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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 action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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瑞安房地產  
SHUI ON LAND

**Shui On Land Limited**  
**瑞安房地產有限公司\***

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

**(1) MAJOR TRANSACTION —  
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF  
INFOSHORE INTERNATIONAL LIMITED AND  
ASSIGNMENT OF THE INTERCOMPANY LOANS OF  
INFOSHORE INTERNATIONAL LIMITED**

**(2) MAJOR TRANSACTION — GRANT OF THE PUT OPTION**

**Sole Financial Advisor**



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A letter from the Board is set out on pages 6 to 18 of this circular.

\* *For identification purposes only*

31 December 2015

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## DEFINITIONS

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

<b>“Assignee” or “Purchaser”</b>	Bayline Global Limited, a company incorporated in the BVI and owned by Foxtail Investments Limited and V Capital Limited;
<b>“Assignee Guarantors” or “Purchaser Guarantors”</b>	LKKHPG and VPHK;
<b>“Assignor”</b>	China Xintiandi Property Company Limited, a company incorporated under the laws of the Cayman Islands and an indirect subsidiary of the Company;
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Board”</b>	the Board of Directors of the Company;
<b>“Business Day(s)”</b>	a day (other than a Saturday or Sunday or public holiday in Hong Kong and New York and any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9.00 a.m. and 5.00 p.m.) on which banks are open in Hong Kong and New York for general commercial business;
<b>“BVI”</b>	British Virgin Islands;
<b>“Closing”</b>	completion of the Share Disposal in accordance with the Sale and Purchase Agreement;
<b>“Closing Statement”</b>	the statement showing the adjusted assets and liabilities attributable to the Target as at Closing which is to be prepared by the Seller within 20 Business Days after the date of Closing and subject to joint audit by Deloitte Touche Tohmatsu and PricewaterhouseCoopers on the basis of a joint engagement by the Seller and the Purchaser;
<b>“Company”</b>	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);
<b>“connected person”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Corporate Avenue 3 Property”</b>	the real property or properties which are located at No. 168, Hu Bin Road, Shanghai, the PRC and owned by Shanghai Le Fu;
<b>“Directors”</b>	the directors of the Company;

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## DEFINITIONS

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<b>“Effective Date”</b>	2 February 2016 (or such other date as may be agreed between the Assignor and the Assignee);
<b>“Estimated Share Consideration”</b>	has the meaning given to it under the section headed “Letter from the Board - 2. Sale and Purchase Agreement — (d) Consideration” of this circular;
<b>“Final Share Consideration”</b>	has the meaning given to it under the section headed “Letter from the Board - 2. Sale and Purchase Agreement — (d) Consideration” of this circular;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Housing Ownership Certificate”</b>	the housing ownership certificate (commonly known as “大產權證” in Chinese) in respect of the whole of the Corporate Avenue 3 Property with the effect of confirming completion of the property ownership initial registration (房屋所有權初始登記) of the Corporate Avenue 3 Property issued by Shanghai local housing authority which shall be obtained by Shanghai Le Fu in accordance with the Sale and Purchase Agreement;
<b>“Intercompany Loans”</b>	the loans owed by the Target to the Assignor in the aggregate principal amounts of US\$36,500,000 and RMB2,236,552,881.40, together with all accrued unpaid interests;
<b>“Latest Practical Date”</b>	29 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“LKKHPG”</b>	LKK Health Products Group Limited, a company incorporated under the laws of Hong Kong with limited liability;
<b>“Loan Assignment”</b>	the assignment of all the present and future rights, title, interests and benefits of the Assignor under and in respect of the Intercompany Loans in accordance with the Loan Assignment Agreement;
<b>“Loan Assignment Agreement”</b>	the loan assignment agreement dated 10 December 2015 entered into among the Assignor, the Assignor Guarantor, the Assignee, the Assignee Guarantors and the Target;

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## DEFINITIONS

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<b>“Loan Consideration”</b>	has the meaning given to it under the section headed “Letter from the Board - 3. Loan Assignment Agreement” of this circular;
<b>“Loan Deposit”</b>	has the meaning given to it under the section headed “Letter from the Board - 3. Loan Assignment Agreement” of this circular;
<b>“PRC”</b>	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
<b>“Put Option”</b>	the put option granted to the Purchaser in relation to the Put Shareholder Instruments in accordance with the Sale and Purchase Agreement;
<b>“Put Option Completion Date”</b>	the date of completion of the sale and purchase of the Put Shareholder Instruments which shall take place no less than one month and no more than six months after the date of the notice served by the Purchaser on the Seller in relation to the exercise of the Put Option;
<b>“Put Option Exercise Date”</b>	has the meaning given to it under the section headed “Letter from the Board - 4. The Put Option” of this circular;
<b>“Put Shareholder Instruments”</b>	has the meaning given to it under the section headed “Letter from the Board - 4. The Put Option” of this circular;
<b>“Retention Escrow Amount”</b>	has the meaning given to it under the section headed “Letter from the Board - 2. Sale and Purchase Agreement — (d) Consideration” of this circular;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Sale and Purchase Agreement”</b>	the sale and purchase agreement dated 10 December 2015 entered into among the Seller, the Seller Guarantor, the Purchaser and the Purchaser Guarantors;
<b>“Sale Shares”</b>	100 ordinary shares of par value of US\$1.00 in the issued share capital of the Target;
<b>“Seller”</b>	Taipingqiao Holding Company Limited, a company incorporated under the laws of the BVI and an indirect subsidiary of the Company;
<b>“Seller Guarantor” or “Assignor Guarantor”</b>	China Xintiandi Holding Company Limited, a company incorporated under the laws of the Cayman Islands and an indirect subsidiary of the Company;

