HUB Hotel Handover”	the physical delivery (實際交付) of The HUB Hotel in its entirety to the GE Subsidiary (inclusive of the aboveground portion of, the underground portion of The HUB Hotel together with 27 car parking spaces of “The HUB” development project that are connected to The HUB Hotel);
“Transactions”	the transactions contemplated under The HUB Hotel Framework Deed and the Magic Garden SPA, including The HUB Hotel Disposal and the MGI Disposal;
“Trillion Full”	Trillion Full Investments Limited, a company incorporated under the laws of BVI with limited liability and owned by an independent third party;
“Underground Hotel SPA”	the PRC sale and purchase agreement (出售合同) in respect of the sale and purchase of the underground portion of The HUB Hotel;
“Underground Preliminary SPA”	the PRC preliminary sale and purchase agreement (預約定購合同) in respect of the sale and purchase of the underground portion of The HUB Hotel and the 27 car parking spaces of “The HUB” development project that are connected to The HUB Hotel;
“Victorious Run”	Victorious Run Limited, a company incorporated under the laws of BVI with limited liability and a direct wholly-owned subsidiary of Magic Garden;
“Wisdom Joy”	Wisdom Joy Investment Limited, a company incorporated under the laws of BVI with limited liability and an indirect wholly-owned subsidiary of GE Holdings; and
“%”	per cent.

\* *for identification purposes only*

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LETTER FROM THE BOARD

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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: 00272)**

*Executive Directors*

Mr. Vincent H. S. LO (*Chairman*)  
Mr. Daniel Y. K. WAN  
Mr. Philip K. T. WONG

*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*

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

30 September 2014

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**  
**DISPOSAL OF THE HOTEL PROJECT**  
**AT HONGQIAO COMMERCIAL CORE ZONE, MINHANG DISTRICT,**  
**SHANGHAI, THE PRC KNOWN AS THE HUB HOTEL**  
**AND**  
**DISPOSAL OF SHARES IN MAGIC GARDEN**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

\* for identification purposes only



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## LETTER FROM THE BOARD

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### INTRODUCTION

The Company refers to its announcement dated 27 August 2014 in respect of the Transactions.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Transactions; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the independent valuation reports on The HUB Hotel and Langham Xintiandi Hotel; and (v) additional information as required under the Listing Rules.

### A. THE TRANSACTIONS

On 27 August 2014, Shine First, an indirect wholly-owned subsidiary of the Company, entered into The HUB Hotel Framework Deed with Wisdom Joy (an indirect wholly-owned subsidiary of GE Holdings), pursuant to which Shine First has agreed to procure Shanghai Ruiqiao to sell, and Wisdom Joy has agreed to set up the GE Subsidiary and procure the GE Subsidiary to purchase, The HUB Hotel on the terms of The HUB Hotel Framework Deed and the PRC SPAs.

On 27 August 2014, CXI, an indirect wholly-owned subsidiary of the Company, entered into the Magic Garden SPA with G.E. Hotel (an indirect wholly-owned subsidiary of GE Holdings), pursuant to which (1) CXI has agreed to sell, and G.E. Hotel has agreed to purchase, the MGI Shares and (2) CXI has agreed to assign to G.E. Hotel, and G.E. Hotel has agreed to assume, CXI's rights in the MGI Shareholder Loan, in each case on the terms of the Magic Garden SPA.

### B. THE HUB HOTEL DISPOSAL

#### Information on The HUB Hotel

The HUB Hotel is a hotel project under construction located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, the PRC. It is part of the Group's development project known as "The HUB", which is strategically located next to the Hongqiao Transportation Hub in Shanghai and linked directly to major rail, air, underground and road transportation facilities. The HUB Hotel, when completed, is expected to have an aboveground gross floor area of approximately 32,000 square metres and an underground gross floor area of approximately 14,000 square metres, with 403 guest rooms and various hotel and entertainment facilities. Construction of The HUB Hotel is scheduled to complete in 2015.

At 31 July 2014, the book value of The HUB Hotel was RMB686,000,000. It is expected that the book value of The HUB Hotel at The HUB Hotel Handover will be approximately RMB898,000,000.

Based on the Property Valuation Report prepared by the Property Valuer, the estimated market value of The HUB Hotel was RMB962,000,000 at 25 August 2014 (on the assumption that The HUB Hotel was completed according to the development scheme provided to the Property Valuer with its interior in bare shell condition).

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## LETTER FROM THE BOARD

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There were no net profits attributable to The HUB Hotel for the two financial years ended 31 December 2012 and 31 December 2013.

### **The HUB Hotel Framework Deed**

#### *Date*

27 August 2014

#### *Parties*

- (1) Shine First
- (2) Wisdom Joy

#### *The HUB Hotel Disposal*

Shine First has agreed to procure Shanghai Ruiqiao to sell, and Wisdom Joy has agreed to establish the GE Subsidiary and procure the GE Subsidiary to purchase, The HUB Hotel.

Under The HUB Hotel Framework Deed, upon the establishment of the GE Subsidiary and subject to the fulfilment of certain conditions by each of Shine First and Wisdom Joy, Shine First will procure Shanghai Ruiqiao, and Wisdom Joy will procure the GE Subsidiary, to enter into the Preliminary PRC SPAs to implement The HUB Hotel Disposal within the PRC.

#### *Consideration*

The aggregate consideration to be received by Shanghai Ruiqiao for The HUB Hotel Disposal is RMB965,000,000, comprising cash payments of:

- (1) RMB772,000,000, being the consideration payable by the GE Subsidiary for the aboveground portion of The HUB Hotel, 50% of which will be payable within 15 days of the signing of the Aboveground Pre-SPA (RMB386,000,000, being the “**PRC Initial Payment**”) and 50% of which will be payable on or before The HUB Hotel Handover (RMB386,000,000).

A grace period is available for the PRC Initial Payment, if (a) the relevant payment is prevented due to restrictions in either foreign exchange regulations or settlement restrictions on the part of the paying party’s bank, (b) the paying party is able to prove that it has the requisite funds available to make the relevant payment by the payment deadline, and (c) the paying party has used its reasonable best efforts to instruct its bank to make the payment and has submitted all supporting documentation requested by its bank (the “**Grace Period Conditions**”).

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## LETTER FROM THE BOARD

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- (2) RMB193,000,000, being the consideration payable by the GE Subsidiary for the underground portion of The HUB Hotel (including the 27 car parking spaces of “The HUB” development project that are connected to The HUB Hotel), 100% of which will be payable within 15 days of the satisfaction of certain conditions such as the signing of the Carpark SPAs and the Underground Hotel SPA. Subject to the Grace Period Conditions, a grace period is available for this payment.

The consideration for The HUB Hotel Disposal is based on arm’s length negotiation between Shine First and Wisdom Joy, with reference to the valuation of The HUB Hotel prepared by the Property Valuer and the prevailing market value of comparable land transactions in Shanghai.

### *Deposit*

Concurrent with the signing of The HUB Hotel Framework Deed, Wisdom Joy has paid a deposit in the amount of RMB96,500,000 into an escrow account. The deposit (together with all accrued interest thereon remaining in the escrow account) will be released to Shine First if:

- (1) the GE Subsidiary has not been set up with the necessary capacity to acquire The HUB Hotel (including having sufficient funds to satisfy the PRC Initial Payment) by The HUB Hotel Disposal Long Stop Date due to a breach by Wisdom Joy of its obligation under The HUB Hotel Framework Deed to use all reasonable best endeavours to set up the GE Subsidiary, and The HUB Hotel Framework Deed is terminated;
- (2) all of the conditions precedent to signing the Preliminary PRC SPAs have been fulfilled (or waived), Shanghai Ruiqiao has executed the Preliminary PRC SPAs but the GE Subsidiary fails to execute the Preliminary PRC SPAs, and The HUB Hotel Framework Deed is terminated; or
- (3) the GE Subsidiary fails to make the PRC Initial Payment on or before the time allowed under the Aboveground Pre-SPA, and the period of such failure is equal to or more than 100 days.

The deposit (together with all accrued interest thereon remaining in the escrow account) will be returned to Wisdom Joy if:

- (1) the GE Subsidiary and Shanghai Ruiqiao have entered into the Preliminary PRC SPAs and Shanghai Ruiqiao has received the PRC Initial Payment;
- (2) if any of the conditions precedent to signing the Preliminary PRC SPAs has not been fulfilled (or waived) by The HUB Hotel Disposal Long Stop Date, and The HUB Hotel Framework Deed is terminated (except where the GE Subsidiary has not been set up with the necessary capacity to acquire The HUB Hotel by The HUB Hotel Disposal Long Stop Date due to a breach by Wisdom Joy of its obligation under The HUB Hotel Framework Deed to use all reasonable best endeavours to set up the GE Subsidiary);

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## LETTER FROM THE BOARD

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- (3) all of the conditions precedent to signing the Preliminary PRC SPAs have been fulfilled (or waived), the GE Subsidiary has executed the Preliminary PRC SPAs but Shanghai Ruiqiao fails to execute the Preliminary PRC SPAs, and The HUB Hotel Framework Deed is terminated;
- (4) a party breaches a warranty and that breach is not rectified by The HUB Hotel Disposal Long Stop Date, and The HUB Hotel Framework Deed is terminated by the non-defaulting party; or
- (5) the GE Subsidiary fails to make the PRC Initial Payment on or before the time allowed under the Aboveground Pre-SPA, but the period of such failure is less than 100 days, in which case the deposit (together with all accrued interest thereon remaining in the escrow account) will be released upon payment by the GE Subsidiary of the PRC Initial Payment together with all penalties payable pursuant to the terms of the Aboveground Pre-SPA.

### *Exclusivity granted to the GE Subsidiary*

From the date of The HUB Hotel Framework Deed to the earlier of (i) the date on which all of the PRC SPAs are signed, and (ii) the termination of The HUB Hotel Framework Deed pursuant to its terms, Shine First shall not, and shall procure that Shanghai Ruiqiao does not:

- (1) dispose of The HUB Hotel or enter into an agreement for the same; or
- (2) enter into any agreement in relation to the management of any part of The HUB Hotel other than contemplated under The HUB Hotel Framework Deed or any of the PRC SPAs.

### *Obligations to set up the GE Subsidiary*

Wisdom Joy agrees to use all reasonable best efforts to set up the GE Subsidiary with the necessary capacity to acquire The HUB Hotel (including having sufficient funds to satisfy the PRC Initial Payment).

### *Conditions precedent to the signing of the Preliminary PRC SPAs*

The signings of the Preliminary PRC SPAs are subject to the fulfilment of the following conditions on or before The HUB Hotel Disposal Long Stop Date (unless otherwise specified below):

- (1) each of Shine First and Wisdom Joy has obtained the approval of its and its holding companies' shareholders (including the approval by the shareholders of the Company and GE Holdings) in respect of The HUB Hotel Framework Deed and the transactions contemplated under it in accordance with all applicable laws and regulations (including without limitation the Listing Rules and each of Shine First's and Wisdom Joy's constitutional documents);

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## LETTER FROM THE BOARD

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- (2) the GE Subsidiary has been formed by Wisdom Joy with the necessary capacity to acquire The HUB Hotel (including having sufficient funds to satisfy the PRC Initial Payment);
- (3) Shine First has delivered to Wisdom Joy a floor plan of The HUB Hotel that does not materially deviate from the floor plan of The HUB Hotel appended to The HUB Hotel Framework Deed;
- (4) Shine First has delivered to Wisdom Joy certain third party consent letters required for The HUB Hotel Disposal;
- (5) Shine First has delivered to the GE Subsidiary a copy of the initial deed of mutual covenants and the property management agreement for “The HUB” development project that complies with the terms of The HUB Hotel Framework Deed; and
- (6) certain material matters set out in The HUB Hotel Framework Deed in respect of The HUB Hotel remain true, accurate and complete and not misleading by reference to the facts and circumstances then subsisting except to the extent as would not materially and adversely affect the completion of The HUB Hotel Disposal or the function and usage of The HUB Hotel.

Signing of the Preliminary PRC SPAs will occur on the tenth Business Day after the fulfilment (or waiver, if applicable) of all the conditions precedent, or such other date as Shine First and Wisdom Joy may agree in writing.

### *Completion of The HUB Hotel Disposal*

Completion of The HUB Hotel Disposal will occur when the title of The HUB Hotel is registered under the name of the GE Subsidiary in accordance with the terms of the PRC SPAs, which is expected to occur before 30 April 2016.

### *Payment upon The HUB Hotel Exit Sale by Wisdom Joy*

Wisdom Joy has agreed that if a member of the GE Group enters into an agreement to sell any interest in The HUB Hotel within 6 years following completion of The HUB Hotel Disposal (“**The HUB Hotel Exit Sale**”), and where the Gross Consideration After Tax (as defined below) exceeds the product of The HUB Hotel Hurdle Capital Value (as defined below) and the proportion of the interest in The HUB Hotel that has been disposed of by the GE Group after completion of The HUB Hotel Disposal, Wisdom Joy shall pay to Shine First an amount equivalent to 10% of such excess upon completion of The HUB Hotel Exit Sale, which shall be calculated in accordance with the following formula:

$$[X - (A+B) \times P] \times 10\%$$

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## LETTER FROM THE BOARD

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where:

- X = the gross consideration of The HUB Hotel Exit Sale less all tax payable by the GE Group in respect of The HUB Hotel Exit Sale (“**Gross Consideration After Tax**”);
- A+B = (“**The HUB Hotel Hurdle Capital Value**”);
- A = the capital value of The HUB Hotel upon completion of The HUB Hotel Exit Sale that would produce an internal rate of return of 8.5% per annum on the consideration paid by the GE Group for The HUB Hotel Disposal, plus incidental acquisition costs (including all incidental costs such as legal costs, taxes and duties) incurred by the GE Group in the acquisition of The HUB Hotel;
- B = the capital value of The HUB Hotel upon completion of The HUB Hotel Exit Sale that would produce an internal rate of return of 8.5% per annum on the total accrued costs for renovation, furniture, fixtures and equipment (including all incidental costs such as legal costs, taxes and duties) incurred by the GE Group in respect of The HUB Hotel up to completion of The HUB Hotel Exit Sale; and
- P = the proportionate interest in The HUB Hotel that has been disposed of by the GE Group

provided that the maximum amount that Wisdom Joy shall pay to Shine First (or a nominee notified by Shine First to Wisdom Joy) in respect of such excess under The HUB Hotel Framework Deed shall not exceed RMB10,000,000.

