THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular 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).

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)

MAJOR TRANSACTION

SHARE PURCHASE AGREEMENT

A letter from the Board is set out on pages 5 to 12 of this circular.

* *For identification purposes only*

29 January 2016

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

"% GFA Sold"	the total saleable floor area (in sqm) of the Sold Units as a percentage of the total saleable floor area (in sqm) of all the residential units located at the property situated in TPQ116;
"Actual ASP"	the average sales price achieved by the Sold Units, calculated by dividing the aggregate contract sum of the Sold Units by the aggregate saleable floor area (in sqm) of the Sold Units;
"Actual LAT"	LAT calculated based on the Actual Gross Sales Revenue, total development costs, sales & marketing expenses, overhead & administration costs but excluding amenity expenses;
"Actual Gross Sales Revenue"	the Actual ASP times the total saleable floor area (in sqm) of all the units located at the property situated in TPQ116 (currently estimated at 87,000 sqm);
"Actual Net Profit"	Actual Profit Before Tax x (1 — EIT %);
"Actual Profit Before Tax"	Actual Gross Sales Revenue x (1 — BT % — Sales Fee %) — total development costs — amenity expenses — sales & marketing expenses — overhead & administration costs — Actual LAT;
"Acquisition"	the acquisition of the Sale Shares and Debt Interests regarding Portspin pursuant to the Share Purchase Agreement;
"Announcement"	the announcement of the Company dated 18 December 2015 in relation to, among other things, the Acquisition;
"Base Gross Sales Revenue"	RMB135,000 per sqm times the total saleable floor area (in sqm) of all the units located at the property situated in TPQ116;
"Base LAT"	LAT calculated based on the Base Gross Sales Revenue, total development costs, sales & marketing expenses, overhead & administration costs but excluding amenity expenses;
"Base Net Profit"	Base Profit Before Tax x (1 — EIT %);
"Base Profit Before Tax"	Base Gross Sales Revenue x (1 — BT % — Sales Fee %) — total development costs — amenity expenses — sales & marketing expenses — overhead & administration costs — Base LAT;
"Board"	the board of Directors;

"BT %"	the applicable PRC business tax and related duties percentage, currently adopted as 5.65%; provided, however, that if the value-added taxation scheme ("**VAT**") is implemented by the PRC government by 20 December 2017, BT % shall mean the applicable VAT tax percentage, anticipated to be 9.91%;
"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: 272);
"Completion"	the Initial Completion or the Final Completion, as applicable;
"Completion Date"	the date of the Initial Completion or the Final Completion, as applicable;
"Debt Interests"	collectively, the Initial Debt Interests and the Final Debt Interests;
"Director(s)"	director(s) of the Company;
"Earn-Out Amount"	the earn-out amount under the Share Purchase Agreement;
"EIT %"	the applicable PRC enterprise income tax rate, currently adopted as 25%;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"Final Completion"	the completion of the sale and purchase of the Final Sale Shares and the Final Debt Interests;
"Final Completion Date"	29 December 2017, unless otherwise mutually agreed upon by Taipingqiao 116 and Shui On Development in writing;
"Final Consideration"	the consideration for the Final Sale Shares and the Final Debt Interests shall be US$407,000,000 (equivalent to approximately HK$3,154,372,000) in aggregate, plus the Earn-Out Amount (as applicable and subject to adjustment);
"Final Debt Interests"	such portion of Taipingqiao 116's rights to certain shareholder's loans (together with interest accrued thereon) granted to Portspin as corresponds with the portion of the Final Sale Shares;
"Final Sale Shares"	52,191 issued shares of US$0.001 each in the capital of Portspin, being approximately 42.10% of the issued share capital of Portspin (subject to adjustment);
"GFA"	gross floor area;

"Group"	the Company and its subsidiaries;
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Initial Completion"	the completion of the sale and purchase of the Initial Sale Shares and the Initial Debt Interests which took place on 19 January 2016;
"Initial Completion Date"	19 January 2016;
"Initial Consideration"	the consideration for the Initial Sale Shares and the Initial Debt Interests shall be US$156,000,000 in aggregate (equivalent to approximately HK$1,209,047,000);
"Initial Debt Interests"	such portion of Taipingqiao 116's rights to certain shareholder's loans (together with interest accrued thereon) granted to Portspin as corresponds with the portion of the Initial Sale Shares;
"Initial Sale Shares"	22,367 issued shares of US$0.001 each in the capital of Portspin, being approximately 18.04% of the issued share capital of Portspin;
"LAT"	the applicable PRC land appreciation tax;
"Latest Practicable Date"	25 January 2016, being the latest practicable date for 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;
"Portspin"	Portspin Limited, a company incorporated in the British Virgin Islands with limited liability;
"Portspin Group Company"	any of Portspin and its subsidiaries;
"PRC"	The People's Republic of China, for the purpose of this circular, excluding Taiwan, Hong Kong, Macau Special Administrative Region of the PRC;
"Relevant Percentage"	(i) if the Retention Right has been exercised, 27.096% or (ii) in all other circumstances, 42.096%;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	collectively, the Initial Sale Shares and the Final Sale Shares;

"Sales Fee %"	1.5% for sales commissions;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Purchase Agreement"	the share purchase agreement entered into between Shui On Development and Taipingqiao 116 dated 18 December 2015, in relation to the acquisition of the Sale Shares and the Debt Interests in relation to Portspin;
"Share(s)"	the ordinary shares of the Company with nominal value of US$0.0025 each;
"Shareholder(s)"	holder(s) of Shares;
"Shui On Development"	Shui On Development (Holding) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company;
"Sold Unit"	a property pre-sale agreement, property sale and purchase agreement or equivalent agreement however described has been entered into in respect of any residential units situated in TPQ116 on or before 20 December 2017, and "**Sold Units**" means all of them;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Taipingqiao 116"	Taipingqiao 116 Development Company Limited, a company incorporated under the laws of the British Virgin Islands with limited liability;
"Target Group"	Portspin and its subsidiaries;
"TPQ116"	the development project carried out within Plot 116 of Huangpu District, Shanghai Municipality, the PRC, comprised of primarily a residential development, including car parking spaces, the land use rights to which are owned, directly or through one or more subsidiaries, by Portspin;
"US$" or "United States Dollars"	United States dollars, the lawful currency of the United States of America;
"WHT %"	the applicable PRC withholding tax rate in respect of the dividend distributions offshore, currently adopted as 5%; and
"%"	per cent.

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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
Mr. Douglas H. H. SUNG

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
Mr. Anthony J. L. NIGHTINGALE

Registered office:
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal place of business in Hong Kong:
34th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

29 January 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SHARE PURCHASE AGREEMENT

1. INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. On 18 December 2015, Shui On Development, a wholly-owned subsidiary of the Company, as purchaser and Taipingqiao 116 as vendor entered into the Share Purchase Agreement, pursuant to which Taipingqiao 116 agreed to sell and Shui On Development agreed to acquire the Sale Shares and the Debt Interests in relation to Portspin for a maximum aggregate consideration of US$563,000,000 (equivalent to approximately HK$4,363,419,000) (subject to adjustment).

* *For identification purposes only*

The main purpose of this circular is to provide you with, among other things, further information relating to the Share Purchase Agreement and the Acquisition and other information required under the Listing Rules.

2. THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are as follows:

Date : 18 December 2015

Parties :

(1) Shui On Development, as purchaser; and

(2) Taipingqiao 116, as vendor.

Nature of the Acquisition : Taipingqiao 116 agrees to sell and Shui On Development agrees to purchase:

(1) the Initial Sale Shares and the Initial Debt Interests on the Initial Completion Date, free from all encumbrances and together with all rights and interests as at the Initial Completion Date attaching thereto; and

(2) the Final Sale Shares and the Final Debt Interests on the Final Completion Date, free from all encumbrances and together with all rights and interests as at the Final Completion Date attaching thereto,

in each case, on and subject to the terms and conditions of the Share Purchase Agreement.

Consideration :

(1) the consideration for the Initial Sale Shares and the Initial Debt Interests shall be US$156,000,000 in aggregate (equivalent to approximately HK$1,209,047,000); and

(2) the consideration for the Final Sale Shares and the Final Debt Interests shall be US$407,000,000 (equivalent to approximately HK$3,154,372,000) in aggregate, plus the Earn-Out Amount (as applicable and subject to adjustment).

Subject to the Share Purchase Agreement, Shui On Development shall, (a) on the Initial Completion Date, pay the Initial Consideration to Taipingqiao 116, and (b) on the Final Completion Date, pay the Final Consideration and the Earn-Out Amount (as applicable) to Taipingqiao 116.

The total consideration of the Acquisition (US$563,000,000) was determined based on arm's length negotiations between the parties and it represents a 4.3% discount from the adjusted asset value of Portspin as of 31 July 2015 times 60.14%.

The adjusted net asset value of Portspin as of 31 July 2015 was RMB6,216,000,000 (or equivalent US$978,000,000) which was based on the property valuation conducted by Knight Frank Petty Limited with regards to TPQ116 as of 31 July 2015 minus tax provision and other liabilities which were RMB718,000,000. The property valuation of TPQ116 as of 31 July 2015 was RMB6,934,000,000.