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Fuxing”	Shanghai Fuxing Construction Development Company (上海復興建設發展有限公司), a company incorporated in the PRC with limited liability, being the owner of 1% of the registered capital of Shanghai Le Fu;
“Shanghai Le Fu”	Shanghai Le Fu Properties Co., Ltd. (上海樂復房地產有限公司), a company incorporated in the PRC with limited liability, of which 99% of its registered capital is owned by Union Grow and 1% of its registered capital is owned by Shanghai Fuxing;
“Shareholder(s)”	the holder(s) of the Shares;
“Shares”	the ordinary shares of the Company with nominal value of US\$0.0025 each;
“Share Deposit”	has the meaning given to it under the section headed “Letter from the Board - 2. Sale and Purchase Agreement — (d) Consideration” of this circular;
“Share Disposal”	the disposal of the Sale Shares to the Purchaser in accordance with the Sale and Purchase Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target”	Infoshore International Limited, a company incorporated under the laws of the BVI, which is an indirect subsidiary of the Company;
“Target Group”	the Target, Union Grow and Shanghai Le Fu;
“Transactions”	the Share Disposal and the Loan Assignment;
“Union Grow”	Union Grow Limited, a company incorporated under the laws of Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target and the owner of 99% of the registered capital of Shanghai Le Fu;
“US\$”	United States dollars, the lawful currency of the United States of America;

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## DEFINITIONS

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“**VPHK**” Vanke Property (Hong Kong) Company Limited, a company incorporated under the laws of the Hong Kong with limited liability; and

“%” per cent.

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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: 272)**

*Executive Directors:*

Mr. Vincent H. S. LO (*Chairman*)

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

*Principal place of business in Hong Kong:*

34/F, Shui On Centre

6-8 Harbour Road

Wan Chai

Hong Kong

31 December 2015

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION —  
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF  
INFOSHORE INTERNATIONAL LIMITED AND**

**ASSIGNMENT OF THE INTERCOMPANY LOANS OF  
INFOSHORE INTERNATIONAL LIMITED**

**(2) MAJOR TRANSACTION — GRANT OF THE PUT OPTION**

**1. INTRODUCTION**

The Board refers to the announcement of the Company dated 10 December 2015 in relation to the Transactions and the Put Option.



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## LETTER FROM THE BOARD

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Taipingqiao Holding Company Limited (as seller) and China Xintiandi Holding Company Limited (as seller guarantor), both indirect subsidiaries of the Company, entered into a sale and purchase agreement with Bayline Global Limited (as purchaser), LKK Health Products Group Limited and Vanke Property (Hong Kong) Company Limited (as purchaser guarantors) on 10 December 2015 in relation to the sale of the entire issued share capital of Infoshore International Limited, which indirectly owns 99% of the Corporate Avenue 3 Property in Shanghai, the PRC.

China Xintiandi Property Company Limited (as assignor) and China Xintiandi Holding Company Limited (as assignor guarantor), both indirect subsidiaries of the Company, entered into a loan assignment agreement with, inter alia, Bayline Global Limited (as assignee), LKK Health Products Group Limited and Vanke Property (Hong Kong) Company Limited (as assignee guarantors), on 10 December 2015 in relation to the assignment of the loans owed by Infoshore International Limited to the Assignor.

On 10 December 2015, the Company obtained the written approval of a closely allied group of Shareholders comprising Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doretturn Limited holding in aggregate approximately 56.78% of the issued share capital of the Company, in lieu of holding a general meeting to approve the Transactions and the grant of the Put Option pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting is required to be convened to approve the Transactions and the grant of the Put Option.

The main purpose of this circular is to provide you with, among other things, (i) further information regarding the Transactions and the Put Option; (ii) the financial information of the Group; and (iii) the independent valuation report on the Corporate Avenue 3 Property.

## 2. SALE AND PURCHASE AGREEMENT

### (a) Date

10 December 2015

### (b) Parties

- (1) Seller: Taipingqiao Holding Company Limited
- (2) Seller Guarantor: China Xintiandi Holding Company Limited
- (3) Purchaser: Bayline Global Limited
- (4) Purchaser Guarantors: LKK Health Products Group Limited and Vanke Property (Hong Kong) Company Limited

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and the Purchaser Guarantors, and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### (c) Transaction

The Seller has agreed to sell, and the Purchaser has agreed to purchase, on Closing the Sale Shares, representing the entire issued share capital of the Target.

The Target is an investment holding company whose subsidiary, Union Grow, owns 99% of the registered capital of Shanghai Le Fu. The remaining 1% of the registered capital of Shanghai Le Fu is owned by a third party, Shanghai Fuxing. Shanghai Le Fu owns the Corporate Avenue 3 Property in Shanghai, the PRC.

The Corporate Avenue 3 Property is located at No. 168 Hu Bin Road, Shanghai, the PRC. Construction works of the Corporate Avenue 3 Property have been completed in April 2015 while the Housing Ownership Certificate has not been obtained yet. The Company's management currently expects that the Housing Ownership Certificate will be obtained in the first half of 2016. The Purchaser may exercise the Put Option to sell the Put Shareholder Instruments to the Seller if the Housing Ownership Certificate is not obtained within 18 months after the date of the Sale and Purchase Agreement.

### (d) Consideration

#### *Final Share Consideration*

The final consideration for the Share Disposal (the "**Final Share Consideration**") will be an amount equal to RMB5,700,000,000:

- (1) minus the adjusted liabilities attributable to the Target as at the date of the Closing determined in the Closing Statement; and
- (2) plus the adjusted assets attributable to the Target as at the date of the Closing determined in Closing Statement.

The Final Share Consideration was determined based on arm's length negotiations between the parties with reference to the management's valuation of the Corporate Avenue 3 Property ranging from RMB5,582,000,000 to RMB5,798,000,000 after taking into account its in-place rents, physical specifications and market dynamics. The agreed value attributed by the parties to the Corporate Avenue 3 Property at Closing (being RMB5,700,000,000) represents a premium of approximately 5.7% over the carrying value of the Corporate Avenue 3 Property as at 30 June 2015 (being RMB5,391,000,000).

For the purpose of determining the payments to be made in connection with the Share Disposal, the parties have estimated that the Final Share Consideration will be RMB1,752,740,578 (the "**Estimated Share Consideration**"). The Estimated Share Consideration represents an excess of RMB615,170,459 over the unaudited consolidated net assets of the Target Group as at 30 September 2015.