### ***Right of First Notification***

Wisdom Joy has agreed to notify Shine First in the event the GE Group intends to sell any interest in The HUB Hotel within 6 years following completion of The HUB Hotel Disposal, as detailed below:

- (1) Where a member of the GE Group (the “**Selling Member**”) proposes to sell any interest in The HUB Hotel, Wisdom Joy will first notify Shine First (or any other wholly-owned subsidiary of the Company as nominated by it) (the “**Buying Member**”) such proposed sale and the minimum price for such sale (the “**Floor Price**”) by delivering a written notice (the “**Disposal Notice**”) to Shine First stating the Floor Price.
- (2) The Buying Member may, within 5 Business Days after receipt of the Disposal Notice, notify Wisdom Joy on whether it or any other member of the Group is interested in acquiring such interest in The HUB Hotel. If the Buying Member or any other member of the Group is interested in acquiring such interest in The HUB Hotel and a notification is received by Wisdom Joy on or before the 5 Business Day deadline, Wisdom Joy agrees to negotiate with the Buying Member or such other member of the Group on a non-exclusive basis in respect of such interest in The HUB Hotel at a price no less than the Floor Price

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## LETTER FROM THE BOARD

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within the 180-day period commencing from the date of the Disposal Notice. Wisdom Joy undertakes not to enter into any binding sale and purchase agreement in respect of such interest in The HUB Hotel with any party at a price which is less than the Floor Price within such 180-day period.

- (3) If the Selling Member fails to enter into a binding agreement for such interest in The HUB Hotel with any party at a price which is not less than the Floor Price within such 180-day period, or, if a binding agreement for such interest in The HUB Hotel is entered into with any party at a price which is not less than the Floor Price within such 180-day period but such sale fails to complete subsequently, then the right of the Selling Member to sell such interest in The HUB Hotel shall again be subject to the provisions described above.
- (4) The provisions described above shall not apply where (i) the proposed sale of interest is in connection with an initial public offering or spin-off listing of the shares in the direct or indirect owner of The HUB Hotel on any internationally recognised stock exchange, (ii) the transferee of such proposed sale is controlled by GE Holdings, (iii) the transferee of such proposed sale is an investment fund in which one of the group members of GE Holdings is a general partner, or (iv) GE Holdings is interested in at least 30% of equity interest in the transferee at the time of completion of the sale of interest in The HUB Hotel.

### **The PRC SPAs**

Shine First will procure Shanghai Ruiqiao, and Wisdom Joy will procure the GE Subsidiary, to enter into the PRC SPAs in accordance with the terms of The HUB Hotel Framework Deed and the Preliminary PRC SPAs. The HUB Hotel Handover and completion of The HUB Hotel Disposal will be subject to the terms and conditions set out in the PRC SPAs. A brief summary of the PRC SPAs are set out below.

#### ***The Aboveground Pre-SPA***

The Aboveground Pre-SPA provides that, upon completion acceptance (竣工驗收) of the underground and aboveground portions of The HUB Hotel, Shanghai Ruiqiao shall proceed to handover the aboveground portion of The HUB Hotel to the GE subsidiary.

The Aboveground Pre-SPA also provides that within 15 days of its signing, the GE Subsidiary shall pay to Shanghai Ruiqiao the PRC Initial Payment, with the remainder of the consideration payable on or before the aboveground portion of The HUB Hotel is handed over. Subject to the Grace Period Conditions, a grace period is available for the PRC Initial Payment.

#### ***The Underground Preliminary SPA***

The Underground Preliminary SPA provides that, upon completion acceptance (竣工驗收) of the underground and aboveground portions of The HUB Hotel, Shanghai Ruiqiao shall proceed to handover the underground portion of The HUB Hotel (including the 27 car parking spaces of “The HUB” development project) to the GE Subsidiary, and Shanghai Ruiqiao and the GE Subsidiary shall enter into the Underground Hotel SPA and the Carpark SPAs.

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## LETTER FROM THE BOARD

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The Underground Preliminary SPA provides that the consideration payable for the underground portion of The HUB Hotel (including the 27 car parking spaces of “The HUB” development project) shall be RMB193,000,000, which shall be payable within 15 days of the satisfaction of certain conditions such as the signing of the Carpark SPAs and the Underground Hotel SPA. Subject to the Grace Period Conditions, a grace period is available for this payment.

### *The Underground Hotel SPA and the Carpark SPAs*

After Shanghai Ruiqiao has obtained PRC legal title to The HUB Hotel, Shanghai Ruiqiao and the GE Subsidiary will enter into the Underground Hotel SPA and the Carpark SPAs to complete the transfer of the PRC legal title of the underground portion of The HUB Hotel to the GE Subsidiary and the 27 car parking spaces of “The HUB” development project that are connected to The HUB Hotel.

### **Financial effect of and use of proceeds from The HUB Hotel Disposal**

After deducting estimated tax and other expenses of approximately RMB57,800,000, the Group anticipates that it will realise a gain of approximately RMB9,200,000 as a result of The HUB Hotel Disposal.

The Group intends to apply the proceeds from The HUB Hotel Disposal to repay certain outstanding debt and for other investment opportunities.

## **C. THE MGI DISPOSAL**

### **Information on Magic Garden**

At the Latest Practicable Date, Magic Garden is an investment holding company incorporated in BVI and held as to two-thirds by CXI and one-third by G.E. Hotel. Magic Garden, through its wholly-owned subsidiaries, Victorious Run and Landton, owns 50% equity interest in Shanghai Li Xing, through which Magic Garden indirectly beneficially owns the land use rights and building ownership rights pertaining to Langham Xintiandi Hotel.

Landton, Trillion Full and Metro Land, being the shareholders of Shanghai Li Xing, have agreed in 2011 that although Landton holds 50% while Trillion Full and Metro Land collectively hold the other 50% of Shanghai Li Xing, the land use rights and building ownership rights and all liabilities pertaining to Langham Xintiandi Hotel shall be held by Landton and the land use rights and building ownership rights and all liabilities pertaining to Andaz Hotel shall be held collectively by Trillion Full and Metro Land. The parties have also agreed to procure the segregation of the land use rights, building ownership rights and all liabilities pertaining to Langham Xintiandi Hotel and Andaz Hotel by way of the demerger of Shanghai Li Xing.



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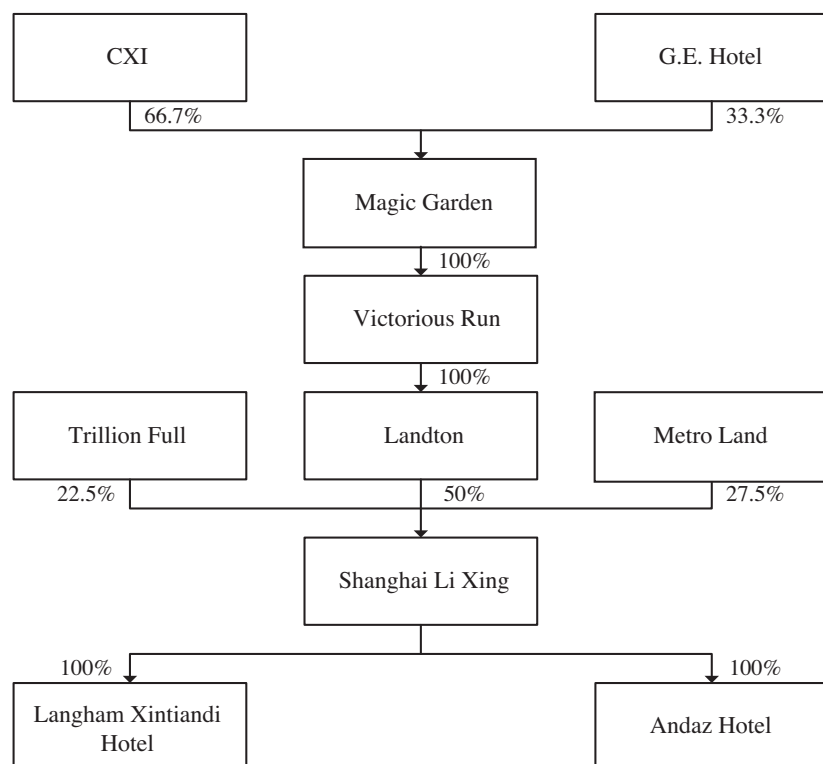
## LETTER FROM THE BOARD

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Landton, Trillion Full and Metro Land intend that upon completion of the demerger of Shanghai Li Xing, a company holding the land use rights and building ownership rights and assuming all liabilities pertaining to Langham Xintiandi Hotel will be indirect wholly-owned by Magic Garden, and this company will not assume any liabilities whatsoever pertaining to Andaz Hotel, nor hold the land use rights and building ownership rights of Andaz Hotel. The demerger of Shanghai Li Xing is ongoing but has not been completed at the Latest Practicable Date.

After the completion of the MGI Disposal, Magic Garden will be a wholly-owned subsidiary of G.E. Hotel.

At the Latest Practicable Date, the shareholding structure of Magic Garden and its subsidiaries is set out as follows:



At 31 July 2014, the book value of the MGI Shares was negative RMB109,000,000.

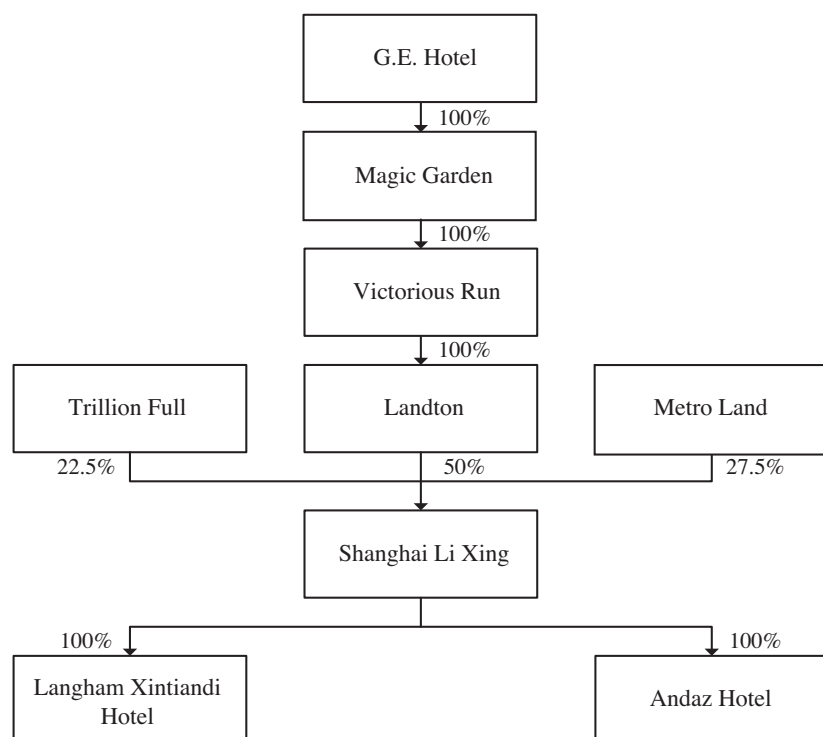
For the two financial years ended 31 December 2012 and 31 December 2013, the net loss attributable to the MGI Sale Shares, as extracted from unaudited management accounts of the MGI Group, was RMB35,000,000 and RMB79,000,000, respectively.

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## LETTER FROM THE BOARD

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Upon completion of the MGI Disposal, the shareholding structure of Magic Garden and its subsidiaries is set out as follows:



### Information on Langham Xintiandi Hotel

Langham Xintiandi Hotel is a hotel located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), and is next to 上海新天地 (Shanghai Xintiandi), which is owned by the Group and is a renowned destination for leisure and entertainment as well as commerce and residence in Shanghai. It is a luxury hotel comprising 28 storeys and a five-level basement with a total gross floor area of approximately 53,407 square metres, providing 357 guest rooms and various hotel and entertainment facilities. Langham Xintiandi Hotel opened in 2012.

Based on the Property Valuation Report prepared by the Property Valuer, at 25 August 2014 the market value of Langham Xintiandi Hotel was RMB1,737,000,000, and value of Langham Xintiandi Hotel attributed to the Group was RMB1,158,579,000.

### Information on Shanghai Li Xing and the Proposed Li Xing Demerger

In addition to Langham Xintiandi Hotel, Shanghai Li Xing also holds the land use rights and building ownership rights pertaining to the Andaz Hotel, which rights are, as described above, in turn beneficially owned by Trillion Full and Metro Land, independent third parties to the Group and the GE Group that holds 22.5% and 27.5% of equity interest in Shanghai Li Xing, respectively.

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## LETTER FROM THE BOARD

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CXI (as Magic Garden's largest shareholder), together with Metro Land and Trillion Full, have been procuring the demerger of Shanghai Li Xing (the "**Proposed Li Xing Demerger**") since CXI acquired the MGI Shares. In light of:

- the existing relationship that CXI has with the other shareholders of Shanghai Li Xing;
- CXI (as the owner of two-thirds of the total issued share capital of Magic Garden prior to completion of the MGI Disposal) agreeing to be responsible for two-thirds of the costs arising from the Proposed Li Xing Demerger that should be borne by any member of the MGI Group following the MGI Disposal (as described below); and
- the aim to complete the Proposed Li Xing Demerger as soon as possible and to minimise costs,

the parties consider CXI to be in a good position to continue with the Proposed Li Xing Demerger process as Shanghai Li Xing's agent following the MGI Disposal. CXI and G.E. Hotel have therefore agreed that for a period of 3 years after completion of the MGI Disposal (subject to extension to 4 years if CXI pays G.E. Hotel an extension fee of RMB10,000,000), G.E. Hotel will procure Shanghai Li Xing to appoint CXI (or an affiliate that CXI may designate) as agent to facilitate the completion of the Proposed Li Xing Demerger that will result in:

- a company holding the land use rights and building ownership rights of, and assuming all the liabilities pertaining to, the Andaz Hotel, which will be owned collectively by Trillion Full and Metro Land; and
- a company holding the land use rights and building ownership rights of, and assuming all the liabilities pertaining to, Langham Xintiandi Hotel, which will be wholly-owned by Magic Garden through Victorious Run and Landton.