The consideration of the Acquisition will be funded by bank borrowings granted to the Group.

Earn-Out : In the event that the Earn-Out Conditions (as defined below) are met in accordance to the Share Purchase Agreement, on the Final Completion Date, in addition to the Final Consideration, Shui On Development shall pay Taipingqiao 116 an Earn-Out Amount on the following basis:

The Earn-Out Amount shall be the lesser of:

(i) US$15,000,000 (or, if the Retention Right (as defined below) is exercised, US$9,655,074); or

(ii) the amount calculated utilizing the following formulas:

Earn-Out Amount = (Actual Net Profit — Base Net Profit) x % GFA Sold x (1 — WHT %) x 98% x the Relevant Percentage

The formula above was determined with reference to, among other things, the actual net profit for sales of units at the property at TPQ116.

"**Earn-Out Conditions**" shall mean the following two conditions: (i) the average sales price of the units at the property at TPQ116 exceeds RMB135,000 per sqm, and (ii) the total saleable area of the sold units at the property at TPQ116 is no less than 50% of the total saleable area of all of the units of the property at TPQ116 in the aggregate.

During the negotiation process for the Share Purchase Agreement the parties agreed to reduce the consideration of the Acquisition by US$15,000,000, due to the large fluctuations in foreign exchange rates at the time. Through further negotiations, the parties subsequently agreed to the earn-out arrangement to allow Taipingqiao 116 the opportunity to recover such reduction in consideration should the Earn-Out Conditions be met. The maximum Earn-Out Amount was therefore determined with reference to the total reduction made to the consideration of the Acquisition during the negotiation process being US$15,000,000. Taipingqiao 116 will not be entitled to such Earn-Out Amount unless the Earn-Out Conditions are met. Save as disclosed above, the Earn-Out Amount is not connected to any fluctuations of foreign exchange rates.

Condition precedent to each Completion : Shui On Development's obligation to consummate each Completion is subject to and conditional upon delivery to Shui On Development of a certificate signed by Taipingqiao 116 confirming that there are no breaches of any of Taipingqiao 116's warranties under the Share Purchase Agreement in any material respect.

If the condition above is not satisfied (or waived by Shui On Development, as the case may be) on or before either applicable Completion Date, save as expressly provided in the Share Purchase Agreement, the Share Purchase Agreement shall be automatically terminated and no party shall have any claim against any other party thereto, save for any claim arising from breach of the Share Purchase Agreement by a party which occurred before termination thereof.

Completion Each Completion shall take place on the applicable Completion Date therefor.

Retention of partial interest

Taipingqiao 116 shall have the right to reduce the number of Final Sale Shares that are being transferred to Shui On Development in connection with Final Completion from (a) 52,191 issued shares of Portspin, being approximately 42.10% of the issued share capital of Portspin to (b) 33,594 issued shares of Portspin, being approximately 27.10% of the issued share capital of Portspin, in which event, the Final Debt Interests to be assigned shall be reduced proportionately (the "**Retention Right**"). If the Retention Right is exercised, Taipingqiao 116 shall retain 18,597 issued shares of Portspin, being 15.00% of the issued share capital of Portspin, and 24.94% of the Debt Interests. The Retention Right shall be exercised by Taipingqiao 116, if at all, by providing written notice to Shui On Development on or before 31 December 2015. Taipingqiao 116 has not exercised the Retention Right on or before 31 December 2015 and accordingly the Retention Right has lapsed on 1 January 2016 in accordance with the Share Purchase Agreement.

Had the Retention Right been timely exercised by Taipingqiao 116, the Final Consideration should have been reduced from US$407,000,000 to US$261,981,394 (equivalent to approximately HK$2,030,434,398) in aggregate.

Nomination of director of Portspin

From and after the Initial Completion, as long as Taipingqiao 116 holds any shares in Portspin it shall have the right to appoint at least one director to the board of Portspin. In the event that the Retention Right is exercised, from and after the Final Completion, Taipingqiao 116 shall not be entitled to appoint any directors to the board of Portspin.

3. INFORMATION ON PORTSPIN

Portspin is a company incorporated in the British Virgin Islands with limited liability. Portspin, through its indirect non-wholly owned subsidiary, Shanghai Jun Xing Property Development Co., Ltd., indirectly holds the land use rights of the development project carried out at TPQ116, comprised of primarily a residential development, including car parking spaces with total planned gross floor area of approximately 0.09 million square metres. As at the date of the Share Purchase Agreement, Portspin is held as to approximately 39.86% and 60.14% by Shui On Development and Taipingqiao 116, respectively.

Upon completion of the Initial Completion, which took place on 19 January 2016, Portspin is held as to approximately 57.9% and 42.1% by Shui On Development and Taipingqiao 116, respectively. Upon completion of the Final Completion (subject to exercise of the Retention Right), Portspin shall be held as to 100% by Shui On Development. In the event that the Retention Right is exercised, upon completion of the Final Completion, Portspin shall be held as to approximately 85% and 15% by Shui On Development and Taipingqiao 116, respectively. As disclosed above, the Retention Right has lapsed on 1 January 2016.

Financial information of Portspin

For the financial year ended 31 December 2014, the audited consolidated net asset value, turnover, net loss both before and after taxation of Portspin were approximately RMB151,000,000, RMB nil, RMB27,000,000 and RMB27,000,000, respectively.

For the financial year ended 31 December 2013, the audited consolidated net asset value, turnover, profit both before and after taxation of Portspin were approximately RMB75,000,000, RMB nil, RMB15,000,000 and RMB15,000,000, respectively.

As at 31 July 2015, the unaudited consolidated net asset value of Portspin was approximately RMB133,000,000.

4. INFORMATION ON THE GROUP AND TAIPINGQIAO 116

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

Taipingqiao 116 is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability that is directly and wholly-owned by Trophy Property Development L.P..

Trophy Property Development L.P. is a limited partnership fund in which Ms. Loletta Chu (the spouse of Mr. Vincent H. S. Lo, the chairman and controlling shareholder of the Company) has a total commitment of US$9 million (representing approximately 0.9% of the total commitment in Trophy Property Development L.P.). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Taipingqiao 116 and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

5. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Shanghai residential market has regained momentum as a result of recent interest rate cuts and release of pent-up demand. TPQ116 has commenced the pre-sales before the end of 2015. The Acquisition will increase the Group's investment in the residential sector and allow the Group to consolidate a prestige residential project in Shanghai. The total consideration of the Acquisition (US$563,000,000) was determined based on arm's length negotiations between the parties and it represents a 4.3% discount from the adjusted asset value of Portspin as of 31 July 2015 times 60.14%.

The adjusted net asset value of Portspin as of 31 July 2015 was RMB6,216,000,000 (or equivalent US$978,000,000) which was based on the property valuation conducted by Knight Frank Petty Limited with regards to TPQ116 as of 31 July 2015 minus tax provision and other liabilities which were RMB718,000,000. The property valuation of TPQ116 as of 31 July 2015 was RMB6,934,000,000.

The Directors, including the independent non-executive Directors, are of the view that the Share Purchase Agreement has been entered into on normal commercial terms that are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Prior to the completion of the Acquisition, Portspin is owned as to approximately 39.86% and 60.14% by Shui On Development and Taipingqiao 116, respectively. Portspin was a joint venture of the Group. After Final Completion of the Acquisition, the Group will acquire all of Taipingqiao 116's shares, i.e. 60.14% of shareholdings in Portspin. Portspin would become an indirect wholly-owned subsidiary of the Group and thus their assets, liabilities and financial results would be consolidated into those of the Group.

As illustrated in the unaudited pro forma financial information as set out in Appendix III to this circular, had the Final Completion of the Share Purchase Agreement occurred on 30 June 2015, the total assets of the Group would increase from approximately RMB112,947 million to RMB117,240 million on a pro forma basis, and the total liabilities of the Group would increase from approximately RMB65,563 million to RMB69,138 million on a pro forma basis.

Since the Acquisition is for a total consideration of US$563 million and taking into account of the relevant valuation of TPQ116 as at 31 July 2015, the Board considers that the Acquisition is made through arm's length negotiations and has taken account of the adjusted net asset value based on valuation conducted by Knight Frank Petty Limited as of 31 July 2015 and has positive impact on the Group's turnover and earnings. In the preparation of the unaudited pro forma information of the Group, the valuation of TPQ 116 was determined by an independent property valuation prepared by Knight Frank Petty Limited, an independent valuer, of TPQ116 as at 31 October 2015 as set out in Appendix IV to this circular. The Directors are of the view that the valuation method and major assumptions of the valuation are fair and reasonable.

7. 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.

Land prices in core locations of Shanghai continue to rise due to scarcity and robust demand from developers. The Shanghai residential market has regained momentum as a result of recent interest rate cuts and release of pent-up demand. The Acquisition will increase the Group's investment in the residential sector in a premium location of Shanghai. At the end of 2015 pre-sales at TPQ116 has commenced and started generating revenue and cash flow.