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## LETTER FROM THE BOARD

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### *Estimated Share Consideration*

The Estimated Share Consideration will be settled as follows:

- (1) **Share Deposit:** On the eighth Business Day after the date of the Sale and Purchase Agreement, namely 22 December 2015, the Purchaser has paid the US\$ equivalent of RMB701,096,231 (the “**Share Deposit**”) into an escrow account. The Share Deposit will be released to the Seller at Closing as partial payment of the Estimated Share Consideration.
- (2) **Remaining consideration amount:** At Closing, the balance of the Estimated Share Consideration will be settled as follows:
  - (i) the Purchaser shall deposit the US\$ equivalent of RMB440,545,474 (the “**Retention Escrow Amount**”) into an escrow account; and
  - (ii) the Purchaser shall pay to the Seller the US\$ equivalent of the remaining balance of the Estimated Share Consideration.

### *Release of the Retention Escrow Amount*

Half of the Retention Escrow Amount (together with any interest accrued thereon) shall be released to the Seller within five Business Days upon the occurrence of any of the following trigger events:

- (1) Shanghai Le Fu having obtained the Housing Ownership Certificate; and
- (2) completion of the sale of the 1% equity interest in Shanghai Le Fu held by Shanghai Fuxing to a purchaser (which may be Union Grow, any company within the Purchaser group or any other third party).

Shanghai Le Fu is expected to enter into Supplemental Land Use Rights Contracts in a form already agreed with the relevant government authority by the end of December 2015 and is expected to complete land verification (土地核驗) and obtain the certificate for passing land verification (土地核驗合格證明) on or before the end of January 2016. The application for the Housing Ownership Certificate will then be submitted to the relevant government authority along with related documentations by the end of March 2016. The Company’s management currently expects that the Housing Ownership Certificate will be obtained in the first half of 2016.

The 1% equity interest in Shanghai Le Fu held by Shanghai Fuxing, if acquired by Union Grow or any company within the Purchaser group (currently anticipated to be in the form of the “tender, gua pai and auction” (招拍掛) process), will lead to the Purchaser owning an indirect 100% interest in Shanghai Le Fu and the Purchaser will in turn indirectly own the Corporate Avenue 3 Property. Shanghai Fuxing has confirmed to Union Grow that it intends to sell its 1% equity interest in Shanghai Le Fu through the “tender, gua pai and auction” (招拍掛) process. Although the Seller cannot

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## LETTER FROM THE BOARD

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guarantee the acquisition of such 1% equity interest by Union Grow or any company within the Purchaser group in the sale process, the Seller has agreed to assist with procuring the sale by Shanghai Fuxing of such equity interest and the Purchaser has also agreed to procure that Union Grow or any company within the Purchaser group acquire such equity interest held by Shanghai Fuxing.

The remaining Retention Escrow Amount (together with any interest accrued thereon) shall be released to the Seller within five Business Days upon the occurrence of the other trigger event described above.

### *Post-Closing adjustments*

Upon finalisation of the Closing Statement, if the Final Share Consideration exceeds the Estimated Share Consideration, the amount of the excess will be paid in cash by the Purchaser to the Seller, and if the Final Share Consideration is less than the Estimated Share Consideration, the amount of the shortfall will be paid in cash by the Seller to the Purchaser. Any such post-Closing adjustment payment is not subject to any cap and shall be paid within five Business Days after the date of finalisation of the Closing Statement. The management of the Company does not expect that there will be any material difference between the Estimated Share Consideration and the Final Share Consideration.

The Company will make an announcement when the Final Share Consideration has been determined.

### **(e) Conditions**

Closing is conditional upon the following conditions having been fulfilled (or waived in accordance with the Sale and Purchase Agreement):

- (1) the Company having obtained the requisite shareholders' approval of the transaction contemplated under the Sale and Purchase Agreement as a "major transaction" as required under the Listing Rules; and
- (2) Shanghai Fuxing having provided a confirmation letter in favour of Union Grow in respect of the Share Disposal and Shanghai Fuxing's intention to sell its 1% interest in Shanghai Le Fu through the "tender, gua pai and auction" (招拍掛) process in accordance with the Sale and Purchase Agreement.

At the date of this circular, both conditions (1) and (2) above have been fulfilled.

### **(f) Closing**

Closing of the Share Disposal shall take place on 2 February 2016 (or such other date as may be agreed between the Seller and the Purchaser).

Following Closing, the Seller will no longer have any shareholding interests in the Target and the Target Group will cease to be the subsidiaries of the Company.

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## LETTER FROM THE BOARD

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### **(g) Termination**

At any time before Closing, either the Seller or the Purchaser may terminate the Sale and Purchase Agreement by notice to the other in the event of:

- (1) damage to a substantial portion of the building standing on the Corporate Avenue 3 Property, and for this purpose “substantial portion” refers to such part(s) of the Corporate Avenue 3 Property which has/have a total gross floor area of 20% or more of the total gross floor area of the Corporate Avenue 3 Property; or
- (2) the commencement or progression of any process by a government entity to resume the Corporate Avenue 3 Property or any significant part of it which would result in a material adverse change.

At any time before Closing, the Purchaser may terminate the Sale and Purchase Agreement by notice to the Seller if any event or matter occurs which would constitute a breach of the warranties given by the Seller by reference to the facts and circumstances then existing and which would result in a material adverse change.

If the Sale and Purchase Agreement is terminated upon the occurrence of the above termination events, the Share Deposit together with any accrued interest thereon shall be released to the Purchaser.

If the Seller or the Purchaser fails to comply with its material obligations at Closing, the non-defaulting party is entitled to terminate the Sale and Purchase Agreement by notice to the other. The Share Deposit together with any accrued interest thereon shall be released to the Purchaser unless such termination is solely due to the Purchaser’s failure to comply with its material obligations through no fault of the Seller, upon which the US\$ equivalent of RMB262,911,087 (representing 15% of the Estimated Share Consideration) together with any accrued interest thereon shall be released to the Seller and any remaining funds in the escrow account where the Share Deposit is held shall be released to the Purchaser. Where the termination is solely due to the Seller’s failure to comply with its material obligations through no fault of the Purchaser, the Seller shall, in addition to the return of the Share Deposit together with any accrued interest thereon, pay to the Purchaser a break-up fee of HK\$10,000,000 to cover professional fees incurred by the Purchaser.