### **The Magic Garden SPA**

#### ***Date***

27 August 2014

#### ***Parties***

- (1) CXI
- (2) G.E. Hotel

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## LETTER FROM THE BOARD

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### *The MGI Disposal*

At the completion of MGI Disposal:

- (1) CXI will sell, and G.E. Hotel will buy, the MGI Sale Shares; and
- (2) CXI will assign to G.E. Hotel, and G.E. Hotel will assume, CXI's rights to the MGI Shareholder Loan.

### *Consideration*

The aggregate consideration to be received by CXI for the MGI Disposal comprises:

- (1) the consideration amount for the sale and purchase of the MGI Sale Shares, which is based on the net asset value of the Langham Xintiandi Hotel business at 31 August 2014 (to be calculated using an agreed value for the Langham Xintiandi Hotel of RMB1,739,000,000 and excluding deferred tax and intangible assets and liabilities) and multiplied by CXI's proportional interest in Magic Garden as represented by the MGI Sale Shares (currently being two-thirds) (the "**MGI Share Closing Amount**"). Such consideration amount will be subject to an adjustment (not to exceed RMB10,000,000) after completion of the MGI Disposal in an amount determined based on the difference, if any, between (a) the net asset value of the Langham Xintiandi Hotel business at completion of the MGI Disposal (using the same agreed valuation for the Langham Xintiandi Hotel and exclusions as those used for the 31 August 2014 net asset value calculation) and (b) the aggregate total of (1) the net asset value of the Langham Xintiandi Hotel business at 31 August 2014 plus (2) the profits and losses of the Langham Xintiandi Hotel business between 1 September 2014 and the date of completion of the MGI Disposal, and multiplying such difference by CXI's proportional interest in Magic Garden as represented by the MGI Shares (currently being two-thirds) (the "**MGI Share Closing Adjustment Amount**"); and
- (2) the consideration amount for the assignment and assumption of the rights in the MGI Shareholder Loan, based on the amount of the MGI Shareholder Loan (being approximately RMB466,900,000 at the date of the Magic Garden SPA) at completion of the MGI Disposal on a dollar-for-dollar basis (the "**MGI Loan Consideration**").

As of the Latest Practicable Date, the MGI Share Closing Adjustment Amount has not been determined. The Company expects that aggregate consideration to be received by CXI under the MGI Disposal (inclusive of the disposal of the MGI Sale Shares by CXI to G.E. Hotel, and the assignment of the MGI Shareholder Loan by CXI to G.E. Hotel), after adjustments, shall not exceed RMB600,000,000.

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## LETTER FROM THE BOARD

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CXI and G.E. Hotel will appoint an independent auditor to prepare:

- (1) the audited accounts of the Langham Xintiandi Hotel business at the close of 31 August 2014 and a pro forma balance sheet of the Langham Xintiandi Hotel business at the close of 31 August 2014, which shall be delivered to CXI and G.E. Hotel at least 5 Business Days before the date of completion of the MGI Disposal; and
- (2) the audited accounts of the Langham Xintiandi Hotel business at the close of the date of completion of the MGI Disposal and an income statement of the Langham Xintiandi Hotel business for the period between 1 September 2014 and the date of completion of the MGI Disposal, which shall be delivered to CXI and G.E. Hotel within 120 days from the date of completion of the MGI Disposal (the “**MGI Pro Forma Closing Statements**”).

The consideration is based on arm’s length negotiation between CXI and the G.E. Hotel, with reference to an agreed value for the Langham Xintiandi Hotel and the Property Valuation Report prepared by the Property Valuer.

### *Payment of the MGI Disposal consideration*

A deposit in the amount of RMB60,000,000 (the “**MGI Deposit**”) has been paid by G.E. Hotel to CXI pursuant to the Magic Garden SPA. The MGI Deposit will be off-set against the consideration payable by G.E. Hotel at completion of the MGI Disposal. If the MGI Disposal does not proceed to completion, G.E. Hotel is entitled to the return of the MGI Deposit (except in certain limited situations specified in the Magic Garden SPA).

G.E. Hotel shall pay to CXI:

- (1) at completion of the MGI Disposal, an amount equal to the sum of (i) the MGI Share Closing Amount and (ii) the MGI Loan Consideration less the MGI Deposit (which shall upon completion of the MGI Disposal represent part payment of the Consideration); and
- (2) after completion of the MGI Disposal, in respect of any adjustments to the MGI Share Closing Amount, CXI or G.E. Hotel, as the case may be, shall pay the MGI Share Closing Adjustment Amount to the other party within 14 days of the date of receipt of the MGI Pro Forma Closing Statements.

### *Conditions to the completion of the MGI Disposal*

Completion of the MGI Disposal is subject to the fulfilment of the following conditions on or before 31 December 2014, which may be extended if the parties agree in writing:

- (1) each of the Company and GE Holdings has obtained shareholders’ approval for the MGI Disposal as may be required under its constitutional documents and/or the Listing Rules;
- (2) the MGI Group and Shanghai Li Xing have obtained certain debt consents for the MGI Disposal and such consents have not been withdrawn;

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## LETTER FROM THE BOARD

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- (3) all trading and non-trading debts between the Group and members of the MGI Group regarding the Langham Xintiandi Hotel business have been settled;
- (4) board resolutions of Shanghai Li Xing duly executed by the board of directors of Shanghai Li Xing, approving (i) the resignation of directors, supervisors and the general manager of Shanghai Li Xing appointed by the Group, (ii) the appointment of persons nominated by G.E. Hotel as directors, supervisors and the general manager of Shanghai Li Xing, (iii) the resignation of Mr. LO as the legal representative of Shanghai Li Xing, (iv) the appointment of a person nominated by G.E. Hotel as the legal representative of Shanghai Li Xing and, where required, (v) changes to the constitutional documents of Shanghai Li Xing in connection with (iii) and (iv);
- (5) no statute, rule or regulation has been enacted or promulgated by any governmental entity which prohibits the completion of the MGI Disposal, and there has been no order or injunction of a court of competent jurisdiction or order from a governmental entity in effect precluding or prohibiting the completion of the MGI Disposal or prohibiting CXI or G.E. Hotel from performing their respective obligations under the Magic Garden SPA;
- (6) an agreement entered into between Shanghai Li Xing and Shanghai Xintiandi Hotel Management Company Limited confirming that the hotel management agreement between these parties shall cease to be in effect upon and after the completion of the MGI Disposal, and no claims or demands has been or will be made by either Shanghai Li Xing or Shanghai Xintiandi Hotel Management Company Limited under such hotel management agreement;
- (7) CXI has not materially breached certain warranties relating to the title of Langham Xintiandi Hotel given under the Magic Garden SPA in a way that will result in a material adverse effect on the business of Langham Xintiandi Hotel as a whole;
- (8) CXI has obtained all consents, approvals, clearances and authorisations of any relevant governmental entity or other relevant third parties that is necessary for the consummation of the MGI Disposal; and
- (9) G.E. Hotel has obtained sufficient funding in the PRC for financing the business of Langham Xintiandi Hotel for a period of not more than six years after the completion of the MGI Disposal.

Completion of the MGI Disposal shall take place within 10 Business Days (or any other date agreed to by CXI and G.E. Hotel) following the fulfilment (or waiver) of the conditions precedent.

### ***Proposed Li Xing Demerger***

Under the Magic Garden SPA, for a period of 3 years after the completion of the MGI Disposal, G.E. Hotel will procure Shanghai Li Xing to appoint CXI (or an affiliate as CXI may designate) as agent to facilitate the completion of the Proposed Li Xing Demerger. CXI shall be responsible for two-thirds of the costs arising from the Proposed Li Xing Demerger that should be borne by any member of the MGI Group.

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## LETTER FROM THE BOARD

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In the event that the Proposed Li Xing Demerger is not completed within 3 years (subject to extension to 4 years if CXI pays G.E. Hotel an extension fee of RMB10,000,000) after the completion of the MGI Disposal, CXI will procure Trillion Full and Metro Land to sell their entire interest in Shanghai Li Xing to Landton in return for the disposal of Shanghai Li Xing's entire interest in the Andaz Hotel to Trillion Full and Metro Land or their nominee(s), which shall be completed within 6 months. If CXI is unable to procure the completion of such transaction, G.E. Hotel will procure Shanghai Li Xing to sell its entire interest in Langham Xintiandi Hotel to a member of the GE Group. CXI will be responsible for two-thirds of the costs arising from either of the foregoing sales transactions (including, without limitation, land transfer fees related to Langham Xintiandi Hotel and any taxes (including but not limited to business taxes, land and asset appreciation taxes and value added taxes)).

### *Payment upon Langham Xintiandi Hotel Exit Sale by G.E. Hotel*

G.E. Hotel has agreed that if a member of the GE Group enters into an agreement to sell any interest in Langham Xintiandi Hotel within 6 years following the closing of the MGI Disposal (the "**Langham Xintiandi Hotel Exit Sale**"), and where two-thirds of the Gross Consideration After Tax (as defined below) exceeds the product of (i) the Langham Xintiandi Hotel Hurdle Capital Value (as defined below) and (ii) the proportion of interest in Langham Xintiandi Hotel that has been disposed of by the GE Group after the closing of the MGI Disposal, G.E. Hotel shall pay to CXI an amount equivalent to 10% of such excess upon completion of the Langham Xintiandi Hotel Exit Sale, which shall be calculated in accordance with the following formula:

$$[X - (A+B) \times P] \times 10\%$$

where:

X = two-thirds of the gross consideration of the Langham Xintiandi Hotel Exit Sale less all tax payable by the GE Group in respect of the Langham Xintiandi Hotel Exit Sale ("**Gross Consideration After Tax**");

A+B = ("**Langham Xintiandi Hotel Hurdle Capital Value**");

A = the capital value of Langham Xintiandi Hotel upon completion of the Langham Xintiandi Hotel Exit Sale that would produce an IRR of 8.5% per annum for the consideration paid by the GE Group for the MGI Disposal, plus incidental acquisition costs (including all incidental costs such as legal costs, taxes and duties) incurred by the GE Group in the MGI Disposal;

B = two-thirds of the capital value of Langham Xintiandi Hotel upon completion of the Langham Xintiandi Hotel Exit Sale that would produce an IRR of 8.5% per annum for the total accrued costs for renovation, furniture, fixtures and equipment (including all incidental costs such as legal costs, taxes and duties) incurred by the GE Group in respect of Langham Xintiandi Hotel up to completion of the Langham Xintiandi Hotel Exit Sale; and

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## LETTER FROM THE BOARD

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P = the proportionate interest in Langham Xintiandi Hotel that has been disposed of by the GE Group

provided that the maximum amount that G.E. Hotel shall pay to CXI (or a nominee notified by CXI to G.E. Hotel) in respect of such excess under the Magic Garden SPA shall not exceed RMB10,000,000.

### **Financial effect of and use of proceeds from the MGI Disposal**

The Group anticipates that it would realise a loss of approximately RMB200,000 as a result of the MGI Disposal, being the difference between (i) the MGI Share Closing Amount and (ii) the sum of the carrying value of the MGI Sale Shares and estimated tax and other expenses arising from the MGI Disposal in the approximate amount of RMB3,000,000.

The Group intends to apply the proceeds from the MGI Disposal to repay certain outstanding debt and for other investment opportunities.

### **D. REASONS FOR AND BENEFITS OF THE HUB HOTEL DISPOSAL AND THE MGI DISPOSAL**

The HUB Hotel Disposal and the MGI Disposal will benefit the Group in the following ways:

- (1) the Group intends to focus on property development and China Xintiandi Limited (an indirect wholly-owned subsidiary of the Company) intends to focus on retail and office properties;
- (2) upon completion of the Transactions, the Group will record a net cash inflow of RMB548,000,000 (which results from deducting certain taxes and expenses from the aggregate proceeds from The HUB Hotel Disposal and the MGI Disposal, and after taking into account the repayment of a loan facility secured by The HUB Hotel), which in turn will reduce the Group's net gearing by 5%;
- (3) the Group's hotel properties constitute a small portion of the Group's business, and generate a lower return than its residential, retail and office properties. For the six months ended 30 June 2014, the Group recorded property sales (mainly residential units) of RMB4,447 million, accounting for approximately 84.9% of the Group's turnover. The Group also recorded rental income received from investment properties of RMB561 million. In contrast, the Group's income from hotel operations for the same period was only RMB150 million and constitutes a relatively small portion of the Group's total revenue.

In addition, since (1) the Group has recorded net losses for the MGI Shares for the two financial years ended 31 December 2012 and 2013, and (2) The HUB Hotel did not historically contribute to the Group's profits and losses as it is under development, the Transactions will improve the Group's net profit margin.



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## LETTER FROM THE BOARD

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While the Group operates other hotels, including Shanghai 88 Xintiandi Hotel and Marco Polo Lingnan Tiandi Foshan Hotel. Shanghai 88 Xintiandi Hotel was recently closed down in 2014 to be converted to retail space in Shanghai Xintiandi. It is the Group's intention to focus on property development and China Xintiandi Limited to focus on retail and office properties. The disposal of Langham Xintiandi Hotel and The HUB Hotel is consistent with such intention;

- (4) the Group does not enjoy any synergy from being a hotel owner since the Group does not have a hotel management brand to operate hotel properties, meaning the Group has to pay management fees to hotel operators, which lowers the profitability of the Group's hotel operations; and
- (5) GE Holdings owns Langham Hospitality Group, which is an experienced and successful hotel owner and operator. It is knowledgeable and experienced in the development, operation and management of top quality hotels. Having world-class hotels managed by Langham Hospitality Group within the Group's properties could raise the profile of the "Xintiandi" and "The HUB" brands, which in turn could post a positive impact on the master-plan of the Group and can enhance the long term value of the Group's properties.