For the year ended 31 December 2015, the Group achieved a total contracted property sales of RMB21.51 billion for a total GFA of 630,700 square meters, representing 120% of its sales target of 2015 and 121% increase compared to 2014.

In relation to the other development of the Group's residential properties, construction works commenced immediately after the completion of the relocation of two residential sites situated at the Shanghai Rui Hong Xing Cheng project and the Shanghai Taipingqiao project in mid 2014. Pre-sales of Rui Hong Xin Cheng Phase 6 have also taken place in the fourth quarter of 2015 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.

8. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition 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.

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 Acquisition and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Acquisition.

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 Latest Practicable Date.

The Company has 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 Acquisition pursuant to Rule 14.44 of the Listing Rules and as a result, no extraordinary general meeting will be convened to consider the Acquisition.

9. RECOMMENDATION

The Directors consider that the Acquisition is on normal commercial terms and in the usual course of business of the Group, and that the terms and conditions of the Share Purchase 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 Acquisition if it had been necessary to hold a general meeting for such purpose.

10. 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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 June 2015 is disclosed in the interim report of the Company published on 22 September 2015 from pages 29 to 59; (ii) 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; (iii) 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 (iv) 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) and the website of the Company (www.shuionland.com).

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of determining this indebtedness of the Group and the Target Group prior to the printing of this circular, the Group and the Target Group had total borrowings amounting to approximately RMB52,731 million, details of which are as follows:

(i) senior notes of the Group with the aggregate carrying amount of RMB14,528 million (the aggregate principal amount of approximately RMB14,582 million) which were unsecured and guaranteed;

(ii) bank and other borrowings of the Group with the aggregate carrying amount of approximately RMB31,937 million (the aggregate principal amount of approximately RMB32,023 million), of which RMB4,529 million (the corresponding principal amount of approximately RMB4,554 million) were unsecured, and RMB27,408 million (the corresponding principal amount of approximately RMB27,469 million) were secured by certain assets of the Group. Amongst these bank and other borrowings, borrowings with the aggregate carrying amount of RMB9,875 million (the corresponding aggregate principal amount of RMB9,937 million) were guaranteed;

(iii) amounts due to related companies of the Group with the aggregate principal amount of RMB301 million which were unsecured and not guaranteed;

(iv) amounts due to non-controlling shareholders of subsidiaries of the Group with the aggregate principal amount of RMB23 million which were unsecured and not guaranteed;

(v) bank borrowings of the Target Group with the carrying amount and principal amount of both approximately RMB423 million were secured by certain assets of the Target Group and not guaranteed;

(vi) loans from a subsidiary of the Company and the joint venture partner of the Target Group with the principal amounts of RMB1,863 million and RMB2,811 million, respectively, which were unsecured and not guaranteed; and

(vii) amounts due to a subsidiary of the Company and the joint venture partner of the Target Group with the principal amounts of RMB337 million and RMB508 million, respectively, which were unsecured and not guaranteed.

Mortgages and charge

As at 30 November 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; and the Target Group's secured bank borrowings were secured by the Target Group's properties under development for sale.

Contingent liabilities

In addition, as at 30 November 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 30 November 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 30 November 2015, the aggregate fair value of financial liabilities arising from these rental guarantee arrangements amounted to RMB682 million. In respect of the guarantee period from 30 November 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 RMB1,578 million.

Save as aforementioned and apart from intra-group liabilities within the Group or the Target Group and normal trade business, at the close of business on 30 November 2015, the Group and the Target 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.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the cash flow impact upon the completion of the Acquisition, the present financial resources available to the Enlarged 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 Enlarged Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

A. ACCOUNTANT'S REPORT ON PORTSPIN

Deloitte.
德勤

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29 January 2016

The Directors
Shui On Land Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Portspin Limited ("Portspin") and its subsidiaries (hereinafter collectively referred to as the "Portspin Group") for each of the three years ended 31 December 2014 and the ten months ended 31 October 2015 (the "Relevant Periods") for inclusion in the circular of Shui On Land Limited (the "Company") dated 29 January 2016 issued in connection with the acquisition of the Sale Shares and the Debt Interests (both as defined in the circular) in Portspin (the "Circular").

Portspin was incorporated in the British Virgin Islands ("BVI") with limited liability on 23 May 1997. The principal activity of Portspin is investment holding.

At the end of each reporting period during the Relevant Periods and as at the date of this report, Portspin has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by Portspin					Principal activity
			As at 31 December			As at 31 October	As at date of this report	
			2012	2013	2014	2015		
Direct subsidiary:								
Legend City Limited	Hong Kong 4 June 1997	Ordinary shares of HK$2	100%	100%	100%	100%	100%	Investment holding
Indirect subsidiary:								
上海駿興房地產開發有限公司(Shanghai Jun Xing Property Development Co., Ltd.) ("Shanghai Junxing") (Note)	People's Republic of China ("PRC") 5 March 2009	Registered and paid up capital RMB4,661,300,000	98%	98%	98%	98%	98%	Property development

Note: Sino-foreign joint venture.

The financial year end date of all companies comprising the Portspin Group is 31 December.

The statutory financial statements of Legend City Limited for each of the three years ended 31 December 2014 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We acted as the statutory auditors of Legend City Limited for the years ended 31 December 2012 and 2013. The statutory financial statements of Legend City Limited for the year ended 31 December 2014 was audited by KPMG, certified public accountants.

The statutory financial statements of Shanghai Junxing for each of the three years ended 31 December 2014 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 上海復興明方會計師事務所有限公司 (Shanghai Fuxingmingfang Certified Public Accountants Co., Ltd.), certified public accountants registered in the PRC.

No audited financial statements have been prepared for Portspin since its incorporation as there is no statutory audit requirement in the BVI. However, the directors of Portspin have prepared consolidated financial statements of the Portspin Group for the Relevant Periods in accordance with International Financial Reporting Standards (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements for each of the years ended 31 December 2012 and 2013 and the ten months ended 31 October 2015 in accordance with Hong Kong Standards on Auditing issued by the HKICPA, while KPMG Huazhen (Special General Partnership), certified public accountants registered in the PRC, has audited the Underlying Financial Statements for the year ended 31 December 2014 in accordance with Hong Kong Standards on Auditing. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments to the Underlying Financial Statements are considered necessary in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Portspin who approved their issue. The Directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Portspin Group and of Portspin as at 31 December 2012, 2013, 2014 and 31 October 2015, and of the financial performance and cash flows of the Portspin Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Portspin Group for the ten months ended 31 October 2014 together with the notes thereon have been extracted from the Portspin Group's unaudited consolidated financial information for the same period (the "31 October 2014 Financial Information") which was prepared by the directors of Portspin solely for the purpose of this report. We conducted our review on the 31 October 2014 Financial Information in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 October 2014 Financial Information consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 October 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 October 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

I. FINANCIAL INFORMATION OF THE PORTSPIN GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
	NOTES	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Selling and marketing expenses		—	—	—	—	(48)
General and administrative expenses		—	(1)	(1)	(1)	(1)
Finance costs, inclusive of exchange differences	6	(2)	16	(26)	(26)	—
(Loss) profit before taxation	7	(2)	15	(27)	(27)	(49)
Taxation	8	—	—	—	—	11
(Loss) profit and total comprehensive (expense) income for the year/period		(2)	15	(27)	(27)	(38)
Attributable to:						
Shareholders of Portspin		(2)	15	(27)	(27)	(37)
Non-controlling shareholder of a subsidiary		—	—	—	—	(1)
		(2)	15	(27)	(27)	(38)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2012 *RMB'million*	At 31 December 2013 *RMB'million*	At 31 December 2014 *RMB'million*	At 31 October 2015 *RMB'million*
Non-current assets					
Property, plant and equipment	11	—	—	—	15
Pledged bank deposit	13	—	80	—	—
Deferred tax assets	23	—	—	—	11
		—	80	—	26
Current assets					
Properties under development for sale	14	3,611	4,656	5,461	6,042
Other receivables		—	—	2	4
Restricted bank deposit	13	—	—	—	8
Bank balances	13	6	155	257	50
		3,617	4,811	5,720	6,104
Current liabilities					
Accounts and other payables	15	123	796	267	144
Amounts due to Shui On Development (Holding) Limited	16	97	174	118	338
Amounts due to subsidiaries of the Company	17	611	64	—	—
Amounts due to Taipingqiao 116 Development Company Limited	18	197	257	492	509
Bank borrowings - due within one year	19	1	586	—	—
		1,029	1,877	877	991
Net current assets		2,588	2,934	4,843	5,113
Total assets less current liabilities		2,588	3,014	4,843	5,139