### **(h) Guarantees**

Pursuant to the Sale and Purchase Agreement, (i) the Seller Guarantor has agreed to guarantee the Seller’s obligations and undertakings under the Sale and Purchase Agreement (and related transaction documents) and (ii) each of the Purchaser Guarantors has agreed to guarantee the Purchaser’s obligations and undertakings under the Sale and Purchase Agreement (and related transaction documents) on a several basis. Each Purchaser Guarantor’s liability shall not exceed the following proportions of the Final Share Consideration:

- (1) LKKHPG: 90%
- (2) VPHK: 10%

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## LETTER FROM THE BOARD

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### 3. LOAN ASSIGNMENT AGREEMENT

#### (a) Date

10 December 2015

#### (b) Parties

- (1) Assignor: China Xintiandi Property Company Limited
- (2) Assignor Guarantor: China Xintiandi Holding Company Limited
- (3) Assignee: Bayline Global Limited
- (4) Assignee Guarantors: LKK Health Products Group Limited and Vanke Property (Hong Kong) Company Limited
- (5) Borrower: Infoshore International Limited

#### (c) Transaction

The Assignor has agreed to assign or procure the assignment of, and the Assignee has agreed to accept the assignment of the Intercompany Loans.

#### (d) Consideration

The consideration for the Loan Assignment will be an amount equal to the aggregate of US\$39,277,780.27 and RMB2,401,485,618.32 (the “**Loan Consideration**”) to be settled as follows:

- (1) **Loan Deposit:** On the eighth Business Day after the date of the Loan Assignment Agreement, namely 22 December 2015, the Assignee has paid the US\$ equivalent of RMB1,061,085,663 (the “**Loan Deposit**”) into an escrow account. The Loan Deposit will be released to the Assignor at completion of the Loan Assignment as partial payment of the Loan Consideration.
- (2) **Remaining consideration amount:** At completion of the Loan Assignment, the Assignee shall pay to the Assignor the US\$ equivalent of the remaining balance of the Loan Consideration.

If the Assignee fails to pay the remaining balance of the Loan Consideration, the Assignor may terminate the Loan Assignment Agreement and the Assignor shall be entitled to retain the US\$ equivalent of RMB397,907,124 (representing 15% of the Loan Consideration) together with any interest accrued thereon. Any remaining funds in the escrow account where the Loan Deposit is held shall be released to the Assignee.

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## LETTER FROM THE BOARD

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The Loan Consideration constitutes an amount equal to the aggregate principal amounts of US\$36,500,000 and RMB2,236,552,881.40 and all accrued unpaid interests on the Intercompany Loans.

**(e) Completion**

Completion of the Loan Assignment will take place on the Effective Date.

**(f) Termination**

The Loan Assignment Agreement may be terminated by agreement of the parties. Upon termination of the Loan Assignment Agreement, the Loan Deposit together with any accrued interest thereon shall be released to the Assignee.

**(g) Guarantees**

Pursuant to the Loan Assignment Agreement, (i) the Assignor Guarantor has agreed to guarantee the Assignor's obligations and undertakings under the Loan Assignment Agreement and (ii) each of the Assignee Guarantors has agreed to guarantee the Assignee's obligations and undertakings under the Loan Assignment Agreement on a several basis. Each Assignee Guarantor's liability shall not exceed the following proportions of the Loan Consideration:

(1) LKKHPG: 90%

(2) VPHK: 10%

#### **4. THE PUT OPTION**

Under the Sale and Purchase Agreement, if Shanghai Le Fu fails to obtain the Housing Ownership Certificate by the date falling 18 months after the date of the Sale and Purchase Agreement (the "**Put Option Exercise Date**"), the Purchaser shall have an option to sell to the Seller (i) the Sale Shares and any other shares in the Target which the Purchaser has acquired and (ii) any shareholder loans owed by the Target Group to the Purchaser or any of its affiliates (the "**Put Shareholder Instruments**"). The Put Option will expire one month after the Put Option Exercise Date.

The Put Option is granted to the Purchaser at no cost to the Purchaser. The consideration for the Put Shareholder Instruments acquired pursuant to the Put Option shall be equal to an amount which would result in a net internal rate of return of 10% per annum for the Purchaser on its investment in the Target Group up to and including the Put Option Completion Date. This consideration mechanism was agreed on the basis of arm's length negotiations between the Seller and the Purchaser and is intended to compensate the Purchaser with an agreed level of return in the event that the Housing Ownership Certificate is not obtained by the Put Option Exercise Date. The Purchaser's investment in the Target Group shall be determined based on the aggregate amounts of the Final Share

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## LETTER FROM THE BOARD

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Consideration and the Loan Consideration, plus any further capital investment made by the Purchaser into the Target Group (and associated costs of investment) and minus all payments, reimbursements, any dividends or benefits received by the Purchaser from Closing up to and including the Put Option Completion Date.

The management of the Company does not expect any further substantial capital outlay to be made by the Purchaser beyond the ordinary course of business from Closing up to and including the Put Option Completion Date given that the construction works of the Corporate Avenue 3 Property have been completed and the Purchaser is deemed to warrant on the Put Completion Date that the business of the Target Group has been carried on in all material respects in the ordinary course of business from Closing up to and including the Put Option Completion Date. As the highest of the applicable percentage ratios in respect of the expected Put Option exercise price exceeds 25% but is well below 100% (calculating the applicable percentage ratios on the basis of the assets, profits and revenue in the Company's latest audited accounts and the latest market capitalisation of the Company), the management of the Company is of the view that the grant of the Put Option will only constitute a major transaction (acquisition) for the Company.

### **5. LICENCE AGREEMENT**

On or before Closing, Sky Link (Hong Kong) Limited, an indirect subsidiary of the Company, will enter into a licence agreement with Shanghai Le Fu under which the "CORPORATE AVENUE 企业天地" brand will be licensed to Shanghai Le Fu on a royalty-free basis for use in respect of the Corporate Avenue 3 Property for an initial term of five years, automatically renewable for another five years upon expiry of the initial term. The terms of this licence were negotiated on an arms' length basis between the parties in the context of the Share Disposal and taking into account the consideration payable by the Purchaser under the Sale and Purchase Agreement.