### *Rationale for the Exit Sale payments*

In addition, the exit sale arrangements for The HUB Hotel and Langham Xintiandi Hotel are intended to preserve the Company's right to share in the potential upside if the GE Group decides to dispose of its interest in these hotels, notwithstanding that the Group no longer holds any interest in these hotels after completion of their disposals. In particular, the 8.5% per annum internal rate of return under the exit sale arrangement and the payment rate of 10% were agreed between the Company and the GE Group by taking into account the following factors:

- (1) the general market condition of the hospitality business within Shanghai;
- (2) the historical operational costs of five-star hotels in Shanghai;
- (3) historical inflation, cost of funding and interest rates within the PRC;
- (4) the returns of hotels within the central business and shopping districts of Shanghai; and
- (5) the GE Group will be solely responsible for, and has to bear the risk of, the operation and development of The HUB Hotel after completion of The HUB Hotel Disposal.

### **E. LISTING RULES IMPLICATIONS**

At the Latest Practicable Date, Mr. LO, who is the Chairman and the executive Director of the Company, and his associates are together entitled to control the exercise of more than 30% of the voting power of general meetings of the Company. Accordingly, Mr. LO and his associates are connected persons of the Company. Mr. LO is also a non-executive Director of GE Holdings and by virtue of being a discretionary object of a discretionary trust which owns more than 30% of the issued

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## LETTER FROM THE BOARD

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share capital of GE Holdings, Mr. LO is an associate of the controlling shareholder of GE Holdings. Therefore, Wisdom Joy, G.E. Hotel and the GE Subsidiary, all being subsidiaries of GE Holdings, are associates of a connected person of the Company and thus connected persons of the Company under Chapter 14A of the Listing Rules.

As such, the transactions contemplated under The HUB Hotel Framework Deed and the Magic Garden SPA constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Transactions, when aggregated, exceeds 5% but is/are less than 25%, the Transactions together constitute discloseable and connected transactions of the Company which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As Mr. LO is considered to have a material interest in the Transactions given his interests in GE Holdings, Mr. LO has abstained from voting on the Board resolutions to approve the Transactions. None of the other Directors has any material interest in the Transactions, and none of them was required to abstain from voting on the resolutions passed by the Board to approve the Transactions. Mr. LO and his associates will also abstain from voting on the resolutions to be proposed at the EGM for approving the Transactions. At the Latest Practicable Date, to the best knowledge, information and belief of the Company having made all reasonable enquiries, Mr. LO and his associates were together entitled to control the exercise of 4,581,084,505 shares in the Company (as disclosed in Appendix II of this circular), representing approximately 57.25% of the total issued share capital of the Company.

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the terms of the Transactions. Platinum has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **F. RECOMMENDATION**

The Directors (excluding (1) Mr. LO, who is considered to have a material interest in the Transactions and (2) the independent non-executive Directors, the opinion of which is included in the section titled "Letter from the Independent Board Committee" in this circular) consider that 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 and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors, the opinion of which is included in the section titled "Letter from the Independent Board Committee" in this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### **G. GENERAL INFORMATION ON THE GROUP, GE HOLDINGS, WISDOM JOY AND G.E. HOTEL**

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.

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## LETTER FROM THE BOARD

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China Xintiandi Investment Company Limited is a separately managed, indirect wholly-owned subsidiary of the Company, focusing principally on owning, managing, designing, leasing, marketing and enhancing premium retail, office and entertainment properties in affluent urban areas in the PRC.

Shine First and Shanghai Ruiqiao are principally engaged in investment holding and are indirect wholly-owned subsidiaries of the Company.

The principal activities of the GE Group include property development and investment, hotel and restaurant operations, acting as manager of real estate investment trust, trading of building materials, share investment, provision of management and maintenance of services, property management and fitness centre operations. Its investment in office properties extends to the United State of America, and its hotel portfolio covers Asia, Austria, Europe, New Zealand and North America.

Wisdom Joy and G.E. Hotel are principally engaged in investment holding and are indirect wholly-owned subsidiaries of the GE Group.

### **H. ADDITIONAL INFORMATION**

Your attention is drawn to the text of the letter from the Independent Board Committee set out on pages 26 to 27 of this circular, and the text of the letter of advice from the Independent Financial Adviser set out on pages 28 to 49 of this circular.

By Order of the Board of  
**Shui On Land Limited**  
**Vincent H. S. LO**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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: 00272)

30 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**DISPOSAL OF THE HOTEL PROJECT  
AT HONGQIAO COMMERCIAL CORE ZONE, MINHANG DISTRICT,  
SHANGHAI, THE PRC KNOWN AS THE HUB HOTEL  
AND  
DISPOSAL OF SHARES IN MAGIC GARDEN**

We refer to the circular (the “**Circular**”) dated 30 September 2014 issued by the Company to its Shareholders of which this letter forms part. Terms defined in this Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the Transactions had been 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.

The Independent Financial Adviser 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 6 to 25 of the Circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the Transactions, as set out on pages 28 to 49 of the Circular.

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the Transactions, the advice of the Independent Financial Adviser and our knowledge of these transactions from our oversight role on the Board, we concur with the views of the Independent Financial Adviser and consider that the Transactions were entered into in the ordinary and usual course of business of the Company and that the terms of the Transactions were agreed on normal commercial terms, fair and reasonable, and 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 ordinary resolutions to approve the Transactions to be proposed at the EGM.

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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

21/F LHT Tower  
31 Queen's Road Central  
Hong Kong

**Telephone** (852) 2841 7000  
**Facsimile** (852) 2522 2700  
**Website** [www.platinum-asia.com](http://www.platinum-asia.com)

30 September 2014

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **DISPOSAL OF THE HOTEL PROJECT AT HONGQIAO COMMERCIAL CORE ZONE, MINHANG DISTRICT, SHANGHAI, THE PRC KNOWN AS THE HUB HOTEL AND DISPOSAL OF SHARES IN MAGIC GARDEN**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transactions (the “Transactions”) contemplated under The HUB Hotel Framework Deed, the PRC SPAs and the Magic Garden SPA. Details of the Transactions are contained in the letter from the Board as set out in the circular of the Company dated 30 September 2014 (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 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, and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 announcement of the Company dated 27 August 2014; (ii) the Property Valuation Report prepared by the Property Valuer dated 30 September 2014; (iii) The HUB Hotel Framework Deed; (iv) the PRC SPAs; (v) the Magic Garden SPA; (vi) the audited 2013 annual report of the Group (the “2013 Annual Report”); and (vii) the unaudited 2014 interim results of the Group (the “2014 Interim Results”).

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.

During the past two years, Mr. Lenny Li, for and on behalf of Platinum Securities Company Limited, signed the opinion letters from the independent financial adviser contained in the Company’s circulars (i) dated 22 September 2014 in respect of discloseable and connected transactions — purchase of the entire shareholding interests in Shui On Granpex Limited, Pat Davie (China) Limited and Famous Scene Holdings Limited; (ii) dated 28 October 2013 in respect of major and connected transaction — SWAP agreement and discloseable and connected transaction — JV agreement; and (iii) dated 14 December 2012 in respect of continuing connected transactions — the further renewed construction agreement in relation to the Dalian project. The past engagements were limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Platinum Securities Company Limited received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, 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 the 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 is 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 principal factors as follows:

#### 1. Background of the Transactions

##### 1.1 *The HUB Hotel Disposal*

On 27 August 2014, Shine First, an indirect wholly-owned subsidiary of the Company, entered into The HUB Hotel Framework Deed with Wisdom Joy (an indirect wholly-owned subsidiary of GE Holdings), pursuant to which Shine First has agreed to procure Shanghai Ruiqiao to sell, and Wisdom Joy has agreed to set up the GE Subsidiary and procure the GE Subsidiary to purchase, The HUB Hotel on the terms of The HUB Hotel Framework Deed and the PRC SPAs.

##### 1.2 *The MGI Disposal*

On 27 August 2014, CXI, an indirect wholly-owned subsidiary of the Company, and G.E. Hotel, an indirect wholly-owned subsidiary of GE Holdings, entered into the Magic Garden SPA pursuant to which (1) CXI has agreed to sell, and G.E. Hotel has agreed to purchase, the MGI Sale Shares and (2) CXI has agreed to assign to G.E. Hotel, and G.E. Hotel has agreed to assume, CXI's rights in the MGI Shareholder Loan on the terms of the Magic Garden SPA.

#### 2. Industry overview

##### 2.1 *Overview of Shanghai*

Shanghai is one of the four autonomous municipalities and historically a commercial and financial center of China. Shanghai's long-term development goals are to build the city into one of the economic, finance, trade and shipping centers in the world and to realize its vision of a socialist modern international metropolis by 2020. The first free-trade zone in Mainland China, China (Shanghai) Pilot Free-Trade Zone, was launched in September 2013, where various pilot reforms are introduced to create a preferential environment for foreign investment. In April 2014, an international financial magazine called "The Banker" reported that Shanghai has attracted the highest volumes of financial sector foreign direct investment in the Asia-Pacific region in the 12 months to the end of January 2014.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the historical GDP statistics of Shanghai and the PRC:

**Table 1: The historical GDP statistics of Shanghai and the PRC**

	2009	2010	2011	2012	2013	First half year of 2014
GDP of Shanghai (RMB billion)	1,504.6	1,716.6	1,919.5	2,018.2	2,160.2	1,095.3
GDP growth rate of Shanghai	8.2%	10.3%	8.2%	7.5%	7.7%	7.1%
GDP of the PRC (RMB billion)	34,090.3	40,151.3	47,310.4	51,947.0	56,884.5	26,904.4
GDP growth rate of the PRC	9.2%	10.4%	9.3%	7.7%	7.7%	7.4%

*Source: the Statistics Bureau of PRC and Shanghai*

Historically, the GDP growth rates of Shanghai were generally lower than the PRC. Referring to Table 1, the historical GDP growth rates of Shanghai were in the range of 7.5% to 10.3% during 2009 to 2013, while the GDP growth rates of the PRC were ranged between 7.7% and 10.4%. In 2013, Shanghai's GDP grew 7.7%, which was in line with the national growth. In the first half year of 2014, the GDP growth rate of Shanghai was further decelerated to 7.1%, which was 0.3% lower than the PRC. In consideration of the historical GDP growth rates and economic development of Shanghai stated above, we are of the view that Shanghai has entered a new development phase that features slower growth in the recent years.

### 2.2 *Luxury hotel industry in Shanghai*

The statistics of upscale hotel supply in Shanghai is depicted in Table 2 below:

**Table 2: Upscale Hotel Supply in Shanghai**

	2010	2011	2012	2013	2014E	2015E	2016E
Existing supply (number of rooms)	33,145	42,165	46,378	49,305	51,144	54,367	61,239
New supply (number of rooms)	9,020	4,213	2,927	1,839	3,223	6,872	3,633

*Source: Jones Lang LaSalle Shanghai Property Market Report 2013*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In Shanghai, there is an oversupply of hotel rooms with the growing number of high-end hotel properties, which may have a negative impact on the upscale hotel performance. Followed by the China's luxury hotel boom of 2008-2010, the number of five-star hotels increased in preparation for major events like the Beijing Olympics and Shanghai World Expo. While the Disneyland project may lead to an increase of tourists in Shanghai, it is also set to attract an influx of new hotel establishments. With reference to Table 2, the upscale hotel supply is expected to increase to 65,000 by 2016, according to the property market report prepared by Jones Lang LaSalle. In addition, international branded hotels show no signs of slowing their expansion in Shanghai. Grand Kempinski Hotel, Ritz-Carlton and Four Seasons were opened in the Lujiazui Financial Zone in Shanghai. Mandarin Oriental Hotel Pudong, Shanghai was opened in the second quarter of 2013 with over 300 rooms. Despite a fast-growing domestic tourism and business travel market, this rapid expansion by both Chinese and international hoteliers has, since the closing of Shanghai's World Expo in 2010, led to chronic oversupply and low occupancy rates.

Set out below is the statistics of foreign visitors and occupancy rate of 5-star hotel in Shanghai:

**Table 3: Foreign visitors and occupancy rate of 5-star hotels in Shanghai**

	2009	2010	2011	2012	2013	2014 Jan-Jul
Total number of foreign visitors to Shanghai (million)	6.3	8.5	8.2	8.0	7.6	4.6
Average number of foreign visitors per month	524,000	709,000	681,000	667,000	631,000	650,000
Occupancy rate of 5-star hotel in Shanghai	54%	68%	60%	60%	60%	61%

*Source: Shanghai Municipal Tourism Administration statistics from Wind Database*

Referring to Table 3, the total number of foreign visitors to Shanghai decreased from 8.2 million in 2011 to 7.6 million in 2013. In addition, the average number of foreign visitors per month dropped from 681,000 per month to 631,000 per month from 2011 to 2013, representing a decrease of approximately 7.3%. Although the occupancy rate has been remained at 60% since 2011, several factors, such as the continued financial crisis in Europe and China's shift towards domestic consumption, may also have a negative impact on the tourism and hospitality industries in Shanghai.

### 3. Reasons for and benefits of the Transactions

#### 3.1 Business of the Group

The Group is principally engaged in property development, property investment and property construction 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.2 *Business of GE Holdings, Wisdom Joy and G.E. Hotel*

The principal activities of the GE Group include property development and investment, hotel and restaurant operations, acting as manager of real estate investment trust, trading of building materials, share investment, provision of management and maintenance of services, property management and fitness centre operations. Its investment in office properties extends to the United State of America, and its hotel portfolio covers Asia, Austria, Europe, New Zealand and North America.

Wisdom Joy and G.E. Hotel are principally engaged in investment holding and are indirect wholly-owned subsidiaries of the GE Group.

### 3.3 *Information on The HUB Hotel*

The HUB Hotel is a hotel project under construction located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai. It is part of the Group's development project known as The HUB, which is strategically located next to the Hongqiao Transportation Hub in Shanghai and linked directly to major rail, air, underground and road transportation facilities. The HUB Hotel, when completed, is expected to have aboveground gross floor area of approximately 32,000 square meters and underground gross floor area of approximately 14,000 square meters, with 403 guest rooms and various hotel and entertainment facilities. Construction of The HUB Hotel is scheduled to be completed in 2015.

At 31 July 2014, the book value of The HUB Hotel was RMB686,000,000. It is expected that the book value of The HUB Hotel at The HUB Hotel Handover will be approximately RMB898,000,000.

Based on the Property Valuation Report prepared the Property Valuer, the estimated market value of The HUB Hotel is RMB962,000,000 at 25 August 2014 (on the assumption that The HUB Hotel was completed according to the development scheme provided to the Property Valuer with its interior in bare shell condition).