	NOTES	At 31 December 2012 RMB'million	At 31 December 2013 RMB'million	At 31 December 2014 RMB'million	At 31 October 2015 RMB'million
Capital and reserves					
Share capital	20	—	—	—	—
Reserves		2	17	62	25
Equity attributable to shareholders of Portspin		2	17	62	25
Non-controlling shareholder of a subsidiary		40	58	89	92
Total equity		42	75	151	117
Non-current liabilities					
Bank borrowings - due after one year	19	586	722	40	370
Loans from Shui On Development (Holding) Limited	22	1,006	1,263	900	1,854
Loans from Taipingqiao 116 Development Company Limited	22	954	954	3,752	2,798
		2,546	2,939	4,692	5,022
Total equity and non-current liabilities		2,588	3,014	4,843	5,139

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 October
	NOTES	**2012**	**2013**	**2014**	**2015**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Non-current assets					
Investment in a subsidiary	12	723	963	1,324	1,324
Amounts due from a subsidiary	12	1,403	2,161	3,750	3,961
Pledged bank deposit	13	—	80	—	—
		2,126	3,204	5,074	5,285
Current assets					
Bank balances	13	—	—	22	22
Current liabilities					
Amounts due to Shui On Development (Holding) Limited	16	74	151	118	338
Amounts due to Taipingqiao 116 Development Company Limited	18	192	257	492	509
		266	408	610	847
Net current liabilities		(266)	(408)	(588)	(825)
Total assets less current liabilities		1,860	2,796	4,486	4,460
Capital and reserves					
Share capital	20	—	—	—	—
Reserves	21	(100)	(143)	(166)	(192)
Total equity		(100)	(143)	(166)	(192)

		At 31 December			At 31 October
	NOTES	**2012**	**2013**	**2014**	**2015**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Non-current liabilities					
Bank borrowings - due after one year	19	—	722	—	—
Loans from Shui On Development (Holding) Limited	22	1,006	1,263	900	1,854
Loans from Taipingqiao 116 Development Company Limited	22	954	954	3,752	2,798
		1,960	2,939	4,652	4,652
Total equity and non-current liabilities		1,860	2,796	4,486	4,460

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of Portspin					
	Share capital	**Other reserve**	**Retained earnings (accumulated losses)**	**Total**	**Non-controlling shareholder of a subsidiary**	**Total**
	RMB'million	*RMB'million (note)*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 1 January 2012	—	—	4	4	25	29
Loss and total comprehensive expense for the year	—	—	(2)	(2)	—	(2)
Capital injection	—	—	—	—	15	15
At 31 December 2012	—	—	2	2	40	42
Profit and total comprehensive income for the year	—	—	15	15	—	15
Capital injection	—	—	—	—	18	18
At 31 December 2013	—	—	17	17	58	75
Loss and total comprehensive expense for the year	—	—	(27)	(27)	—	(27)
Waiver from Taipingqiao 116 Development Company Limited	—	72	—	72	—	72
Capital injection	—	—	—	—	31	31
At 31 December 2014	—	72	(10)	62	89	151
Loss and total comprehensive expense for the period	—	—	(37)	(37)	(1)	(38)
Capital injection	—	—	—	—	4	4
At 31 October 2015	—	72	(47)	25	92	117
Unaudited						
At 1 January 2014	—	—	17	17	58	75
Loss and total comprehensive expense for the period	—	—	(27)	(27)	—	(27)
Waiver from Taipingqiao 116 Development Company Limited	—	72	—	72	—	72
Capital injection	—	—	—	—	31	31
At 31 October 2014	—	72	(10)	62	89	151

Note: Other reserve represents interest expenses waived by Taipingqiao 116 Development Company Limited, a shareholder of Portspin, in respect of loans from that shareholder during the year ended 31 December 2014.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Operating activities					
(Loss) profit before taxation	(2)	15	(27)	(27)	(49)
Adjustments for:					
Depreciation of property, plant and equipment	—	—	—	—	7
Finance costs, inclusive of exchange difference	2	(16)	26	26	—
Operating cash flows before movements in working capital	—	(1)	(1)	(1)	(42)
Increase in other receivables	—	—	(2)	—	(2)
Increase in properties under development for sale	(1,172)	(792)	(505)	(477)	(335)
Increase (decrease) in trade and other payables	27	675	(527)	(539)	(125)
Net cash used in operating activities	(1,145)	(118)	(1,035)	(1,017)	(504)
Investing activities					
Purchase of property, plant and equipment	—	—	—	—	(22)
Placement of restricted bank deposit	—	—	—	—	(8)
Placement of pledged bank deposit	—	(80)	—	—	—
Release of pledged bank deposit	—	—	80	80	—
Net cash (used in) from investing activities	—	(80)	80	80	(30)

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Financing activities					
Repayment to subsidiaries of the Company	(164)	(482)	(64)	(64)	—
Interest paid to subsidiaries of the Company	(2)	(80)	(2)	(2)	—
Interest paid to Taipingqiao 116 Development Company Limited	—	(5)	—	—	—
New bank borrowing raised	587	737	40	—	330
Repayment of bank borrowings	—	—	(1,333)	(1,308)	—
Loan from Shui On Development (Holding) Limited	701	257	2,435	2,435	—
Interest paid on bank borrowing	(8)	(84)	(43)	(43)	(7)
Other finance cost paid on bank borrowing	—	(14)	(7)	—	—
Capital injected by a non-controlling shareholder of a subsidiary	15	18	31	31	4
Net cash from financing activities	1,129	347	1,057	1,049	327
Net (decrease) increase in cash and cash equivalents	(16)	149	102	112	(207)
Cash and cash equivalents at the beginning of the year/period	22	6	155	155	257
Cash and cash equivalents at the end of the year/period, represented by bank balances	6	155	257	267	50

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Portspin was incorporated in the BVI with limited liability on 22 May 1997. The principal activity of Portspin is investment holding. The principal activities of Portspin's subsidiaries are investment holding and property development in the PRC.

For the period from 1 January 2012 to 4 September 2014, Portspin's immediate holding company was Shui On Development (Holding) Limited ("SODH"), a private limited liability company incorporated in the Cayman Islands. The directors of Portspin consider that its ultimate holding company during the period from 1 January 2012 to 15 March 2012 was Shui On Land Limited (the "Company"), a limited liability company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited and is Shui On Company Limited, a private limited liability company incorporated in the BVI from 16 March 2012 to 4 September 2014. The directors of Portspin also consider that its ultimate controlling party was Mr. Vincent H.S. Lo due to the change in shareholdings in the Company during the latter period.

Prior to 5 September 2014, Taipingqiao 116 Development Company Limited ("TPQ116"), a private limited liability company incorporated in the BVI, owned 49% equity interest in Portspin and did not have either control or joint control over the relevant activities of Portspin. For the period from 5 September 2014 to the date of this report, TPQ116 owned approximately 60% to 81% equity interest in Portspin and Portspin was jointly controlled by SODH and TPQ116 during this period.

The address of the registered office of Portspin is P.O. Box 173, Kingston Chambers, Road Town, Tortola, BVI and the principal place of business is 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of Portspin.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Portspin Group and Portspin have adopted and consistently applied all IFRSs which are effective for the Portspin Group's and Portspin's financial period beginning on 1 January 2015 throughout the Relevant Periods.

The Portspin Group and Portspin have not early applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for annual periods beginning on or after a date to be determined

The directors of Portspin do not expect the application of these new and revised IFRSs will have a material impact on the amounts reported and disclosures made in the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Portspin Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are with the scope of IAS 17.

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to IFRSs. In addition, the Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the applicable Hong Kong Companies Ordinance.

The principal accounting policies are set out as follows:

Basis of consolidation

The Financial Information incorporates the financial statements of Portspin and entities controlled by Portspin (its subsidiaries). Control is achieved when Portspin:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Portspin reassesses whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

Profit or loss and each item of other comprehensive income are attributed to the owners of Portspin and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Portspin and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Portspin Group's accounting policies.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary included in Portspin's statements of financial position is stated at cost, less any impairment.

The results of a subsidiary are accounted for by Portspin on the basis of dividends received and receivable during the Relevant Periods.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Impairment on tangible assets

At the end of the reporting period, the Portspin Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

The Portspin Group's and Portspin's financial assets that include other receivables, amounts due from a subsidiary, pledged bank deposit, restricted bank deposit and bank balances are categorised as loans and receivables in accordance with IAS 39.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had no impairment loss been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Portspin after deducting all of its liabilities. Equity instruments issued by Portspin are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Portspin Group's and Portspin's financial liabilities (including accounts and other payables, amounts due to SODH and subsidiaries of the Company and TPQ116, loans from SODH and TPQ116, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Portspin Group and Portspin derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Portspin Group and Portspin derecognise financial liabilities when, and only when, the Portspin Group's and Portspin's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to set ready for their intended use or sale are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Portspin Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Portspin Group is able to control the reversal of the temporary difference and is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Portspin Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

The Portspin Group had acquired a parcel of uncleared land in the People's Republic of China ("PRC"). The Portspin Group decided to use the site for developing properties for sale purpose and hence the land had been classified as "properties under development for sale". As part of the development process, the Portspin Group has engaged 上海市黃浦區建設和交通委員會 ("Party A", a Shanghai government body) to perform relocation activities which included negotiations with the original residents to relocate and compensate them for the relocation. The site has been cleared and the total compensation amounting to RMB4,150 million has been paid to Party A according to the agreements signed between Shanghai Junxing and Party A but the final account has yet to be issued by Party A. As of 31 October 2015, relocation cost of RMB4,150 million has been paid by the Portspin Group to Party A and included in the line item of "properties under development for sale" in the Portspin Group's consolidated statement of financial position, which, in the opinion of directors of Portspin, is the best estimate of the total amount of the relocation costs incurred up to that day, taking into account the applicable law and regulations, as well as the specific facts and circumstances. Where there are significant changes to the estimates, the Portspin Group's liabilities would increase or decrease with the corresponding adjustment being made to the carrying amount of the Portspin Group's properties under development for sale.