### **6. ASSET MANAGEMENT SERVICES, PROPERTY MANAGEMENT SERVICES AND PROJECT MANAGEMENT SERVICES**

Pursuant to the Sale and Purchase Agreement, the Seller has agreed to procure that an affiliate of the Company, Shanghai Xintiandi Management Limited, assists the asset management team appointed by the Purchaser with the handover of asset management services with respect to the Corporate Avenue 3 Property for the period from Closing to 2 March 2016.

The Seller and the Purchaser have also agreed that affiliates of the Company will provide transitional property management and project management services to Shanghai Le Fu pursuant to relevant supplementary agreements to be entered into between Shanghai Le Fu and such affiliates on or before Closing.

Pursuant to the property management supplementary agreement, transitional property management services shall be provided for 30 days from the date of Closing and the fee payable is RMB200,000 for the entire term. Pursuant to the project management supplementary agreement, project management services shall be provided from Closing to 31 December 2016 or until Shanghai



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## LETTER FROM THE BOARD

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Le Fu achieves certain agreed project development milestones. A monthly management fee of RMB902,536.08 is payable from 1 January 2016 to 31 December 2016 while outstanding fees of RMB4,584,757.76 payable under the existing property management agreement shall be paid before 31 December 2015.

The management fees were negotiated on arms' length basis between the parties, in the context of the Share Disposal, having regard to the terms of the existing property management and project management agreements, the transitional nature of such services, the agreed scope of services to be provided, manpower required and headquarter services to be shared under each agreement.

### **7. FINANCIAL INFORMATION ON THE TARGET GROUP**

As at 30 September 2015, the unaudited consolidated net asset value, turnover, profits both before and after taxation of the Target Group were approximately RMB1,137,570,119, RMB24,082,676, RMB192,167,171 and RMB125,569,899 respectively.

For the financial year ended 31 December 2014, the audited consolidated net asset value, turnover, profits both before and after taxation of the Target Group were approximately RMB1,012,000,219, nil, RMB404,163,175 and RMB301,903,528 respectively.

For the financial year ended 31 December 2013, the audited consolidated net asset value, turnover, profits both before and after taxation of the Target Group were approximately RMB710,096,691, nil, RMB293,229,909 and RMB221,757,864 respectively.

### **8. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

In order to accelerate overall asset turnover and realisation of the value of assets owned, the Company's strategy is to divest commercial properties at the right price and time. The Company considers that the Disposal represents an opportunity for the Group to realise its investment in the Corporate Avenue 3 Property at an attractive value in the prevailing market conditions, in line with the Company's strategic monetisation plan for its property portfolio.

After paying down debt and deducting the transaction costs and expenses, the Group will record net proceeds of approximately RMB1,679,000,000 upon Closing of the Share Disposal and RMB2,653,000,000 on Completion of the Loan Assignment. Total net proceeds from the Transactions will be RMB4,332,000,000 (with RMB3,384,000,000 attributable to the Group after excluding minority interest), which in turn will reduce the Group's net gearing by 12% with reference to the carrying value of the Company as at 31 December 2014. The Company intends to use the net proceeds for the Group's financial purposes to repay existing indebtedness with near maturities and the remainder to fund the general working capital purpose. The Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions the grant of the Put Option are normal commercial terms and fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 9. FINANCIAL EFFECTS OF THE DISPOSAL

#### Earnings

With reference to the carrying value of the Target Group as at 30 September 2015, and after deducting estimated tax and transaction expenses of approximately RMB74,000,000, the Group expects that there will be a gain of approximately RMB622,000,000 arising from the Transactions (with RMB486,000,000 attributable to the Group after excluding minority interests in the Group). This gain is calculated with reference to the unaudited consolidated net asset value of the Target Group as at 30 September 2015 (approximately RMB1,137,570,119) with adjustments to reflect financial changes since 1 October 2015 and the adjusted net asset value is approximately RMB1,056,837,646. These adjustments include, among other things, the deduction of minority interests in the Target Group, an increase in shareholders loan and adjustments related to rental income and project management.

#### Assets and liabilities

Following Closing of the Share Disposal, the Target Group will cease to be the subsidiaries of the Company and thus the assets, liabilities and financial results of the Target Group will no longer be consolidated into the Group. Accordingly, upon Closing, the total assets and liabilities of the Group will be reduced by the assets and liabilities attributable to the Target Group.

### 10. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is accelerating its overall asset turnover and will continue to realise the value of existing assets. It is the Group's strategy to divest commercial properties in its portfolio that are mature and stabilized or are non-core assets at the right time and price. Increasing asset turnover will allow the Group to unlock the value of such assets to increase profitability and help to strengthen the Group's cash flow and reduce debt.

For the first eleven months of 2015, the Company's accumulated contracted sales was RMB14.584 billion. With the en-bloc sale of Corporate Avenue 3, contracted sales to-date amounted to around RMB20.284 billion, exceeding the RMB18 billion annual sales target for the year by around 12.7%.

In relation to the development of the Group's properties, construction works of two residential sites situated at the Shanghai Rui Hong Xing Cheng project and one residential site situated at the Shanghai Taipingqiao project are in progress; while the HUB, a commercial complex project situated at Hongqiao area has been completed in mid 2015. First batch of Rui Hong Xin Cheng Phase 6 was successfully launched to pre-sale in October 2015 with extraordinary sales result. Pre-sale of next batch of Rui Hong Xin Cheng Phase 6 and Taipingqiao Lakeville Phase 4 are scheduled to take place in early 2016 according to the latest development plan. The Group will continue to launch new phases of residential properties in other projects located in Wuhan, Chongqing, Foshan and Dalian, the PRC.

The Directors are of the view that the PRC real estate market will continue to develop and grow in the long run. Together with the Group's prudent financial and capital positions, this will lay a solid foundation for the Group's sustainable development. The Directors remain positive on the long term prospects of the Group.

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## LETTER FROM THE BOARD

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### 11. LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, as the Sale and Purchase Agreement and the Loan Assignment Agreement were entered into by the parties within a 12 month period and the Sale and Purchase Agreement and the Loan Assignment Agreement were both entered into by indirect subsidiaries of the Company with Bayline Global Limited (as purchaser and assignee) relating to Target, the Share Disposal and the Loan Assignment would be aggregated as a series of transactions.