There were no profits or losses attributable to The HUB Hotel for the two financial years ended 31 December 2012 and 31 December 2013.

### 3.4 *Information on Magic Garden and Langham Xintiandi Hotel*

At the Latest Practicable Date, Magic Garden is an investment holding company incorporated in BVI and held as to two-thirds by CXI and one-third by G.E. Hotel. Magic Garden, through its wholly-owned subsidiaries, Victorious Run and Landton, owns 50% equity interest in Shanghai Li Xing, through which Magic Garden indirectly beneficially owns the land use rights and building ownership rights pertaining to Langham Xintiandi Hotel. After the completion of the MGI Disposal, Magic Garden will be a wholly-owned subsidiary of G.E. Hotel.

At 31 July 2014, the book value of the MGI Sale Shares was negative RMB109,000,000. For the two financial years ended 31 December 2012 and 31 December 2013, the net loss attributable to the MGI Sale Shares was RMB35,000,000 and RMB79,000,000, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Langham Xintiandi Hotel is a hotel located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), and is next to 上海新天地 (Shanghai Xintiandi), which is owned by the Group and is a renowned destination for leisure and entertainment as well as commerce and residence in Shanghai. It is a luxury hotel comprising 28 storeys and a five-level basement with a total gross floor area of approximately 53,407 square meters, providing 357 guest rooms and various hotel and entertainment facilities. Langham Xintiandi Hotel opened in 2012.

Pursuant to the Property Valuation Report prepared by the Property Valuer, the market value of Langham Xintiandi Hotel at 25 August 2014 was RMB1,737,000,000 and the value of Langham Xintiandi Hotel attributed to the Group was RMB1,158,579,000.

### *3.5 Information on Shanghai Li Xing and the Proposed Li Xing Demerger*

In addition to Langham Xintiandi Hotel, Shanghai Li Xing also holds the land use rights and building ownership rights pertaining to the Andaz Hotel, where rights are in turn beneficially owned by Trillion Full and Metro Land, independent third parties to the Group and the GE Group and collectively holders of the other 50% of equity interest in Shanghai Li Xing.

CXI (as Magic Garden's largest shareholder), together with Metro Land and Trillion Full, have been procuring the Proposed Li Xing Demerger since CXI acquired the MGI Shares. In light of:

- the existing relationship that CXI has with the other shareholders of Shanghai Li Xing;
- CXI (as the owner of two-thirds of the total issued share capital of Magic Garden prior to completion of the MGI Disposal) agreeing to be responsible for two-thirds of the costs arising from the Proposed Li Xing Demerger that should be borne by any member of the MGI Group following the MGI Disposal (as described below); and
- in order to complete the Proposed Li Xing Demerger as soon as possible and to minimise costs,

the parties consider CXI to be in a good position to continue with the Proposed Li Xing Demerger process as Shanghai Li Xing's agent following the MGI Disposal. CXI and G.E. Hotel have therefore agreed that for a period of 3 years after completion of the MGI Disposal (subject to extension to 4 years if CXI pays G.E. Hotel an extension fee of RMB10,000,000), G.E. Hotel will procure Shanghai Li Xing to appoint CXI (or an affiliate that CXI may designate) as agent to facilitate the completion of the Proposed Li Xing Demerger that will result in:

- a company holding the land use rights and building ownership rights of, and assuming all the liabilities pertaining to, the Andaz Hotel will be owned solely by Trillion Full and Metro Land; and
- a company holding the land use rights and building ownership rights of, and assuming all the liabilities pertaining to, Langham Xintiandi Hotel will be wholly-owned by Magic Garden through Victorious Run and Landton.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.6 *Focusing on core businesses*

Reference is made to the 2013 Annual Report, the Company is currently fine tuning the business model. The Group planned to spin-off China Xintiandi Limited (the “China Xintiandi”), which will manage the Group’s commercial assets and investment properties. The spin-off would leave the Company as a pure developer. Non-core commercial assets will be considered for sale in order to increase asset churn and the Company’s commercial assets will either be sold to China Xintiandi or sold to the market through China Xintiandi. The Group told the Shareholders and also potential investors in the market that at appropriate time, the Group will undertake en-bloc sales of non-core commercial properties to realize the value of the investment properties as well as to increase asset turnover and recycle of the capital of the Group.

We have discussed with the management of the Company the core business of the Company. We concur with their view that, as one of the leading property developers in the PRC, the primary competency of the Company is property development, while China Xintiandi, an indirect wholly-owned subsidiary of the Company, intends to focus on retail and office properties. We also discussed with the management of the Company about the risks associated for the change to a pure developer by the Company. Currently, property developers in the PRC are mainly subject to certain policy risks arising from macroeconomic adjustment and control measures and financing risks due to the stringent money supply in China. Management of the Company is fully aware of such underlying risks, however, they consider focusing on property development which they possessed primary competence and with well-established brand in Shanghai will generate better return and outweigh the underlying risks as a pure developer. We agree with the management of the Company and recently, we also consider the operating environment of PRC property development business has been improving, after certain policy reliefs in property buying restrictions and improvement in bank financing environment.

The Langham Hospitality Group belongs to GE Holdings. GE Holding who is knowledgeable and experienced in the development, operation and management of top quality hotels. Having world-class hotels managed by Langham Hospitality Group within the Group’s properties could raise the profile of the “Xintiandi” and “The HUB” brands, which in turn could post a positive impact on the master-plan of the Group and enhance the long term value of the Group’s properties.

According to the statistics from Shanghai Municipal Tourism Administration and Jones Lang LaSalle, most of the existing upscale hotels are located in the more developed area such as the Hongqiao Economic and Technological Development Zone, one of the traditional CBD in Shanghai. The HUB Hotel is located in the core area of Hongqiao CBD, where at least four hotel development projects are proposed by Red Star Macalline, Longfor Properties Company Limited, Shanghai Zhaode Properties Company Limited (上海兆德置業有限公司) and Zhonghe Properties Company Limited (衆合地產有限公司). In addition, with reference to the section headed “Luxury hotel industry in Shanghai”, the increasing supply of international branded hotels may intensify the competition of Shanghai hotel market, which may negatively affect the occupancy rate and profitability of hotels in Shanghai.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon completion of the Transactions, the Group can deploy resources more freely and focus on property development and China Xintiandi. In consideration of the severe competition in hotel and hospitality business in Shanghai and the business model of the Company, we are of the view that the Transactions are in the interests of the Company and the Shareholders as a whole.

### *3.7 Avoiding future losses*

As stated in the letter from the Board of the Circular, the net losses attributable to the MGI Sale Shares for the two financial years ended 31 December 2012 and 31 December 2013 were RMB35,000,000 and RMB79,000,000, respectively. Given the sluggish outlook of the luxury hotel sector in Shanghai discussed in section headed “Luxury hotel industry in Shanghai”, Langham Xintiandi Hotel may not be able to be promptly turned into a profitable hotel in the near future. The profitability of The HUB Hotel may also be affected by the subdued market outlook of the luxury hotel sector in the future, although The HUB Hotel is still under construction. Therefore, we are of the view that the Transactions may enable the Company to cease incurring losses from the operation of Langham Xintiandi Hotel and avoid the potential losses of The HUB Hotel.

### *3.8 Relieving from capital commitments*

The HUB Hotel is a hotel project under construction and scheduled to be completed in 2015. The Group is expected to incur further capital expenditures regarding the construction of The HUB Hotel. Taking into account the uncertain prospects of the luxury hotel industry in Shanghai as the GDP growth of Shanghai and development of tourism in Shanghai may slow down, we consider that the capital investment in The HUB Hotel may not generate satisfactory returns for the Company and the Shareholders. Accordingly, The HUB Hotel Disposal could relieve the Company from future capital commitments with regard to the construction of The HUB Hotel and turn the uncertain future returns from The HUB Hotel into ascertained proceeds from The HUB Hotel Disposal.

### *3.9 Enhancing profitability of the Group*

As advised by the management of the Company, the Group’s hotel properties constitute a small portion of the Group’s business, and generate a lower return than its residential, retail and office properties. For the six months ended 30 June 2014, the Group recorded property sales (mainly residential units) of RMB4,447 million, accounting for approximately 84.9% of the Group’s turnover. The Group also recorded rental income received from investment properties of RMB561 million. In contrast, the Group’s income from hotel operations for the same period was only RMB150 million and constitutes a relevant small portion of the Group’s total revenue.

In addition, since (1) the Group has recorded net losses for the MGI Sale Shares for the two financial years ended 31 December 2012 and 2013; and (2) The HUB Hotel did not historically contribute to the Group’s profits and losses as it is under development, the Transactions will improve the net profit margin of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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While the Group operates other hotels, including Shanghai 88 Xintiandi Hotel and Marco Polo Lingnan Tiandi Foshan Hotel. Shanghai 88 Xintiandi Hotel was recently closed down in 2014 to be converted to retail space in Shanghai Xintiandi. We consider this action also indicates that the Group's retail properties are generating higher return than its hotel properties.

Moreover, the Group intends to apply the proceeds from The HUB Hotel Disposal and the MGI Disposal to repay certain outstanding debt and for other investment opportunities. We consider that the repayment of outstanding debt would reduce the interest expense of the Group and investment in other projects, especially retail and office properties that the Group aims to focus on, and hence to increase the net profit of the Group in the future by contributing a higher return-on-investment.

According to the management of the Company, the Group has to pay management fees to hotel operators since the Group does not own a hotel management brand to operate hotel properties, which decreases Group profits. After a discussion with the management of the Company, we concur with their view that The HUB Hotel and Langham Xintiandi Hotel do not contribute to any synergy.

In light of the factors above, we are of the view that the profitability of the Group would be enhanced after the Transactions.

### ***3.10 Improving capital structure of the Group***

As disclosed in the 2013 Annual Report and the 2014 Interim Results of the Company, the net gearing ratio (calculated as net debt divided by total equity) as at 31 December 2013 and 30 June 2014 were approximately of 59% and 64% respectively. Upon completion of the Transactions, the Group will record a net cash inflow of RMB548,000,000, which in turn will reduce the Group's net gearing ratio by approximately 5%. As a result, we consider that the Group will be benefited by improving the capital structure from the Transactions.

## **4. Principal terms of the Transactions**

### ***4.1 The HUB Hotel Framework Deed, the PRC SPAs and the Magic Garden SPA***

Detailed terms of The HUB Hotel Framework Deed, the PRC SPAs and the Magic Garden SPA has been contained in the letter from the Board as set out in the Circular.

### ***4.2 Basis in determining the considerations***

As stated in the letter from the Board in the Circular, the consideration for The HUB Hotel Disposal is based on arm's length negotiation between Shine First and Wisdom Joy, with reference to (i) the valuation of The HUB Hotel prepared by the Property Valuer; and (ii) the prevailing market value of comparable land transactions in Shanghai. The consideration for the MGI Disposal is based on arm's length negotiations between CXI and the G.E. Hotel, with reference to (i) an agreed value for Langham Xintiandi Hotel and the Property Valuation Report prepared by the Property Valuer; and (ii) the prevailing market value of comparable land transactions in Shanghai.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To assess the basis in determining the considerations, we have reviewed the Property Valuation Report, discussed with the Property Valuer and enquired the management of the Company. We have noted and discussed with the Property Valuer that they have adopted the direct comparison approach in valuing The HUB Hotel and Langham Xintiandi Hotel.

In conducting the valuation of The HUB Hotel and the Langham Xintiandi Hotel, the Property Valuer has also adopted the following assumptions:

- Transferable land use rights in respect of The HUB Hotel and Langham Xintiandi Hotel for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. The Property Valuer has relied on the information and advice given by the Group and the PRC legal opinion of the legal adviser, Jin Mao PRC Lawyers (金茂凱德律師事務所), regarding the titles to The HUB Hotel and Langham Xintiandi Hotel and the interests in The HUB Hotel and Langham Xintiandi Hotel.
- The owners have enforceable titles to The HUB Hotel and Langham Xintiandi Hotel and have free and uninterrupted rights to use, occupy or assign The HUB Hotel and Langham Xintiandi Hotel for the whole of the unexpired terms as granted.
- No allowance has been made in the valuations for any charges, mortgages or amounts owing on The HUB Hotel and Langham Xintiandi Hotel nor any expenses or taxation which may be incurred in effecting a sale.
- The HUB Hotel and Langham Xintiandi Hotel are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.
- The areas shown on the documents handed to the Property Valuer are correct.
- The HUB Hotel was completed according to the development scheme provided to the Property Valuer with interior in bare shell condition.

The market value of The HUB Hotel and Langham Xintiandi Hotel is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. We consider that the direct comparison approach is a commonly adopted and well-recognized methodology in valuing hotel properties.

In order to assess the fairness and reasonableness of the above assumptions, we have also discussed with the Property Valuer regarding the major assumptions made in the valuation process. We understand that (i) the direct comparison approach was adopted by making reference to comparable sales evidences as available on the market in valuing the market value in existing state of Langham Xintiandi Hotel and estimated market value as if completed of The HUB Hotel; and (ii) it is assumed that The HUB Hotel was completed according to the development scheme provided to the Property



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Valuer with interior in bare shell condition. Furthermore, we also checked the major assumptions made by the Property Valuer, and the assumptions made were consistent with the information collected during our site visit and due diligence process. Hence, we are of the view that the major assumptions made in valuing The HUB Hotel and Langham Xintiandi Hotel are reasonable.

Besides, we have discussed with the Property Valuer in relation to their experiences and understood that Mr. Philip C.Y. Tsang, the Director of the Property Valuer, is a registered professional surveyor who has over 21 years of experience in valuing properties in the PRC. According to the “RICS Valuation — Professional Standards” published by Royal Institution of Chartered Surveyors (“RICS”), practical experience is one of the way to test whether an individual is appropriately qualified to accept the responsibility for a valuation. Given Mr. Philip C.Y. Tsang has plenty of practical experience in the valuation of properties in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for The HUB Hotel and Langham Xintiandi Hotel.

As discussed with the Property Valuer, they do not have any prior relationships with the Group or other parties and connected persons to the Transactions over the past two years, and we are of the view that the independence and objectivity of the Property Valuer were not impaired in conducting such valuation. We also reviewed the terms of the engagement for the valuation of The HUB Hotel and Langham Xintiandi Hotel, the scope of work performed by the Property Valuer is consistent with the market practice and appropriate to give the opinion.