5. SEGMENTAL INFORMATION

The Portspin Group's principal activity is property development in the PRC. Information reported to the chief operating decision makers which are the directors of Portspin for the resource allocation and performance assessment is based on the Portspin Group's overall performance which is considered as a single operating segment.

No geographical segment information of the Portspin Group's non-current assets is shown as the assets (excluding deferred tax assets) are substantially located in the PRC.

6. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCE

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Interest on bank borrowings wholly repayable within five years	8	82	41	41	9
Interest on loans from SODH	58	77	124	114	67
Interest on amounts due to subsidiaries of the Company	57	15	1	1	—
Interest on loans from TPQ116	68	65	127	86	170
Other finance costs	—	14	25	25	—
Total finance costs	191	253	318	267	246
Less: Amount capitalised to properties under development for sale	(191)	(253)	(300)	(249)	(246)
Interest expense charged to profit or loss	—	—	18	18	—
Net exchange loss (gain) on bank borrowings	2	(16)	8	8	—
	2	(16)	26	26	—

7. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
(Loss) profit before taxation has been arrived at after charging (crediting):					
Auditor's remuneration	—	—	—	—	—
Depreciation of property, plant and equipment	—	—	—	—	7
Minimum lease payment under operating leases	—	—	—	—	9
Employee benefit expenses					
Directors' emoluments	—	—	—	—	—
Other staff costs					
Salaries, bonuses and allowances	2	3	1	1	8
Total employee benefit expenses	2	3	1	1	8
Less: Amount capitalised to properties under development for sale	(2)	(3)	(1)	(1)	(8)
	—	—	—	—	—

Auditor's remuneration for the two years ended 31 December 2012 and 31 December 2013 is borne by a fellow subsidiary. The amount for the remaining year/period of the Relevant Periods was less than RMB1 million.

8. TAXATION

Taxation for the ten months ended 31 October 2015 represents the deferred tax credit (note 23).

No provision for PRC Enterprise Income Tax or Hong Kong Profits Tax has been made as the Portspin Group has no assessable profits for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the (loss) profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
(Loss) profit before taxation	(2)	15	(27)	(27)	(49)
PRC Enterprise Income Tax at 25%	(1)	4	(7)	(7)	(12)
Tax effect of expenses not deductible for tax purposes	1	—	7	7	1
Tax effect of income not taxable for tax purposes	—	(4)	—	—	—
Taxation for the year/period	—	—	—	—	(11)

9. DIRECTORS', CHIEF EXECUTIVE'S AND THE FIVE HIGHEST PAID EMPLOYEES REMUNERATION

(a) Directors' and chief executive's emoluments

No remuneration was paid or is payable to the directors of the Company in respect of their services provided to the Portspin Group for the Relevant Periods.

Certain directors of Portspin were granted options to subscribe for shares of the Company under the share option schemes adopted by the Company. Their entitlement to the options relates to their services to a number of companies within the Group, including the Portspin Group. Details of the option schemes and the Directors' entitlement to these options are disclosed in the annual report of the Company. The value of the share options has not been allocated to the Portspin Group as the allocation is not feasible.

(b) **Employees' emoluments**

The emoluments of the five highest paid individuals of the Portspin Group were as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Salaries and other benefits	2	1	1	1	1

Their emoluments of the five highest paid employees were within the following bands:

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Nil to HK$1,000,000	5	3	5	5	5

No emolument was paid to the directors and the chief executive of Portspin or the five highest paid individuals as an inducement to join or upon joining Portspin or as compensation for loss of office during the Relevant Periods. No directors of Portspin waived any of their emoluments for the Relevant Periods.

10. (LOSS) EARNINGS PER SHARE

No calculation of (loss) earnings per share for the Relevant Periods is presented as the information is considered not meaningful for the purpose of this report.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement
	RMB'million
THE PORTSPIN GROUP	
At cost	
At 1 January 2012, 31 December 2012, 31 December 2013 and 31 December 2014	—
Additions	22
At 31 October 2015	22
Accumulated depreciation	
At 1 January 2012, 31 December 2012, 31 December 2013 and 31 December 2014	—
Provided for the period	7
At 31 October 2015	7
Carrying values	
At 31 December 2012, 2013 and 2014	—
At 31 October 2015	15

Leasehold improvement is depreciated on a the straight-line method over the term of the lease.

12. INVESTMENT IN A SUBSIDIARY/AMOUNTS DUE FROM A SUBSIDIARY

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Unlisted investment, at cost	—	—	—	—
Deemed contribution to a subsidiary	723	963	1,324	1,324
	723	963	1,324	1,324
Amounts due from a subsidiary	1,403	2,161	3,750	3,961

The amounts due from a subsidiary are unsecured, interest-free and have no fixed terms of repayment. The amounts are not expected to be repaid within one year after the end of each reporting period and therefore are classified as non-current assets. The fair value of these amounts due from a subsidiary on initial recognition is determined based on effective interest rate of 6.34% to 7.59% per annum. The differences between the principal amounts and the fair value determined on initial recognition have been recognised as deemed contribution to a subsidiary.

13. PLEDGED BANK DEPOSIT/RESTRICTED BANK DEPOSIT/BANK BALANCES

THE PORTSPIN GROUP AND PORTSPIN

Pledged bank deposit represents deposit pledged to a bank to secure the banking facilities granted to the Portspin Group. Deposit amounting to RMB80 million as at 31 December 2013 has been pledged to secure long-term bank loans and was therefore classified as non-current assets. The pledged bank deposit was released during the year ended 31 December 2014 following the early repayment of the bank borrowings.

Bank balances carry interest at market rates which range from 0.01% to 0.5%, 0.01% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum for the years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015, respectively. Pledged bank deposit carried interest at market rates of 0.35% per annum for the year ended 31 December 2013.

THE PORTSPIN GROUP

Restricted bank deposit is the deposit solely for the purpose of repayment of bank borrowing. Restricted bank deposit carries interest at market rates of 0.35% per annum for the ten months ended 31 October 2015.

14. PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December			At 31 October
	2012	2013	2014	2015
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP				
At beginning of the year/period	2,248	3,611	4,656	5,461
Additions	1,363	1,045	805	581
At end of the year/period	3,611	4,656	5,461	6,042

The Group has obtained the land use rights certificate of the properties under development for sale in July 2014. The properties under development are situated in the PRC and held under long term leases.

The properties under development for sale are expected to be completed after more than twelve months from the end of each reporting period.

15. ACCOUNTS AND OTHER PAYABLES

	At 31 December			At 31 October
	2012	2013	2014	2015
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP				
Relocation cost payable	—	675	200	—
Construction cost payables	—	—	—	110
Deed tax payable	119	119	6	—
Retention payables (note)	—	—	—	19
Other payables and accrued charges	4	2	61	15
	123	796	267	144

Note: Retention payables are expected to be settled upon the expiry of the retention periods according to the respective contracts.

16. AMOUNTS DUE TO SHUI ON DEVELOPMENT (HOLDING) LIMITED

THE PORTSPIN GROUP AND PORTSPIN

The amounts are unsecured, interest-free and repayable on demand.

17. AMOUNTS DUE TO SUBSIDIARIES OF THE COMPANY

THE PORTSPIN GROUP

The amounts are unsecured, repayable on demand and interest free, except for amounts of RMB560 million and RMB62 million as at 31 December 2012 and 2013, respectively, which carried interests at fixed rates of ranging from 6.6% to 7.2% and 6.2% to 6.8% per annum, respectively.

18. AMOUNTS DUE TO TAIPINGQIAO 116 DEVELOPMENT COMPANY LIMITED

THE PORTSPIN GROUP AND PORTSPIN

The amounts are unsecured, interest-free and repayable on demand.

19. BANK BORROWINGS

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP				
Bank borrowings repayable within a period of				
- Not more than 1 year	1	586	—	—
- More than 1 year, but not exceeding 2 years	586	722	—	200
- More than 2 years, but not exceeding 5 years	—	—	40	170
Total bank borrowings	587	1,308	40	370
Less: Amount due within one year shown under current liabilities	(1)	(586)	—	—
Amount due after one year	586	722	40	370

The carrying amount of the Portspin Group's bank borrowings are analysed as follows:

			At 31 December			At 31 October
		Note	**2012**	**2013**	**2014**	**2015**
			RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Denominated in	**Interest rate per annum:**					
RMB	105% of People's Bank of China ("PBOC") prescribed interest rate	(i)	—	—	40	370
	140% of PBOC Prescribed Interest Rate	(ii)	587	586	—	—
HK$	Hong Kong Interbank Offered Rate ("HIBOR") plus 4.7%	(iii)	—	722	—	—
Average effective interest rate			8.6%	6.5%	6.3%	5.64%

Note:

(i) secured by the Portspin Group's properties under development for sale.