As one or more of the applicable percentage ratios in respect of the Transactions exceeds 25% but is less than 75%, the entering into Transactions (in aggregate) constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Put Option is exercisable at the discretion of the Purchaser (but only if the Housing Ownership Certificate is not obtained by the Put Option Exercise Date), the Put Option will be classified as if it has been fully exercised at the time of grant. As the actual monetary value of the exercise price for the Put Option is to be determined based on a net internal rate of return of 10% per annum for the Purchaser on its total investment in the Target Group up to and including the Put Option Completion Date (and as further described in the section headed "Letter from the Board - 4. The Put Option" of this circular), the grant of the Put Option constitutes at least a major transaction (acquisition) for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the grant of the Put Option is subject to the reporting, announcement and shareholders' approval requirements as a major transaction (acquisition) under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and the grant of the Put Option and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Transactions and the grant of the Put Option.

Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doreturn Limited, which are controlled by Shui On Company Limited and which together constitute a closely allied group of Shareholders, hold 1,198,103,792 Shares, 1,450,808,826 Shares, 183,503,493 Shares, 573,333,333 Shares, 708,448,322 Shares, 150,000,000 Shares, and 293,319,781 Shares, respectively, representing approximately 56.78% of the issued share capital of the Company at the date of this circular.

The Company obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited and Doreturn Limited for the Transactions and the grant of the Put Option pursuant to Rule 14.44 of the Listing Rules and as a result, no general meeting was required to be convened to consider the Transactions and the grant of the Put Option on 10 December 2015.

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## LETTER FROM THE BOARD

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### 12. GENERAL INFORMATION

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group principally engages in the development, sale, leasing, management and ownership of high quality residential, office, retail, entertainment and cultural properties in the PRC.

The Purchaser or Assignee is a company incorporated in the BVI and a special purpose vehicle owned by Foxtail Investments Limited and V Capital Limited.

The Purchaser Guarantors or Assignee Guarantors are LKKHPG and VPHK. The businesses of LKKHPG cover four main areas, namely Chinese herbal plantation, R&D, production, sales and services of TCM health products, mobile internet platform, and property investment. Headquartered in Hong Kong China, LKKHPG has subsidiaries in mainland China, Hong Kong, Taiwan, and Malaysia. VPHK is an investment holding company incorporated in Hong Kong and a wholly-owned subsidiary of China Vanke Co., Ltd. (stock code: 2202) which is principally engaged in property development and property investment in the PRC and overseas.

### 13. RECOMMENDATION

The Directors consider that the Transactions and the grant of the Put Option are on normal commercial terms and in the usual course of business of the Group, and that the terms and conditions of the Sale and Purchase Agreement and Loan Assignment Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolutions to approve the Transactions and the grant of the Put Option if it had been necessary to hold a general meeting for such purpose.

### 14. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

**Financial Information of the Group**

The unaudited consolidated financial statement of the Group for the six months ended 30 June 2015 is disclosed in the 2015 interim report of the Company published on 22 September 2015 from pages 29 to 59; the audited consolidated financial statements of the Group (i) for the year ended 31 December 2014 is disclosed in the 2014 annual report of the Company published on 22 April 2015, from pages 115 to 217; (ii) for the year ended 31 December 2013 is disclosed in the 2013 annual report of the Company published on 11 April 2014, from pages 105 to 195; and (iii) for the year ended 31 December 2012 is disclosed in the 2012 annual report of the Company published on 19 April 2013 from pages 129 to 207, all of which have been published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.shuionland.com](http://www.shuionland.com)).

**Statement of Indebtedness*****Borrowings***

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of determining this indebtedness of the Group prior to the printing of this circular, the Group had total borrowings amounting to approximately RMB47,093 million, details of which are as follows:

- (i) senior notes with the aggregate carrying amount of RMB14,702 million (the aggregate principal amount of approximately RMB14,495 million) which were unsecured and guaranteed;
- (ii) bank and other borrowings with the aggregate carrying amount of approximately RMB31,988 million (the aggregate principal amount of approximately RMB32,082 million), of which RMB4,512 million (the corresponding principal amount of approximately RMB4,538 million) were unsecured, and RMB27,476 million (the corresponding principal amount of approximately RMB27,544 million) were secured by certain assets of the Group. Amongst these bank and other borrowings, borrowings with the aggregate carrying amount of RMB10,076 million (the corresponding aggregate principal amount of RMB10,144 million) were guaranteed;
- (iii) loans from non-controlling shareholders of subsidiaries with the carrying amount of RMB77 million (the aggregate principal amount of RMB87 million) which were unsecured and not guaranteed;
- (iv) amounts due to related companies with the aggregate principal amount of RMB303 million which were unsecured and not guaranteed; and
- (v) amounts due to non-controlling shareholders of subsidiaries with the aggregate principal amount of RMB23 million which were unsecured and not guaranteed.

*Mortgages and charge*

As at 31 October 2015, the Group's secured bank and other borrowings were secured by certain of the Group's bank deposits, investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivables, benefits accrued to the relevant properties and equity interests in certain subsidiaries.

*Contingent liabilities*

In addition, as at 31 October 2015, the Group had the following contingent liabilities:

- (i) Pursuant to an agreement entered into with the district government (the "**Hongkou Government**") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 October 2015, such arrangement has not taken place.
- (ii) The Group has provided a guarantee to (i) a joint venture which was formed between Richcoast and Mitsui Fudosan Residential Co., Ltd. ("**Mitsui**", a non-controlling shareholder of an associate's subsidiary) and (ii) Mitsui for an aggregate amount not exceeding RMB100 million in respect of Richcoast's payment obligations to the joint venture and Mitsui.
- (iii) The Group has issued a financial guarantee to an independent third party in respect of an outstanding amount due from a subsidiary of an associate. The maximum amount that could be paid by the Group if the guarantee was called upon is RMB149 million.