In our review of the Property Valuation Report, we note that the Property Valuation Report contains all material details of the basis of valuation, which follows the Hong Kong Institute of Surveyors Valuation Standards on Properties and is required by the Listing Rules 5.05. The Property Valuation Report also contains, among other things, the following information as required by the Listing Rules 5.06: (i) a description of each property; (ii) details of rentals of the property if it is not in the process of being developed; (iii) details of development stage of the property if it is in the process of being developed; and (iv) a classification of the property according to the purpose for which it is used. Therefore, we are satisfied that the content of the Property Valuation Report is in compliance with the relevant Listing Rules.

As stated in the letter from the Board of the Circular, the aggregate consideration to be received by CXI for the MGI Disposal comprises the consideration for the MGI Sale Shares and the MGI Loan Consideration.

The consideration amount for the sale and purchase of the MGI Sale Shares is based on the MGI Share Closing Amount. The MGI Share Closing Amount is mainly determined in accordance with an agreed value for Langham Xintiandi Hotel of RMB1,739,000,000 and the Property Valuation Report prepared by the Property Valuer which we consider is fair and reasonable based on our assessment above. Furthermore, such consideration amount will be subject to an adjustment of the MGI Share Closing Adjustment Amount (not to exceed RMB10,000,000) after completion of the MGI Disposal. This adjustment mechanism is to reflect the difference, if any, between (a) the net asset value of the Langham Xintiandi Hotel business at completion of the MGI Disposal (using the same agreed valuation for the Langham Xintiandi Hotel and exclusions as those used for the 31 August 2014 net asset value calculation) and (b) the aggregate total of (1) the net asset value of the Langham Xintiandi Hotel business at 31 August 2014 plus (2) the profits and losses of the Langham Xintiandi Hotel

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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business between 1 September 2014 and the date of completion of the MGI Disposal, and multiplying such difference by CXI's proportional interest in Magic Garden as represented by the MGI Sale Shares (currently being two-thirds). We consider the MGI Share Closing Adjustment Amount will mainly be determined with reference to certain financial information prepared by an independent auditor and therefore we consider that is fair and reasonable.

The MGI Loan Consideration is based on the amount of the MGI Shareholder Loan (being approximately RMB466,900,000 at the date of the Magic Garden SPA) at completion of the MGI Disposal on a dollar-for-dollar basis, which we consider that is fair and reasonable to the Company and the Shareholders.

Given (i) the direct comparison approach is a commonly adopted and well recognized methodology for valuing hotel properties; (ii) the major assumptions made in connection with the valuation approach are reasonable; (iii) the Property Valuer is qualified and appropriate to provide a reliable valuation for The HUB Hotel and Langham Xintiandi Hotel; (iv) basis to determine the consideration amount for the sale and purchase of the MGI Sale Shares and related adjustment mechanism are fair and reasonable; and (v) dollar-for-dollar basis to determine the MGI Loan Consideration is fair and reasonable, we are of the view that the basis in determining the considerations of the Transactions is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

### ***4.3 Profit sharing by the Group upon The HUB Hotel Exit Sale and Langham Xintiandi Hotel Exit Sale***

We note that Wisdom Joy has agreed that if a member of the GE Group enters into an agreement to sell any interest in The HUB Hotel within 6 years following completion of The HUB Hotel Disposal, and where the Gross Consideration After Tax exceeds the product of The HUB Hotel Hurdle Capital Value and the proportion of the interest in The HUB Hotel that has been disposed of by the GE Group after completion of The HUB Hotel Disposal, Wisdom Joy shall pay to Shine First an amount equivalent to 10% of such excess upon completion of The HUB Hotel Exit Sale and the cap of such profit sharing shall not exceed RMB10,000,000 ("The HUB Hotel Exit Scheme"). We consider that it is beneficial for the Company to enter into The HUB Hotel Exit Scheme since the Company will be entitled to share extra future profit arising from the disposal of equity interests in The HUB Hotel by GE Group, even when the Company no longer holds any interest in The HUB Hotel. In view of that the consideration of The HUB Hotel Disposal reflects the fair value of HUB Hotel according to the Property Valuation Report, without taking into account The HUB Hotel Exit Scheme, we consider that The HUB Hotel Exit Scheme is in the interests of the Company and the Shareholders as a whole.

In addition, G.E Hotel has agreed that if a member of the GE Group enters into an agreement to sell any interest in Langham Xintiandi Hotel within 6 years following completion of the MGI Disposal, and where two-thirds of the Gross Consideration After Tax exceeds the product of (i) the Langham Xintiandi Hotel Hurdle Capital Value and (ii) the proportion of interest in Langham Xintiandi Hotel that has been disposed of by the GE Group after the closing of the MGI Disposal, G.E. Hotel shall pay to CXI an amount equivalent to 10% of such excess upon completion of the Langham Xintiandi Hotel Exit Sale and the cap of such profit sharing shall not exceed RMB10,000,000 ("Langham Xintiandi Hotel Exit Scheme"). We consider that it is beneficial for the Company to enter

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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into Langham Xintiandi Hotel Exit Scheme since the Company will be entitled to share extra future profit arising from the disposal of equity interests in Langham Xintiandi Hotel by GE Group, even when the Company no longer holds any interest in Langham Xintiandi Hotel. In view of that the consideration of the MGI Disposal reflects the fair value of Langham Xintiandi Hotel according to the Property Valuation Report, without taking into account Langham Xintiandi Hotel Exit Scheme, we consider that Langham Xintiandi Hotel Exit Scheme is in the interests of the Company and the Shareholders as a whole.

As such, we are of the view that the Group has preserved the upside potential for the values of The HUB Hotel and Langham Xintiandi Hotel under The HUB Hotel Exit Scheme and Langham Xintiandi Hotel Exit Scheme, thus it is in the interests of the Company and the Shareholders as a whole.

#### *4.4 Potential liability arising from the Proposed Li Xing Demerger*

As discussed in the section headed “Information on Shanghai Li Xing and the Proposed Li Xing Demerger” above, under the Magic Garden SPA, for a period of 3 years after the Completion of the MGI Disposal, G.E. Hotel will procure Shanghai Li Xing to appoint CXI (or its affiliate as CXI may designate) as agent to facilitate the completion of the Proposed Li Xing Demerger. CXI shall be responsible for two-thirds of the costs arising from the Proposed Li Xing Demerger that should be borne by any member of the MGI Group.

Currently, the Proposed Li Xing Demerger is governed by certain tax rules, laws and regulations of corporate reorganization in the PRC. As discussed with the management of the Company, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Treatment of Enterprise Reorganisation — Document of Caishui [2009] No. 59 (“No. 59 Tax Rule”), the Proposed Li Xing Demerger fits into treatment under the category of “special reorganisation” in which all relevant tax in the PRC should be exempted and therefore no significant liability will be arising from the Proposed Li Xing Demerger. In this regard, the management of the Company has appointed professional tax advisers to facilitate the negotiation progress with the local tax authorities, assess the relevant tax exposure and provide professional advice. Management of the Company, under the advisory of relevant professional tax advisers, has paid its best effort to approach relevant local tax authorities to resolve and finalize such “special reorganization” treatment under Proposed Li Xing Demerger, however, the progress has been quite slow since there was no precedent case and the local tax authorities require more time to study the case of the Proposed Li Xing Demerger.

The management of the Company, under the advice of relevant professional tax advisers, is of the view that even not qualifying under the treatment of “special reorganisation”, the Proposed Li Xing Demerger will be under the treatment of “ordinary reorganisation”, in accordance with No. 59 Tax Rule. The only difference between “special reorganisation” and “ordinary reorganisation” is that the corporate income tax in the PRC will not be exempted under “ordinary reorganisation”. We have discussed with the professional tax advisers and, according to their professional advice, the exposure of the Proposed Li Xing Demerger on corporate income tax will be very insignificant since Shanghai Li Xing (including Langham Xintiandi Hotel and Andaz Hotel) has been making losses and therefore, the chance of that the Proposed Li Xing Demerger will be subject to corporate income tax is remote.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As such, we have reviewed, as provided by the management of the Company, the financial information of Shanghai Li Xing (including Langham Xintiandi Hotel and Andaz Hotel) and concurred with the management of the Company that Shanghai Li Xing has been making losses. As a result, we are of the view that although there is certain liability exposure under the Proposed Li Xing Demerger as discussed above, the underlying risk and exposure will be insignificant.

### 4.5 *Right of First Notification*

The HUB Hotel is part of “The HUB” development, which is a significant development project of China Xintiandi, a wholly-owned subsidiary of the Company. “The HUB” has a site area of 6.2 hectares designed to be a one-stop life centre comprising office buildings, a shopping mall, a performance centre and a hotel, which is expected to generate significant revenue to China Xintiandi Limited in the long run and will be one of the strategic assets of China Xintiandi going forward.

As disclosed in the section headed “Reasons for and benefits of The HUB Hotel Disposal and the MGI Disposal” in the letter from the Board, one of the reasons for The HUB Hotel Disposal is because of GE Holdings’ ownership of Langham Hospitality Group, which is a successful hotel and operator that has a proven track record of operating high-end and luxury hotels. The management of the Group considers that it is important for The HUB Hotel to be owned and managed by hotel operators of international renown.

Wisdom Joy has agreed to notify Shine First in the event the GE Group intends to sell any interest in The HUB Hotel within 6 years following completion of The HUB Hotel Disposal, details were contained in the section headed “Right of First Notification” in the letter from the Board. This Right of First Notification will:

- (i) require G.E. Hotel to notify China Xintiandi about any intention by it to dispose of The HUB Hotel;
- (ii) give an opportunity for China Xintiandi to be involved in a disposal process;
- (iii) provide flexibility to either China Xintiandi’s or the Group’s strategy should any of them wishes to be involved again in the hospitality business in the PRC; and
- (iv) afford the Group a limited degree of control over disposal by the GE Group for disposing the hotel at lower than the market value (for example, another hotel operator that does not have the prestige that the Langham Hotel brand has) as such disposal may negatively impact the image of “The HUB” project as a whole.

We consider that although the Buying Member or such other member of the Group can only negotiate with Wisdom Joy on a non-exclusive basis in respect of such interest in The HUB Hotel at a price no less than the Floor Price, this Right of First Notification is in the interest of the Company and the Shareholders as a whole since it provides additional benefits and rights to the Group after its interest in The HUB Hotel has been transferred to GE Group. It also protects the Group in a way that GE Group cannot sell The HUB Hotel at a low price (lower than the Floor Price) to other parties

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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without engaging the Group in negotiation, in which selling The HUB Hotel at a low price by GE Group may in turn affect the profit sharing by the Group upon The HUB Hotel Exit Sale as discussed in the section headed “Profit sharing by the Group upon The HUB Hotel Exit Sale and Langham Xintiandi Hotel Exit Sale” above.

### 4.6 *Comparable transactions*

As discussed with the management of the Company, we understand that the management of the Company has considered multiple factors in selecting the similar historical transactions in the PRC hotel industry, such as geographical location of the hotels, nature and size of the transactions. There were two similar historical transactions as provided by the management of the Company:

**Table 4: Similar historical transactions in the PRC hotel industry provided by the management of the Company**

<b>Company name</b>	<b>Ticker</b>	<b>Hotel name (star)</b>	<b>Location</b>	<b>V/R (RMB million per room)</b>	<b>V/GFA (RMB per square metre)</b>
Shanghai Jin Jiang International Hotels (Group) Company Limited	2006 HK	Shanghai JC Mandarin Hotel (5-star)	Shanghai	4.1	Not available
Shanghai Jin Jiang International Hotels (Group) Company Limited	2006 HK	Shanghai Huating Hotel and Towers (5-star)	Shanghai	2.6	22,325

*Source: Information provided by the management of the Company and public information.*

We have reviewed the comparable transactions provided by the management of the Company and considered that they could provide a proper reference for the management of the Company in justifying the considerations of the Transactions. For the transaction of Shanghai Huating Hotel and Towers, we have included that in our analysis below as it fulfilled our selection criteria. For the transaction of Shanghai JC Mandarin Hotel, as it was not subject to shareholders’ approval under the Listing Rules, we therefore have not included that in our analysis below. However, as discussed with the management of the Company and based on our review, the Shanghai JC Mandarin Hotel has similar attributes (including location, accessibility, business environment, etc.) as Langham Xintiandi Hotel so it provided a better reference to the MGI Disposal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Management of the Company only consider hotel transactions in Shanghai which is most relevant to the Transactions, however, in our analysis below, we also consider hotel transactions in other tier-1 cities of the PRC. Based on our review, we are of the view that the historical transactions considered by the management of the Company are fair and reasonable for determining the consideration amount. Besides, it also supplements our analysis below, in which we have expanded the sampling further on a reasonable basis.

Again, in an independent attempt to assess the reasonableness of the considerations of the Transactions, we have focused on and reviewed transactions announced by the companies listed on the Stock Exchange over the past two years from the Latest Practicable Date which (i) were subject to shareholders' approval under the Listing Rules; and (ii) involved acquisition or disposal of a 4-star hotel or a 5-star hotel in the tier-1 cities of the PRC, namely Beijing, Shanghai, Guangzhou and Shenzhen (the "Comparable Transactions"). We used two years as the sampling period to select Comparable Transactions has made reference to the rapid development of the hotel industry in Shanghai as discussed above in the section headed "Luxury hotel industry in Shanghai". We are of the view that the operating environment and conditions of the hotel industry beyond the two-year timeframe are significantly different as compared to the current status and hence the hotel acquisition or disposal transactions beyond the two-year timeframe may not be comparable for our analysis. The Comparable Transactions are selected exhaustively based on the above criteria, which have been identified, to our best endeavor, in our research through public information.

In our assessment, we have considered the value-to-room ratio (the "V/R") and the value-to-gross floor area ratio (the "V/GFA") as our benchmarks. The V/R is calculated by dividing the market value of respective hotels as disclosed in the circulars of the Comparable Transactions by the total number of guest rooms of the hotels, and the V/GFA is calculated by dividing the market value of respective hotels by the gross floor area of the hotels, which we consider justifiable in valuing a hotel. Both V/R and V/GFA are well accepted benchmarks used by the market to assess the valuation of hotel properties and we consider it is reasonable as number of rooms and gross floor area are two of the key parameters reflecting the scale of a hotel business. Using the market value of respective hotels divided by these two parameters can unify the scale of the Comparable Transactions.