(ii) secured by the interests in 佛山瑞康天地置業有限公司 and 佛山源康房地產發展有限公司 held by fellow subsidiaries and guaranteed by the Company.

(iii) secured by equity interests in Portspin held by SODH and TPQ116 and equity interests in Legend City Limited and Shanghai Junxing, and certain bank deposits of the Portspin Group and guaranteed by the Company.

PORTSPIN

Bank loan as at 31 December 2013 was repayable within a period of more than 1 year but not exceeding 2 years, carried interest at HIBOR plus 4.7% and secured and guaranteed by the items stated in note (iii) above.

20. SHARE CAPITAL OF PORTSPIN

	Number of shares	Share capital
		US$
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013		
Ordinary shares of US$1 each	50,000	50,000
At 31 December 2014 and 31 October 2015		
Ordinary shares of US$0.001 each	50,000,000	50,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013		
Ordinary shares of US$1 each	100	100
At 31 December 2014 and 31 October 2015		
Ordinary shares of US$0.001 each	123,980	124
		RMB'million
Shown in the consolidated statements of financial position as		—

On 28 July 2014, all the shareholders of Portspin passed a resolution that the existing issued share capital of 100 shares of par value of US$1 each be divided into 100,000 shares of par value of US$0.001 each. The existing unissued share capital of 49,900 shares of par value of US$1 each be divided into 49,900,000 shares of par value of US$0.001 each.

On 5 September 2014, further 23,980 ordinary shares of par value of US$0.001 each were allotted to SODH. The new shares rank pari passu with the existing shares in all aspects.

21. RESERVES OF PORTSPIN

	Other reserves	Accumulated losses	Total
	RMB'million	*RMB'million*	*RMB'million*
At 1 January 2012	—	(55)	(55)
Loss and total comprehensive expense for the year	—	(45)	(45)
At 31 December 2012	—	(100)	(100)
Loss and total comprehensive expense for the year	—	(43)	(43)
At 31 December 2013	—	(143)	(143)
Loss and total comprehensive expense for the year	—	(95)	(95)
Waiver from TPQ116	72	—	72
At 31 December 2014	72	(238)	(166)
Loss and total comprehensive expense for the period	—	(26)	(26)
At 31 October 2015	72	(264)	(192)

22 LOANS FROM SHUI ON DEVELOPMENT (HOLDING) LIMITED AND TAIPINGQIAO 116 DEVELOPMENT COMPANY LIMITED

THE PORTSPIN GROUP AND PORTSPIN

The carrying amounts of the loans from SODH and TPQ116 are analysed as follows.

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Loans from SODH (note a)	1,006	1,263	900	1,854
Loans from TPQ116 (note b)	954	954	3,752	2,798

Notes:

(a) The loans are unsecured and will not be demanded for payment until the Portspin Group is in a position to repay the loans, which is to be mutually agreed between the borrower and the lender. The directors of Portspin are of the opinion that the loans are not repayable in the next twelve months from the end of the reporting period. The loans are interest bearing at 110% of PBOC Prescribed Interest Rate throughout the Relevant Periods.

(b) The loans are unsecured and will not be demanded for payment until the Portspin Group is in a position to repay the loans, which is to be mutually agreed between the lender and Borrower. The directors of Portspin are of the opinion that the loans are not repayable in the next twelve months from the end of the reporting period. The loans are interest bearing at 110% of PBOC Prescribed Interest Rate as at 31 December 2012, 2014 and 31 October 2015. The loans were interest free during the period from 1 August 2013 to 4 September 2014 as stipulated in the Framework Swap Agreement dated on 30 September 2013 (details refer to the circular made by the Company on 28 October 2013). An effective interest of 6.8% per annum was used to quantify the imputed interest.

At 31 December 2012, 2013 and 2014 and 31 October 2015, the weighted average effective interest rate on the loans from SODH and TPQ116 was 6.8%, 6.8%, 6.6% and 6.02%, respectively, per annum.

23. DEFERRED TAX ASSETS

THE PORTSPIN GROUP

Deferred tax assets as at 31 October 2015 arose from tax losses incurred in the PRC which can be offset against future profits. The tax losses will expire in 2020.

24. RETIREMENT BENEFIT SCHEMES

According to the relevant laws and regulations in the PRC, the subsidiary established in the PRC is required to contribute a specified percentage of the payroll of its employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Portspin Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

25. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities granted to the Portspin Group at the end of each reporting period:

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP				
Properties under development for sale	—	—	5,461	6,042
Bank deposit	—	80	—	—
	—	80	5,461	6,042

26. COMMITMENTS

At the end of each reporting period, the Portspin Group had the following commitments:

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Contracted but not provided for				
- development cost of properties under development for sale	940	190	1,896	784
Authorised but not contracted for				
- development cost for properties under development for sale	—	—	140	741
	940	190	2,036	1,525

27. OPERATING LEASE COMMITMENT

At the end of each reporting periods, the Portspin Group has commitment for future minimum lease payments under non-cancellable operating lease which due as follows:

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Within one year	—	—	13	13
In the second to fifth years inclusive	—	—	13	2
	—	—	26	15

Operating lease payments represent rentals payable by the Portspin Group for sales center. Lease is negotiated for a term of two years.

28. RELATED PARTY TRANSACTIONS

Apart from the related party balances and guarantee as stated in notes 16, 17, 18, 19 and 22, the Portspin Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Ten months ended 31 October	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
SODH					
Project management fee	—	—	2	2	8
Interest expenses	58	77	124	114	67
Subsidiaries of the Company					
Interest expenses	57	15	1	1	—
TPQ116					
Project management fee	5	1	—	—	—
Interest expenses	68	65	127	86	170

All interest expenses and project management fees paid to related parties were capitalised in properties under development for sale.

The key management personnel represents the Directors of Portspin whose remuneration are set out in note 9.

29. CAPITAL RISK MANAGEMENT

The Portspin Group manages its capital to ensure that entities in the Portspin Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Portspin Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Portspin Group consists of debt, which includes bank borrowings and loans from SODH and TPQ116, and the equity attributable to equity holders of Portspin, comprising issued share capital and reserves.

The directors of Portspin review the capital structure on a yearly basis. As part of this review, the directors of Portspin consider the cost of capital and the and the risks associated with the capital, and will balance its overall capital structure through new share issues and debt financing when the need arises.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP				
Financial assets				
Loans and receivables (including bank balances)	6	235	259	62
Financial liabilities				
Amortised cost	3,456	4,697	5,508	5,898
PORTSPIN				
Financial assets				
Loans and receivables (including bank balances)	1,403	2,241	3,772	3,983
Financial liabilities				
Amortised cost	2,226	3,347	5,262	5,499

b. Financial risk management objectives and policies

The Portspin Group's and Portspin's financial instruments include other receivables, amounts due from a subsidiary, pledged bank deposit, restricted bank deposit, bank balances, accounts and other payables, amounts due to SODH, subsidiaries of the Company and TPQ116, loans from SODH and TPQ116 and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of Portspin manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Portspin Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors of Portspin review and agree policies for managing each of these risks and they are summarised below.

Currency risk

The Portspin Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Portspin Group is exposed to fluctuations in foreign exchange rates. The management of Portspin closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Portspin Group's and Portspin's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
THE PORTSPIN GROUP AND PORTSPIN				
Hong Kong dollar ("HK$")				
Assets	—	80	22	22
Liabilities	—	722	—	—

No sensitivity analysis is presented as the directors of Portspin consider that the carrying amounts of the Portspin Group's and Portspin's foreign currency denominated monetary assets and monetary liabilities are insignificant.

Interest rate risk

The Portspin Group and Portspin is exposure to cash flow interest rate risk in relation to bank borrowings, loans from SODH and TPQ116, restricted bank deposit, pledged bank deposit and bank balances which are carried at variable interest rates. It is the Portspin Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The management of Portspin consider the Portspin Group's exposure to cash flow interest rate risk of the pledged bank deposit, restricted bank deposit and bank balances is minimal, no sensitivity analysis is presented for each of the reporting period.

The Portspin Group's and Portspin's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Portspin Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBOC prescribed interest rate borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable-rate bank borrowings, loans from SODH and TPQ116, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year/period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the interest capitalised in Portspin Group's properties under development for sale would increase/decrease by RMB25 million, RMB35 million, RMB47 million and RMB50 million for the years ended 31 December 2012, 2013, 2014 and for the period ended 31 October 2015 respectively.

Credit risk

At the end of each reporting period, the Portspin Group's maximum exposure to credit risk which will cause a financial loss to the Portspin Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

At the end of each reporting period, Portspin's credit risk is primarily attributable to amounts due from a subsidiary. The directors of Portspin consider the credit risk is low as it is a group company.