*Liabilities arising from rental guarantee arrangements*

The Group disposed of a number of properties to independent third parties ("purchasers") in previous years. As part of the disposal, the Group also agreed to provide the purchasers with rental guarantees whereby the Group agreed to compensate the purchasers on a yearly basis, as follows:

- (i) Rental guarantee arrangement 1 - the compensation is calculated from the date when the first instalment was received till January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met - the shortfall between 8% of the consideration receivable by the Group from the purchaser and the net operating income to be generated by the property.
- (ii) Rental guarantee arrangement 2 - the compensation is calculated from the date when the first instalment was received till January 2017 - the shortfall between 8% of the consideration receivable by the Group from the purchaser and the net operating income to be generated by the properties.

As at 31 October 2015, the aggregate fair value of financial liabilities arising from these rental guarantee arrangements amounted to RMB680 million. In respect of the guarantee period from 31 October 2015 and beyond, the aggregate maximum amount the Group could be required to settle as if there were no operating income to be generated by the disposed properties was RMB1,608 million.

Save as aforementioned and apart from intra-group liabilities and normal trade business, at the close of business on 31 October 2015, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

### **Working Capital**

The Directors are of the opinion that, after taking into account the net cash proceeds to be received from the Transactions, the present financial resources available to the Group including but not limited to revenue generated by its principal operations and funds through disposal of properties, cash and cash equivalents on hand, existing banking facilities, successful refinancings of certain banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

*The following is a text of the letter and valuation report prepared for the purpose of incorporation in this circular issued by Knight Frank Petty Limited, an independent property valuer, in connection with the valuation of the Corporate Avenue 3 Property as at 31 October 2015.*



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The Directors  
Shanghai Le Fu Properties Co., Ltd.  
26/F, Shui On Plaza  
333 Huai Hai Zhong Road  
Shanghai  
The PRC

31 December 2015

Dear Sirs

**Corporate Avenue 3, No. 168 Hu Bin Road, Taipingqiao Area, Huang Pu District, Shanghai, The People's Republic of China**

In accordance with your instructions for us to value the captioned property interest held by Shui On Land Limited (hereinafter referred to as the "**Company**") and/or its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 October 2015.

#### **Basis of Valuation**

Our valuation is our opinion of the market value of the property interest which we would define 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."



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

### **Valuation Methodology**

We have valued the property by reference to sales evidence as available on the market, and where appropriate, on the basis of capitalisation of the rental incomes as shown on the documents handed to us by the Group. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential.

### **Title Documents and Encumbrances**

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

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

### **Source of Information**

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Group's PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal adviser which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion date of building, particulars of occupancy, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

### **Inspection and Structural Condition**

We have inspected the property. The inspection was carried out by our Ryan Sun in December 2015. However, we have not carried out site investigations to determine the suitability of ground

conditions and services, etc for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

**Identity of Property to be valued**

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property addresses in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

**Environmental Issues**

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

**Remarks**

In preparing our valuation report, we have complied with “The HKIS Valuation Standards (2012 Edition)” published by the Hong Kong Institute of Surveyors and all requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

**Currency**

All money amounts stated are in Renminbi.

Yours faithfully  
For and on behalf of  
Knight Frank Petty Limited

**Clement W M Leung** MCIREA MHKIS MRICS RPS (GP)  
*Executive Director*  
*Head of China Valuation*

*Notes:* Clement W M Leung MCIREA, MHKIS, MRICS, RPS(GP), is a qualified valuer and has about 22 years’ experience in the valuation of properties in Hong Kong, Macau and Asia Pacific Region and has 20 years’ experience in the valuation of properties in the People’s Republic of China.

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 October 2015																
Corporate Avenue 3 No. 168 Hu Bin Road Taipingqiao Area Huang Pu District Shanghai The PRC	<p>Shanghai Taipingqiao Project is a large-scale redevelopment project and is a mixed use property development project located at the city centre of Shanghai - the Taipingqiao Area in Huang Pu District. It is located one block South of Huai Hai Zhong Road and at the intersection of Shanghai's major urban freeways.</p> <p>The property is part of Shanghai Taipingqiao Project and comprises Lot 127 having a site area of approximately 13,204 sq m. According to the information provided to us, the property is an office and retail development completed in 2015, the area details are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area</th> </tr> <tr> <td></td> <td><i>sq m</i></td> </tr> </thead> <tbody> <tr> <td>Office</td> <td>56,518</td> </tr> <tr> <td>Retail</td> <td>18,684</td> </tr> <tr> <td>Retail (basement)</td> <td>12,093</td> </tr> <tr> <td>Car park (basement) (382 nos)</td> <td>25,662</td> </tr> <tr> <td>Other</td> <td><u>6,352</u></td> </tr> <tr> <td>Total:</td> <td><u>119,309</u></td> </tr> </tbody> </table> <p>The land use right terms of the property have been granted for a term of 50 years commencing from 18 December 2003 and expiring on 17 December 2053 for commercial and office uses.</p>	Use	Gross Floor Area		<i>sq m</i>	Office	56,518	Retail	18,684	Retail (basement)	12,093	Car park (basement) (382 nos)	25,662	Other	<u>6,352</u>	Total:	<u>119,309</u>	<p>Retail portion of the property with a total lettable area of approximately 3,042 sq m is let under various tenancies with the last tenancy expiring on 30 November 2023 yielding a total monthly rental of approximately RMB640,000 exclusive of management fee whilst the remaining retail portion of the property with a total lettable area of approximately 12,442 sq m is vacant.</p> <p>Office portion of the property with a total gross floor area of approximately 47,064 sq m is let under various tenancies with the last tenancy expiring on 28 February 2022 yielding a total current monthly rental of approximately RMB16,000,000 exclusive of management fee whilst the remaining office portion of the property is vacant.</p>	<p>RMB5,650,000,000</p> <p>(99% interest attributable to the Group: RMB5,593,500,000)</p>
Use	Gross Floor Area																		
	<i>sq m</i>																		
Office	56,518																		
Retail	18,684																		
Retail (basement)	12,093																		
Car park (basement) (382 nos)	25,662																		
Other	<u>6,352</u>																		
Total:	<u>119,309</u>																		