The following table sets out the details of the Comparable Transactions:

**Table 5: Comparable Transactions analysis on V/R and V/GFA**

<b>Company name</b>	<b>Ticker</b>	<b>Hotel name (star)</b>	<b>Location</b>	<b>V/R</b> <i>(RMB million per room)</i>	<b>V/GFA</b> <i>(RMB per square metre)</i>
New Century Real Estate Investment Trust	1275 HK	Songjiang New Century Grand Hotel Shanghai (5-star)	Shanghai	1.8	11,404

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Company name	Ticker	Hotel name (star)	Location	V/R (RMB million per room)	V/GFA (RMB per square metre)
Rosedale Hotel Holdings Limited	1189 HK	Rosedale Hotel and Suite Beijing (4-star)	Beijing	2.0	25,422
Talent Property Group Limited	760 HK	Hilton Guangzhou Tianhe (5-star)	Guangzhou	2.9	22,052
Shanghai Jin Jiang International Hotels (Group) Company Limited	2006 HK	Shanghai Huating Hotel and Towers (5-star)	Shanghai	2.6	22,325
			Maximum	2.9	25,422
			Minimum	1.8	11,404
			Average	2.3	20,301
The Company		The HUB Hotel (n/a) (Note 1)	Shanghai	2.4	20,978
		Langham Xintiandi Hotel (5-star) (Note 2)	Shanghai	4.9	32,561

*Source: The Circular and circulars of the respective Comparable Transactions*

*Note:*

1. The V/R and V/GFA of The HUB Hotel are calculated by dividing the aggregate consideration for The HUB Hotel Disposal of RMB965 million by the number of The HUB Hotel guest rooms of 403 and The HUB Hotel gross floor area of approximately 46,000 square metres.
2. The V/R and V/GFA of Langham Xintiandi Hotel are calculated by dividing the agreed value for Langham Xintiandi Hotel of approximately RMB1,739 million by the number of Langham Xintiandi Hotel guest rooms of 357 and Langham Xintiandi Hotel gross floor area of approximately 53,407 square metres.

As illustrated in the Table 5 above, the V/Rs of the Comparable Transactions are ranged from RMB1.8 million per room to RMB2.9 million per room (the “V/R Range”) with an average of RMB2.3 million per room (the “Average V/R”) and the V/GFAs of the Comparable Transactions are ranged from RMB11,404 per square metre to RMB25,422 per square metre (the “V/GFA Range”) with an average of RMB20,301 per square metre (the “Average V/GFA”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The implied V/R and V/GFA of The HUB Hotel are RMB2.4 million per room and RMB20,978 per square metre respectively, which fall within the V/R Range and the V/GFA Range respectively and are higher than both the Average V/R and the Average V/GFA respectively. In consideration of the fact that (i) the consideration for The HUB Hotel Disposal used to calculate the implied V/R and V/GFA of The HUB Hotel Disposal are based on the estimated market value of The HUB Hotel of RMB962 million on the assumption that The HUB Hotel was completed with its interior in bare shell condition; and (ii) the value of The HUB Hotel should be higher with its interior decorated, we consider that the V/R and V/GFA of The HUB Hotel with its interior decorated will be higher than RMB2.4 million per room and RMB20,978 per square metre respectively. Therefore, we consider that the aggregate consideration for The HUB Hotel Disposal is fair and reasonable.

The implied V/R and V/GFA of Langham Xintiandi Hotel are RMB4.9 million per room and RMB32,561 per square metre respectively, which exceed the high-end of the V/R Range and the V/GFA Range respectively and are higher than the Average V/R and the Average V/GFA respectively. Therefore, we consider that the aggregate consideration for the MGI Disposal is fair and reasonable.

As such, we consider that the considerations of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

### 5. Financial Impacts of the Transactions

#### 5.1 *Effect on net asset value*

As disclosed in the 2014 Interim Results, the unaudited net asset value (the “NAV”) attributable to the Shareholders as at 30 June 2014 was RMB36,676 million. According to the management of the Company, it is anticipated that, after deducting estimated tax and other expenses, the Group will realize a gain of approximately RMB9.2 million as a result of The HUB Hotel Disposal and a loss of RMB0.2 million as a result of the MGI Disposal. As such, the Transactions will have an overall positive effect on the NAV attributable to the Shareholders.

Besides, the management of the Company expects that the Group would generate higher profits in the future since the Group will (i) cease consolidating the net loss attributable to the MGI Sale Shares; (ii) save interest expenses from applying part of proceeds to repay outstanding debt; and (iii) possibly generate higher profit by exploring investment opportunities from the more profitable retail and office properties. Therefore, we consider that the NAV attributable to the Shareholders will be potentially increased after recording a higher profit in the future.

Similarly, with total number of issued Shares unchanged, we are of the view that the NAV per Share will be improved as a result of the Transactions.

Therefore, we consider that the Transactions will have a positive effect on the NAV and NAV per Share of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5.2 *Effect on cash / working capital*

As disclosed in the 2014 Interim Results, the Group had current assets of approximately RMB45,187 million (including bank balances and cash of RMB9,603 million) and current liability of RMB22,011 million as at 30 June 2014. As the Directors confirmed that the net proceeds from the Transactions would increase the Group's bank balance and cash before the Group utilizes them for exploring other investment opportunities, we consider that the cash position and the working capital of the Group will be strengthened upon completion of the Transactions.

Therefore, we consider that the Transactions will have a positive effect on the cash position and the working capital of the Group.

### 5.3 *Effect on earnings*

As disclosed in the 2014 Interim Results, the unaudited profit attributable to the Shareholders was RMB797 million for the six months ended 30 June 2014. In consideration of the factors discussed in the sections above headed "Avoiding future losses", "Relieving from capital commitments" and "Enhancing profitability of the Group", in particular, the Group will (i) cease consolidating the net loss attributable to the MGI Sale Shares; (ii) save the capital commitment of the construction of The HUB Hotel to develop the Group's core business of retail and office properties; (iii) save interest expenses through applying part of the proceeds to repay outstanding debt; and (iv) deploy part of the proceeds to develop more profitable retail and office properties, we are of the view that the earnings of the Group will be enhanced.

Therefore, we consider that the Transactions will have a positive effect on the earnings of the Group.

### 5.4 *Effect on gearing*

As disclosed in the 2014 Interim Results, the net gearing ratio of the Group, calculated on the basis of the excess of the sum of convertible bonds, senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity, was 64% as at 30 June 2014. Upon receipt of net proceeds from the Transactions, the Group expects to apply part of the proceeds to repay certain outstanding debt, which will lower the debt and the gearing level of the Group.

Therefore, we consider that the Transactions will have a positive effect on the gearing of the Group.

In light of:

- (i) the positive effect on the NAV and NAV per Share of the Group;
- (ii) the positive effect on the cash position and the working capital of the Group;
- (iii) the positive effect on the earnings of the Group; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the positive effect on the gearing of the Group,

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

### RECOMMENDATION

In relation to the Transactions, we have considered the above principal factors and reasons, in particular, having taken into account the following in arriving at our opinion:

- (i) the entering into of the Transactions is in the ordinary and usual course of business of the Company and it is in line with the Group's overall business strategy to focus on its core business of property development;
- (ii) the entering into of the Transactions will enable the Group to avoid future losses, save capital expenditure, improve profitability and optimise capital structure;
- (iii) the basis in determining the consideration is fair and reasonable so far as the Company and the Shareholders as a whole are concerned;
- (iv) the mechanism of profit sharing by the Group upon The HUB Hotel Exit Sale and Langham Xintiandi Hotel Exit Sale provides additional future upside to the Group and is in the interests of the Company and the Shareholders as a whole;
- (v) the underlying risk and potential liability arising from the Proposed Li Xing Demerger will be insignificant;
- (vi) The Right of First Notification provides additional benefits and is in the interest of the Company and the Shareholders as a whole;
- (vii) the considerations of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned; and
- (viii) the Transactions will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the Transactions are in line with the Group's overall business strategy, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favor of the resolutions in relation to the Transactions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Platinum Securities Company Limited**  
**Lenny Li**  
*Director and Co-head of Corporate Finance*

*Mr. Lenny Li is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over eight years of experience in corporate finance industry.*

*The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of The HUB Hotel and Langham Xintiandi Hotel in the PRC as at 25 August 2014.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

30 September 2014

The Board of Directors  
Shui On Land Limited  
34th Floor, Shui On Centre  
6-8 Harbour Road  
Wan Chai  
Hong Kong

Dear Sirs,

- Re: 1. The Langham Xintiandi Hotel located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), Shanghai, the People's Republic of China**
- 2. The HUB Hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, the People's Republic of China**

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with the instructions for us to carry out the valuations of the market values of the captioned properties (the "Properties") held by Shui On Land Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing the Company with our opinion of the market values of the Properties as at 25 August 2014 (the "Valuation Date").

**DEFINITION OF MARKET VALUE**

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**VALUATION BASIS AND ASSUMPTION**

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the PRC legal opinion of the legal adviser, Jin Mao PRC Lawyers (金茂凱德律師事務所) dated 10 September 2014, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the owners have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

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

**METHODS OF VALUATION**

In valuing the Market Value in existing state of the Property in Group I, which is held by the Group for investment in the PRC, we have adopted the direct comparison approach by making reference to comparable sales evidences as available on the market.

In valuing the estimated Market Value as if completed of the Property in Group II, which is held by the Group for development in the PRC, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market; and on the assumption that the Property was completed according to the development scheme provided to us with interior in bare shell condition.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

**SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC legal adviser of the Group, Jin Mao PRC Lawyers (金茂凱德律師事務所) as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of Property, revenue and cost of operation, development scheme, construction costs, particulars of occupancy, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

**TITLE INVESTIGATION**

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. We have not caused title search for the Property in the PRC but we have made reference to the copies of the title documents and the PRC legal opinion which have been made available to us by the Group. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

**SITE INSPECTION**

Our valuer, Stephanie Shen (China Real Estate Appraiser), has inspected the exterior and, wherever possible, the interior of the Properties in August 2014. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

**CURRENCY**

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

**Remarks**

Please note that we are appointed by Shui On Land Limited and Great Eagle Holdings Limited as a joint valuer for the valuations of the Properties. We have prepared our valuations on an impartial basis without bias to any parties concerned.

We attach herewith the summary of valuations and valuation certificates.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Philip C Y Tsang**  
*Registered Professional Surveyor*  
*(General Practice)*  
*Registered China Real Estate Appraiser*  
*MSc, MHKIS*  
*Director*

*Note:* Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 21 years property valuation experience in the PRC.

## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Market Value in existing state as at 25 August 2014 RMB</b>	<b>The Group's attributable interest %</b>	<b>Market Value in existing state as at 25 August 2014 attributable to the Group RMB</b>
<b>Group I - Property held by the Group for investment in the PRC</b>			
1. The Langham Xintiandi Hotel located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), Shanghai, the PRC	1,737,000,000	66.7	1,158,579,000
<b>Property</b>	<b>Estimated Market Value as if completed as at 25 August 2014 RMB</b>	<b>The Group's attributable interest %</b>	<b>Estimated Market Value as if completed as at 25 August 2014 attributable to the Group RMB</b>
<b>Group II - Property held by the Group for development in the PRC</b>			
2. The HUB Hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, the PRC	962,000,000  (On the assumption that the Property was completed according to the development scheme provided to us with interior in bare shell condition.)	100.0	962,000,000  (On the assumption that the Property was completed according to the development scheme provided to us with interior in bare shell condition.)



## VALUATION CERTIFICATE

## Group I - Property held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 25 August 2014								
1. The Langham Xintiandi Hotel located at 4/1 Qiu, Jiefang 108, Huaihai Middle Road, Luwan District (now known as Huangpu District), Shanghai, the PRC	<p>The Property comprises the Langham Xintiandi Shanghai, which is a 5-star Hotel erected on a piece of land with a site area of 5,650 sq m.</p> <p>Completed in 2010, the Property is a 24-storey (plus a 5-level basement) 5-star hotel building together with two 2-storey retail blocks, while the nominal above ground total storey of the Property is 28 (skipped the 4th, 13th, 14th, 24th storey for the reason of the local culture custom). The Langham Xintiandi Shanghai currently provides 357 guest rooms, 73 car parking spaces, food and beverage outlets, banquet and function rooms, a SPA, a swimming pool and a fitness centre, etc.</p> <p>According to the Area Survey Report dated 8 January 2013, the Property has a total gross floor area of approximately 53,407.07 sq m with details as follows:-</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Retail blocks</td> <td>1,351.67</td> </tr> <tr> <td>Hotel building (with basement)</td> <td><u>52,055.40</u></td> </tr> <tr> <td><b>Total</b></td> <td><b><u>53,407.07</u></b></td> </tr> </tbody> </table> <p>The Property is located at Huangpu District in Shanghai, which is in the center area of Shanghai. Developments nearby are mainly commercial and residential developments. According to the Group, the Property is mainly for hotel use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term from 25 February 2002 to 24 February 2042 for composite use.</p>	Portion	Gross Floor Area (sq m)	Retail blocks	1,351.67	Hotel building (with basement)	<u>52,055.40</u>	<b>Total</b>	<b><u>53,407.07</u></b>	<p>The hotel building of the Property is currently operated as the Langham Xintiandi Shanghai.</p> <p>The retail blocks of the Property has been fully leased and are subject to various tenancies with the latest term due to expiring on 31 October 2017 with a total monthly rental of approximately RMB 1,221,000 exclusive of management fee.</p>	<p>RMB1,737,000,000</p> <p>(66.7% interest attributable to the Group: RMB1,158,579,000)</p>
Portion	Gross Floor Area (sq m)										
Retail blocks	1,351.67										
Hotel building (with basement)	<u>52,055.40</u>										
<b>Total</b>	<b><u>53,407.07</u></b>										

*Notes:*

(1) According to Shanghai Certificate of Real Estate Ownership HFDHZ No. (2013) 051328 dated 27 April 2013, the particulars as stipulated in the said certificate are summarized as follows:-

- |       |                  |   |  |
|-------|------------------|---|--|
| (i)   | Owner            | : | 上海禮興酒店有限公司<br>(Shanghai Li Xing Hotel Company Limited)           |
| (ii)  | Location         | : | No. 99 Madang Road, Nos.168,176,178,188 Taicang Road             |
| (iii) | Lot No.          | : | Qiu 4/1, Jiefang 108, Huaihai Middle Road Jiedao, Luwan District |
| (iv)  | Site Area        | : | 5,650 sq m   |
| (v)   | Use              | : | Composite  |
| (vi)  | Land Use Term    | : | From 25 February 2002 to 24 February 2042                        |
| (vii) | Gross Floor Area | : | 53,407.07 sq m   |

(2) According to Business Licence No. 310000400313130 dated 24 January 2014, 上海禮興酒店有限公司 (Shanghai Li Xing Hotel Company Limited) was established as a limited liability company on 21 August 2002 with a registered capital of US\$159,150,000 for a valid operation period from 21 August 2002 to 20 August 2042.