The credit risk on liquid funds is limited because the funds were deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Portspin Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings and loans from SODH and TPQ116. The Portspin Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Portspin Group's and Portspin's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Portspin Group and Portspin can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

THE PORTSPIN GROUP

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2012
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2012						
Non-derivative financial liabilities						
Accounts and other payables	—	4	—	—	4	4
Amounts due to SODH	—	97	—	—	97	97
Amounts due to subsidiaries of the Company						
- interest bearing	7.2	575	—	—	575	560
- interest free	—	51	—	—	51	51
Amounts due to TPQ116	—	197	—	—	197	197
Bank borrowings	8.6	52	624	—	676	587
Loans from SODH	6.8	68	68	1,074	1,210	1,006
Loans from TPQ116	6.8	65	65	1,019	1,149	954
		1,109	757	2,093	3,959	3,456

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2013
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2013						
Non-derivative financial liabilities						
Accounts and other payables	—	677	—	—	677	677
Amounts due to SODH	—	174	—	—	174	174
Amounts due to subsidiaries of the Company	6.4	66	—	—	66	64
Amount due to TPQ116	—	257	—	—	257	257
Bank borrowings	6.5	661	784	—	1,445	1,308
Loans from SODH	6.8	85	1,348	—	1,433	1,263
Loans from TPQ116	6.8	65	1,049	—	1,114	954
		1,985	3,181	—	5,166	4,697

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2014
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2014						
Non-derivative financial liabilities						
Accounts and other payable	—	206	—	—	206	206
Amounts due to SODH	—	118	—	—	118	118
Amounts due to TPQ116	—	492	—	—	492	492
Bank borrowings	6.3	3	3	43	49	40
Loans from SODH	6.6	60	60	964	1,084	900
Loans from TPQ116	6.6	248	248	4,000	4,496	3,752
		1,127	311	5,007	6,445	5,508

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.10.2015
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 October 2015						
Non-derivative financial liabilities						
Accounts and other payable	—	29	—	—	29	29
Amounts due to SODH	—	338	—	—	338	338
Amounts due to TPQ116	—	509	—	—	509	509
Bank borrowings	5.64	—	221	180	401	370
Loans from SODH	6.02	112	1,966	—	2,078	1,854
Loans from TPQ116	6.02	168	2,966	—	3,134	2,798
		1,156	5,153	180	6,489	5,898

PORTSPIN

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2012
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2012						
Non-derivative financial liabilities						
Amounts due to SODH	—	74	—	—	74	74
Amounts due to TPQ116	—	192	—	—	192	192
Loans from SODH	6.8	68	68	1,074	1,210	1,006
Loans from TPQ116	6.8	65	65	1,019	1,149	954
		399	133	2,093	2,625	2,226

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2013
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2013						
Non-derivative financial liabilities						
Amounts due to SODH	—	151	—	—	151	151
Amounts due to TPQ116	—	257	—	—	257	257
Bank borrowings	6.5	37	784	—	821	722
Loans from SODH	6.8	85	1,348	—	1,433	1,263
Loans from TPQ116	6.8	65	1,019	—	1,084	954
		595	3,151	—	3,746	3,347

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2014
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 December 2014						
Non-derivative financial liabilities						
Amounts due to SODH	—	118	—	—	118	118
Amounts due to TPQ116	—	492	—	—	492	492
Loans from SODH	6.6	60	60	964	1,084	900
Loans from TPQ116	6.6	248	248	4,000	4,496	3,752
		918	308	4,964	6,190	5,262

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amount at 31.10.2015
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31 October 2015						
Non-derivative financial liabilities						
Amounts due to SODH	—	338	—	—	338	338
Amounts due to TPQ116	—	509	—	—	509	509
Loans from SODH	6.02	112	1,966	—	2,078	1,854
Loans from TPQ116	6.02	168	2,966	—	3,134	2,798
		1,127	4,932	—	6,059	5,499

The amounts included above for variable interest rate financial liabilities are subject to changes if changes in variable interest rate differs to those estimates of interest rates determined at the end of each reporting period.

c. **Fair value**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Portspin consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

31. NON-CONTROLLING INTERESTS

2% of interest in Shanghai Junxing is held by a non-controlling shareholder. Summarised financial information in respect of Shanghai Junxing is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	At 31 December			At 31 October
	2012	**2013**	**2014**	**2015**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Non-current assets	—	—	—	26
Current assets	3,351	4,351	4,714	5,012
Current liabilities	741	1,440	213	34
Non-current liabilities	586	—	40	370
Equity attributable to shareholders of Shanghai Junxing	1,984	2,853	4,372	4,542
Non-controlling interests	40	58	89	92

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(unaudited)*	*RMB'million*
Revenue	—	—	—	—	—
Loss and total comprehensive expense for the year/period	—	—	—	—	28
Net cash used in operating activities	(1,147)	(289)	(1,098)	(1,011)	(506)
Net cash used in investing activities	—	—	—	—	(30)
Net cash from financing activities	1,131	438	978	900	523
Net cash (outflow) inflow	(16)	149	(120)	(111)	(13)

32. NON CASH TRANSACTIONS

During the Relevant Periods, the Portspin Group has the following non cash transactions:

All interest expenses arising from loan from SODH and TPQ116 are settled through current account throughout the Relevant Periods.

As at 5 September 2014, SODH assigned accrued interest and Loan payable by Portspin, amounting to RMB162 million and RMB2,816 million respectively, to TPQ116 pursuant to the terms of the Framework Swap Agreement.

As at 10 June 2015, TPQ116 assigned accrued interest and loan payable by Portspin, amounting to RMB148 million and RMB959 million to SODH, pursuant to the terms of the Framework Swap Agreement.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Portspin Group, Portspin or any of its subsidiaries have been prepared in respect of any period subsequent to 31 October 2015.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS ON PORTSPIN

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following is the management discussion and analysis of the financial conditions and operating results of the Target Group for each of the financial years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015. The following discussion and analysis should be read in conjunction with the audited consolidated financial statements for each of the financial years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015 and the notes thereto as referred to in Appendix II to this circular.

(1) Operating results

Portspin is a private limited liability company incorporated in the British Virgin Islands on 22 May 1997. The principal activity of Portspin is investment holding. The principal activities of Portspin's subsidiaries are investment holding and property development in the PRC. Prior to completion of the Acquisition, the Company holds 39.86% equity interests in Portspin through Shui On Development.

For the financial year ended 31 December 2012, the audited consolidated net asset value, turnover, net loss both before and after taxation of Portspin were approximately RMB42 million, RMB nil, RMB2 million and RMB2 million, respectively.

For the financial year ended 31 December 2013, the audited consolidated net asset value, turnover, profit both before and after taxation of Portspin were approximately RMB75 million, RMB nil, RMB15 million and RMB15 million, respectively.

For the financial year ended 31 December 2014, the audited consolidated net asset value, turnover, net loss both before and after taxation of Portspin were approximately RMB151 million, RMB nil, RMB27 million and RMB27 million, respectively.

For the ten months ended 31 October 2015, the audited consolidated net asset value, turnover, loss both before and after taxation of Portspin were approximately RMB117 million, RMB nil, RMB49 million and RMB38 million. The loss was mainly due to sales and marketing expenses incurred as presale has begun since the end of year 2015.

There is no information on business segment as the Target Group was only engaged in property development since its establishment and as of the Latest Practicable Date.

(2) **Substantial acquisitions and disposals**

The Target Group did not have any material investments, substantial acquisitions and disposals since 1 January 2012 and up to the Latest Practicable Date.

(3) **Litigation**

The Target Group was not engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any of the Portspin Group Companies as at the Latest Practicable Date.

(4) **Financial resources, liquidity and gearing ratio**

As at 31 October 2015, the total liabilities of the Target Group amounted to approximately RMB6,013 million, total cash and bank deposits amounted to approximately RMB58 million which includes RMB8 million of restricted bank deposits. The Target Group financed its operations mainly through shareholder's loan (including loan from and amount due to Shui On Development, loan from and amount due to Taipingqiao 116), amounts due to fellow subsidiaries and bank borrowings generally.

As at 31 October 2015, Shui On Development and Taipingqiao 116 provided shareholder's loan with principal amount of RMB1,854 million and RMB2,798 million to Portspin, respectively. The loans are unsecured, carry interest at 110% of PBOC Prescribed Interest Rate throughout the relevant periods, except that the loan from Taipingqiao 116 were interest free during the period from 1 August 2013 to 4 September 2014 as stipulated in the Framework Swap Agreement dated on 30 September 2013. The amount due to Shui On Development and Taipingqiao 116 amounted to approximately RMB338 million and RMB509 million, respectively. It is unsecured, interest free and repayable on demand.

As at 31 October 2015, the Target Group had total bank borrowings of RMB370 million. The bank borrowings are secured by the Target Group's properties under development for sale and carry interest at 105% of PBOC Prescribed Interest Rate per annum with the average effective interest rate of 5.64%.

As at 31 October 2015, the gearing ratio of the Target Group (calculated by total bank borrowings less total cash and bank balance and divided by total equity) was approximately 266.7%. The high gearing ratio is due to the fact that properties of the Target Group are still under development.