## Notes:

- Pursuant to the Joint Venture Contract dated 28 November 2003 and three approval letter Nos Hu Wai Zi Wei Pi Zi (2004) 110, Hu Wai Zi Wei Pi Zi (2007) 3719 and and Hu Shang Wai Zi Pi (2009) 2969 dated 29 January 2004, 20 August 2007 and 3 September 2009 respectively, Shanghai Fuxing Construction and Development Company Limited (“**Shanghai Fuxing**”) and Union Grow Limited (“**Union Grow**”) agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the three approval letters are cited inter alia as follows:
  - Name of joint-venture company : Shanghai Le Fu Properties Co., Ltd. (“**Shanghai Le Fu**”)
  - Period of operation : 50 years from the date of issuance of business licence
  - Total investment amount : US\$261,000,000 (currently increased to US\$431,000,000)
  - Registered capital : US\$130,500,000 (currently increased to US\$240,500,000)  
(Shanghai Fuxing: 1%, Union Grow: 99%)

2. According to the information provided, the profit sharing ratio for Shanghai Le Fu is 1% and 99% for Shanghai Fuxing and Union Grow respectively.
3. Pursuant to the Business Licence No 310000400372270 dated 8 April 2014, Shanghai Le Fu was incorporated with a registered capital of US\$240,500,000 for a valid period from 20 February 2004 to 19 February 2054 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands; to provide car park, property consulting and management services; and to operate ancillary shopping arcade, restaurants, coffee shops and business centres.
4. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Lu Zi (2007) Di 000282 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 29 December 2006, the title to the land with a site area of 13,204 sq m is vested in Shanghai Le Fu for a term commencing from 18 December 2003 and expiring on 17 December 2053 for commercial and office uses.
5. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:
  - (i) Shanghai Le Fu has been legally established;
  - (ii) Shanghai Le Fu is the sole owner of the property;
  - (iii) the land use right and construction works of the property is subject to mortgage in favour of United Overseas Bank (China) Limited, Shanghai Branch for a loan amount of RMB1,500,000,000 for a security period expiring on 23 May 2016;
  - (iv) Shanghai Le Fu can occupy and use the property and transfer the land use right and construction works of the property in accordance with the provision of relevant laws and regulations and the above-said mortgage; and
  - (v) apart from the said mortgage, the property is free from other mortgage and encumbrances.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### 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 of the Company

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company as at the Latest Practicable Date (Note 4)
	Personal interests	Family interests	Other interests		
Mr. Vincent H. S. LO (“ <b>Mr. Lo</b> ”)	—	1,849,521 (Note 1)	4,587,365,484 (Notes 2 & 3)	4,589,215,005	57.17%
Sir John R. H. BOND	250,000	—	—	250,000	0.003%
Dr. William K. L. FUNG	5,511,456	—	—	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	—	—	305,381	0.0038%
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, 1,450,808,826 Shares, 183,503,493 Shares, 29,847,937 Shares, 573,333,333 Shares, 708,448,322 Shares, 150,000,000 Shares and 293,319,781 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**”), Merchant Treasure Limited (“**Merchant Treasure**”) and Doreturn Limited (“**Doreturn**”) respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited 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) Out of these 4,587,365,484 Shares, SOP may lend up to 350,000,000 Shares in aggregate to J.P. Morgan Securities plc pursuant to a Stock Lending Agreement dated 21 May 2015 entered into between SOP (as lender) and J.P. Morgan Securities plc (as borrower), details of which were set out in the announcement of the Company dated 22 May 2015.
- (4) These percentages have been compiled based on the total number of issued Shares (i.e. 8,026,630,189 Shares) at the Latest Practicable Date.

(b) *Interests in the debentures of the associated corporation of the Company*

<b>Name of Director</b>	<b>Name of Associated Corporation</b>	<b>Nature of Interests</b>	<b>Amount of Debentures</b>
Mr. Lo	Shui On Development (Holding) Limited	Family interests	US\$1,300,000
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	US\$813,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests Interests of Controlled Corporation	US\$500,000 US\$3,000,000

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in 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, none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

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

At the Latest Practicable Date, save as disclosed below, none of the Directors or the proposed Directors was a director or employee of a company which had an interest or short position in the Shares, 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

**3. EXPERTS AND CONSENTS**

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

<b>Name</b>	<b>Qualification</b>
Knight Frank Petty Limited	Independent property valuer
Jin Mao PRC Lawyers	PRC legal adviser

Each of Knight Frank Petty 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 and valuation report and/or references to its name in the form and context in which they respectively appear.

**4. EXPERTS' INTEREST**

Each of Knight Frank Petty Limited and Jin Mao PRC Lawyers has confirmed that as at the Latest Practicable Date:

- (a) it 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) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

Knight Frank Petty Limited has confirmed that the valuation report prepared by Knight Frank Petty Limited is given as of the date of this circular for incorporation herein.

#### **5. 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).

#### **6. MATERIAL LITIGATION**

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

#### **7. COMPETING INTERESTS OF DIRECTORS**

Mr. Lo is an executive Director and the Chairman of the Company, as well as the ultimate controlling shareholder, chairman and chief executive officer of SOCL and its subsidiaries (excluding SOCAM Development Limited and its subsidiaries) (the “**Shui On Group**”). The core businesses of the Shui On Group include property development and investment projects in Hong Kong 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 Development Limited, which is engaged in property development in the PRC.

Saved as disclosed above, at the Latest Practicable Date, so far as the Directors were aware, 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.

#### **8. MATERIAL CONTRACTS**

No material contract has been entered into by the Group (not being a contract entered into in the ordinary course of business) within two years preceding the date of this circular.



**9. GENERAL**

- (a) The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The company secretary of the Company is Mr. UY Kim Lun, a qualified lawyer in Hong Kong.
- (f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are 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 20 January 2016:

- (a) the memorandum and articles of association of the Company;
- (b) the valuation report issued by Knight Frank Petty Limited on the Corporate Avenue 3 Property, the text of which is set out in Appendix II to this circular;
- (c) the written consents referred to in paragraph headed "Experts and Consents" of this appendix;
- (d) the annual reports of the Company for the years ended 31 December 2013 and 31 December 2014;
- (e) the interim report of the Company for the six months ended 30 June 2015;

- (f) the circular of the Company dated 30 April 2015 in relation to the issue of new Shares pursuant to the Connected Employee Share Award Scheme;
- (g) the circular of the Company dated 14 August 2015 in relation to the disposal of the entire issued share capital in Brixworth International Limited; and
- (h) this circular.