(3) According to the PRC legal opinion:

- (i) 上海禮興酒店有限公司 (Shanghai Li Xing Hotel Company Limited) has obtained valid business licence and is legally established;
- (ii) 上海禮興酒店有限公司 (Shanghai Li Xing Hotel Company Limited) is the legal owner of the Property;
- (iii) 上海禮興酒店有限公司 (Shanghai Li Xing Hotel Company Limited) is entitled to lease, mortgage and dispose of the Property according to PRC laws; and
- (iv) The Property is currently subject to mortgages in favour of 中國銀行股份有限公司上海市盧灣支行 (Shanghai Luwan sub-branch of Bank of China) for a total loan amount of RMB925,000,000.

(4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

## VALUATION CERTIFICATE

## Group II - Property held by the Group for development in the PRC

Property	Description and tenure	Particulars of occupancy	Estimated Market Value as if completed as at 25 August 2014										
2. The HUB Hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, the PRC	<p>The HUB comprises a large retail component, offices, performing arts and exhibition centre and a hotel being erected on piece of land with a site area of 62,299.40 sq m.</p> <p>The Property comprises the hotel portion of D17 block of The HUB, namely The HUB Hotel, which is a 5-star hotel to be operated by Langham hotel group.</p> <p>The HUB Hotel will be completed and handed over in bare shell condition. In the course of our valuation; we have valued the Property assuming it will be completed in bare shell condition.</p> <p>When completed, the Property is an 11 storey (plus a 3-level basement) 5-star hotel building. Basement, Levels 1 to 2 of the hotel building accommodate hotel facilities like car parking spaces, dining, SPA, ballroom and function rooms, etc. Levels 3 to 11 accommodate 403 guest rooms.</p> <p>The Property is in the process of construction which is scheduled to be completed in early 2015.</p> <p>According to the information provided, when completed, the Property has a total gross floor area of approximately 46,229.00 sq m with details as follows:-</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Proposed Gross Floor Area</th> </tr> <tr> <td></td> <td>(sq m)</td> </tr> </thead> <tbody> <tr> <td>Levels 1-11</td> <td>32,040.00</td> </tr> <tr> <td>Basement</td> <td>14,189.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>46,229.00</b></td> </tr> </tbody> </table> <p>The Property is located at Minhang District in Shanghai, which is in urban area of Shanghai. Developments nearby are mainly commercial developments and Hongqiao Integrated Transportation Hub. According to the Group, the Property is for hotel use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term from 29 April 2011 to 28 April 2051 for commercial and entertainment uses, and a term from 29 April 2011 to 28 April 2061 for office and composite uses.</p>	Portion	Proposed Gross Floor Area		(sq m)	Levels 1-11	32,040.00	Basement	14,189.00	<b>Total</b>	<b>46,229.00</b>	The Property is in the process of construction.	<p>RMB962,000,000</p> <p>(100.0% interest attributable to the Group: RMB962,000,000)</p> <p>(On the assumption that the Property was completed according to the development scheme provided to us with interior in bare shell condition.)</p>
Portion	Proposed Gross Floor Area												
	(sq m)												
Levels 1-11	32,040.00												
Basement	14,189.00												
<b>Total</b>	<b>46,229.00</b>												

*Notes:*

- (1) According to Shanghai Certificates of Real Estate Ownership No. (2011) 028803 (i.e., D17 block) and No. (2011) 028806 dated 28 July 2011, the land use rights of THE HUB, comprising a site area of 29,663.7 sq m (i.e., D17 block) and 32,635.7 sq m respectively, have been vested in 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.) for a term from 29 April 2011 to 28 April 2051 for commercial and entertainment uses, and a term from 29 April 2011 to 28 April 2061 for office and composite uses.

The Property is part of the said site area of D17 block.

- (2) According to Grant Contract for State-owned Land Use Rights No. (2011) 14 dated 15 March 2011:-

- |                        |   |   |
|------------------------|---|---|
| (i) Grantee            | : | 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.)                          |
| (ii) Site Area         | : | 62,299.40 sq m  |
| (iii) Land             | : | Lot No. 06, Phase I of Hongqiao CBD   |
| (iv) Land Use          | : | Composite   |
| (v) Land Use Term      | : | 40 years for commercial and entertainment uses and 50 years for office and composite uses |
| (vi) Land Grant Fee    | : | RMB3,188,000,000  |
| (vii) Gross Floor Area | : | Total not exceeding 286,135 sq m  |

The Property is part of the said site area.

- (3) According to Planning Permit for Construction Use of Land No. (2011)EA31004220110948 dated 29 June 2011, the construction site of a parcel of land with a total site area of approximately 62,299.40 sq m was in compliance with urban planning requirement

The Property is part of the said site area.

- (4) According to three Planning Permits for Construction Works, the following construction works were in compliance with urban planning requirements:-

Certificate No.	Issued Date	Approved Construction Works	Gross Floor Area (sq m)
(2011) FA31004220111753	9 September 2011	Piling Works	—
(2012) FA31004220120124	13 February 2012	Basement	69,954
(2013) FA31004220134078	22 January 2013	Superstructure	32,040
		<b>Total</b>	<b><u>101,994</u></b>

The Property is part of the said gross floor area.

- (5) According to five Permits for Commencement of Construction Works, the following construction works were approved to commence:-

Certificate No.	Issued Date	Approved Construction Works	Gross Floor Area (sq m)
10HSMH0003D01			
310112201012311319	13 January 2012	Piling Works	—
10HSMH0002D01			
310112201012311319	13 January 2012	Piling Works	—
10HSMH0002D02			
310112201012311319	9 February 2012	Basement	27,508
10HSMH0003D02			
310112201012311319	29 February 2012	Basement	42,446
10HSMH0003D04			
310112201012311319	28 January 2013	Superstructure	32,040
		<b>Total</b>	<b><u>101,994</u></b>

The Property is part of the said gross floor area.

- (6) According to Business Licence No. 310000400639713 dated 27 December 2011, 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.) was established as a limited liability company on 28 December 2010 with a registered capital of RMB3,900,000,000 for a valid operation period from 28 December 2010 to 27 December 2060.
- (7) According to the PRC legal opinion:
- (i) 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.) has obtained valid business licence and is legally established;
- (ii) 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.) is the legal owner of the Property;
- (iii) 上海瑞橋房地產發展有限公司 (Shanghai Rui Qiao Property Development CO., LTD.) is entitled to lease, mortgage and dispose of the Property according to PRC laws; and
- (iv) The land portion and the construction works of D17 block (i.e., Shanghai Certificate of Real Estate Ownership No. (2011) 028803) of The HUB is currently subject to mortgages in favour of 中國銀行股份有限公司上海市盧灣支行 (Shanghai Luwan sub-branch of Bank of China) for a total loan amount of RMB3,600,000,000.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	Yes (for land)
Grant Contract for State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

**A. 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.

**B. DISCLOSURE OF INTERESTS****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 (the “**Model Code**”) 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 Share Options (Note 3)	Total	Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date (Note 4)
	Personal interests	Family interests	Other interests			
Mr. LO	—	1,849,521 (Note 1)	4,579,234,984 (Note 2)	—	4,581,084,505	57.25%
Mr. Daniel Y. K. WAN	—	—	—	7,363,231	7,363,231	0.09%
Dr. William K. L. FUNG	5,511,456	—	—	—	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	—	—	—	305,381	0.0038%
Sir John R. H. BOND	250,000	—	—	—	250,000	0.003%
Dr. Roger L. McCARTHY	200,000	—	—	—	200,000	0.002%

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 1,849,521 shares under Part XV of the SFO.

- (2) These shares were held by Shui On Company Limited (“SOCL”) through its controlled corporations, comprising 1,198,103,792 shares, 1,735,998,107 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares and 150,000,000 shares held by Shui On Properties Limited (“SOP”), Shui On Investment Company Limited (“SOI”), Chester International Cayman Limited (“Chester International”), New Rainbow Investments Limited (“NRI”), Lanvic Limited (“Lanvic”), Boswell Limited (“Boswell”) and Merchant Treasure Limited (“Merchant Treasure”) respectively whereas SOP, Chester International, Lanvic, Boswell and Merchant Treasure were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited (“SOCAM”) which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. (“Bosrich”). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. LO was a discretionary beneficiary and HSBC International Trustee Limited (“HSBC Trustee”) was 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) These represent the interests of share options granted to the Directors and/or their associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares in the Company.
- (4) These percentages have been compiled based on the total number of issued shares (i.e. 8,001,726,189 shares) at the Latest Practicable Date.

(b) *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	USD813,000
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 any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 to be notified to the Company and the Stock Exchange.

At the Latest Practicable Date, save for the proposed purchase of the entire shareholding interests in Shui On Granpex Limited, Pat Davie (China) Limited and Famous Scene Holdings Limited as disclosed in the announcement of the Company dated 21 August 2014 and the circular of the Company dated 22 September 2014, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2013 (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, save as disclosed in the section headed “E. Listing Rules Implications” in this circular, 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 is a director or employee of a company which had an interest or short position in the shares, underlying shares or debentures 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:

<b>Name of Directors</b>	<b>Name of companies which had such discloseable interest or short position</b>	<b>Position within such companies</b>
Mr. LO	SOCL, SOP, SOI, NRI and Boswell	Director
Mr. Frankie Y. L. WONG	SOCL, SOP, SOI and Boswell	Director

### C. EXPERTS AND CONSENTS

The following is the qualification of the expert who has provided advice referred to or contained in this circular:

<b>Name</b>	<b>Qualification</b>
Platinum	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ Debenham Tie Leung Limited	Property valuer
Jin Mao PRC Lawyers	PRC legal adviser

Each of Platinum, DTZ Debenham Tie Leung Limited and Jin Mao PRC Lawyers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice (where applicable) and references to its name in the form and context in which they respectively appear.

### D. EXPERT'S INTEREST

At the Latest Practicable Date, Platinum, DTZ Debenham Tie Leung Limited and Jin Mao PRC Lawyers:

- (a) did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) were not interested, directly or indirectly, in any assets which have since 31 December 2013 (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.



**E. SERVICE CONTRACTS**

At the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**F. NO MATERIAL ADVERSE CHANGE**

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up) save for the Group's results for the six months ended 30 June 2014 as disclosed in the Company's interim report published on 22 September 2014.

**G. INTEREST OF DIRECTORS IN COMPETING INTERESTS**

Mr. LO is the Chairman and an executive Director of the Company, as well as the ultimate controlling shareholder, chairman and chief executive officer of SOCL and its subsidiaries (excluding SOCAM and its subsidiaries) (the "**Shui On Group**"). The core businesses of the Shui On Group include property development and investment projects in Hong Kong, New York and the PRC, as more fully described in the section headed "Relationship with the Shui On Group" of the Company's listing prospectus dated 20 September 2006 (the "**Listing Prospectus**"). The Company has entered into a deed of non-competition dated 30 May 2006 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 Listing Prospectus. In addition, Mr. LO is also the chairman and controlling shareholder of SOCAM, which is engaged in property development in the PRC.

Saved as disclosed above, so far as the Directors were aware, at the Latest Practicable Date none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

**H. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong from the date of this circular and up to and including the date of the EGM:

1. the memorandum and articles of association of the Company;
2. The HUB Hotel Framework Deed, the PRC SPAs, and the Magic Garden SPA;

3. the annual reports of the Company for the years ended 31 December 2012 and 2013;
4. the interim report of the Company for the six months ended 30 June 2014;
5. the valuation report from the Property Valuer on The HUB Hotel and the Langham Xintiandi Hotel, the text of which is set out in Appendix I to this circular;
6. the consent letters referred to in paragraph headed “C. Experts and Consents” of this appendix;
7. the letter from the Independent Board Committee, the text of which is set out in this circular;
8. the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
9. this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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: 00272)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Shui On Land Limited (the “**Company**”) will be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 24 October 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

“**THAT:**

- (a) the entering into of The HUB Hotel Framework Deed and the PRC SPAs (as defined in the circular of the Company dated 30 September 2014 (the “**Circular**”)), copies of which are tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose, and The HUB Hotel Disposal (as defined in the Circular), be and is hereby approved, ratified and confirmed;
- (b) the entering into of the Magic Garden SPA (as defined in the Circular), a copy of which is tabled at the meeting and marked “B” and signed by the chairman of the meeting for identification purpose, and the MGI Disposal (as defined in the Circular) be and is hereby approved, ratified and confirmed; and

\* For identification purposes only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) the directors of the Company be and are hereby authorised to execute all such documents and agreements and do such acts or things which in his/their opinion may be necessary, desirable or expedient to implement or give effect to the Transactions (as defined in the Circular) and all other transactions contemplated thereunder with any changes as such directors may consider necessary, desirable or expedient.”

By Order of the Board of  
**Shui On Land Limited**  
**UY KIM LUN**  
*Company Secretary*

Hong Kong, 30 September 2014

*Notes:*

- (1) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company’s place of business in Hong Kong at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a member from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be), should he so wish.
- (3) Shareholders whose names appear on the register of members of the Company on 22 October 2014, being the record date, are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 21 October 2014.
- (4) The ordinary resolutions as set out above will be tabled by way of poll.