(5) **Charges on assets**

As at 31 December 2013, 2014 and 31 October 2015, bank deposits and properties under development for sale of the Target Group with the total amount of RMB80 million, RMB5,461 million and RMB6,042 million were pledged to banks to secure the banking facilities.

(6) **Capital and other commitments**

As at 31 October 2015, the Target Group had a capital commitment of RMB1,525 million. The Directors are of the view that the capital commitments of the Target Group are in line with the development of TPQ116.

(7) **Contingent liabilities**

As at 31 December 2012, 2013 and 2014 and 31 October 2015, the Target Group did not have any material contingent liabilities.

(8) **Employees and remuneration's policy**

The Company provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programmes organized by professional bodies and educational institutes. The Company strongly believes in the principle of equality of opportunity. The remuneration policy of the Company for rewarding its employees is based on their performance, qualifications and competency displayed in achieving our corporate goals. Project companies within the same city are under common daily operation and management from their respective city quarter and the personnel are not employed independently by project companies.

There were no share option schemes and no material changes on employees and remuneration's policy to the Target Group.

(9) **Foreign currency risk**

The Target Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Target Group is exposed to fluctuations in foreign exchange rates, the management of Portspin closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(10) **Prospects**

Upon Completion, Portspin will become an indirect wholly-owned subsidiary of the Company.

The TPQ 116 project is situated in the southeast of the Taipingqiao project of which is a large-scale city-core development project consist of offices, residential, commercial, retail, hotel, entertainment and cultural properties in management of the Company. It is an up-market residential properties development project and upon completion, we expect this project to have a total leasable and saleable GFA of approximately 0.09 million square metres. Pre-sale of the first batch of Taipingqiao Lakeville Phase 4 was successfully launched in December 2015. Pre-sale of the next batch is scheduled to take place in 2016 according to the latest development plan.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP COMBINED WITH THE TARGET GROUP (THE "ENLARGED GROUP")

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Statement of Assets and Liabilities") has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects of the acquisition of the Sale Shares and the Debt Interests (both as defined in the Circular) in Portspin Limited (the "Acquisition") on the Group as if the Acquisition had been completed on 30 June 2015. Portspin Limited and its subsidiaries (the "Target Group") own a property development project in Taipingqiao Lot 116, Huangpu District, Shanghai, PRC.

The Unaudited Pro Forma Statement of Assets and Liabilities is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2015 which has been extracted from the Company's interim report for the six months ended 30 June 2015; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 October 2015 which has been extracted from the accountants' report thereon set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 30 June 2015.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Statement of Assets and Liabilities does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2015, nor purport to predict the future financial position of the Enlarged Group.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Consolidated assets and liabilities of the Group as at 30 June 2015	Consolidated assets and liabilities of the Target Group as at 31 October 2015	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'million	*RMB'million*	*RMB'million*		*RMB'million*
	(Note 1)	*(Note 2)*			
ASSETS					
Non-Current Assets					
Investment properties	64,528				64,528
Property, plant and equipment	1,396	15			1,411
Prepaid lease payments	129				129
Interests in associates	857				857
Interests in joint ventures	41		(14)	*(Note 3)*	27
Loans to associates	1,815				1,815
Loans to joint ventures	2,895		(2,157)	*(Note 3)*	738
Accounts receivable and prepayments	687				687
Amounts due from associates	1,394				1,394
Amounts due from related companies	75				75
Pledged bank deposits	2,606				2,606
Deferred tax assets	614	11			625
	77,037				74,892
Current Assets					
Properties under development for sale	17,844	6,042	1,357	*(Note 2)*	25,243
Properties held for sale	2,627				2,627
Accounts receivable, deposits and prepayments	9,330	4			9,334
Amounts due from associates	200				200
Amounts due from related companies	1,287				1,287
Amounts due from non-controlling shareholders of subsidiaries	35				35
Amounts due from customers for contract work	67				67
Pledged bank deposits	827				827
Restricted bank deposits	1,390	8			1,398
Bank balances and cash	2,303	50	(1,023)	*(Note 4)*	1,330
	35,910				**42,348**
Total Assets	**112,947**				**117,240**

	Consolidated assets and liabilities of the Group as at 30 June 2015	Consolidated assets and liabilities of the Target Group as at 31 October 2015	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'million	*RMB'million*	*RMB'million*		*RMB'million*
	(Note 1)	*(Note 2)*			
LIABILITIES					
Current Liabilities					
Accounts payable, deposits received and accrued charges	8,269	144			8,413
Amounts due to related companies	808				808
Amounts due to non-controlling shareholders of subsidiaries	9	—			9
Amounts due to shareholders	—	847	(847)	*(Note 3)*	—
Tax liabilities	613				613
Bank and other borrowings - due within one year	8,541				8,541
Convertible bonds	432				432
Derivative financial instruments	57				57
Liabilities arising from rental guarantee arrangements	301				301
	19,030				**19,174**
Non-Current Liabilities					
Accounts payable and accrued charges	60		2,768	*(Notes 5 & 7)*	2,512
			(316)	*(Note 5)*	
Bank and other borrowings - due after one year	25,428	370			25,798
Senior notes	13,895				13,895
Derivative financial instruments	82				82
Liabilities arising from rental guarantee arrangements	223				223
Loans from shareholders	—	4,652	(4,652)	*(Note 3)*	—
Loans from non-controlling shareholder of subsidiaries	72				72
Deferred tax liabilities	6,743		609	*(Note 2)*	7,352
Defined benefit liabilities	30				30
	46,533				**49,964**
Total Liabilities	**65,563**				**69,138**

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

1. The balances were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2015, as set out in the published interim report of the Company for the six months ended 30 June 2015.

2. On 18 December 2015, a subsidiary of the Company entered into a share purchase agreement with Taipingqiao 116 Development Company Limited (the "Vendor") (the "Share Purchase Agreement"), pursuant to which the Vendor has agreed to sell and the Group has agreed to acquire 60.14% of the issued share capital of Portspin Limited that indirectly owns a property development project in Taipingqiao Lot 116, Huangpu District, Shanghai, the PRC, in two stages: the initial stage in relation to 18.04% of the issued share capital of Portspin Limited and the related debt interests ("the Initial Sale") for a cash consideration of US$156 million to be settled on 20 January 2016 (or as otherwise agreed to by the parties to the Share Purchase Agreement) and the final stage in relation to 42.1% of the issued share capital of Portspin Limited and the related debt interests (the "Final Sale") for a cash consideration of US$407 million to be settled on 29 December 2017 (or as otherwise agreed to by the parties to the Share Purchase Agreement). Loans advanced by the Vendor to Portspin Limited and its subsidiaries (hereinafter referred to as the "Target Group") will be assigned to the Group in proportion to the legal transfers of the ownership interests in Portspin Limited under the initial and final stages. Before completion of the Initial Sale, the Group owns 39.86% of the issued share capital of Portspin Limited, and the Target Group is classified as the Group's joint venture, being accounted for using the equity method of accounting in the Group's consolidated financial statements. Upon the completion of the Initial Sale, the Directors of the Company are of the opinion that the Group has the ability to direct the relevant activities of the Target Group and hence has obtained control over it taking into account the relevant agreements and the specific facts and circumstances. The pro forma adjustments represent 100% of assets and liabilities of the Target Group for consolidation into the Group's consolidated statement of financial position as if the Acquisition was completed as of 30 June 2015. The pro forma adjustment to the Group's properties under development for sale reflects the estimated fair value of the properties under development for sale owned by the Target Group as of 31 October 2015, determined by an independent property valuer (see Appendix IV to this Circular "Property Valuation Report"), with the estimated pro forma fair value adjustment of RMB1,357 million over the carrying amount of the properties under development for sale as of 31 October 2015 extracted from Appendix II to the Circular. Corresponding deferred tax liabilities arising from such a fair value adjustment (taking into account the estimated effect relating to the Enterprise Income Tax and the Land Appreciation Tax) on the properties under development for sale of RMB609 million has been recognised. The assets and liabilities of the Target Group are generally required to be initially recognised at their fair values at the date when the Group obtains control over the Target Group (i.e. the completion date of the Initial Sale), which may be different from the amounts recognised in this pro forma adjustment.

3. The adjustment represents the derecognition of the 39.86% ownership interests in the Target Group being classified as interests in joint ventures before the completion of the Acquisition. The adjustment also represents the derecognition of loans advanced to the Target Group by the Group; any loans advanced by the Group to the Target Group and the accrued interest would be fully eliminated in the consolidated financial statements of the Group on the basis that the Target Group would become subsidiaries controlled by the Group after the completion of the Acquisition. In accordance with the loan assignment agreements of which the execution version has been attached to the Share Purchase Agreement, the consideration for the Final Sale is to acquire the 42.1% of the issued share capital of Portspin Limited and the related

shareholders' loans advanced by the Vendor to the Target Group (including interest accrued up to the completion date of the Final Sale). Accordingly, this pro forma adjustment shows the derecognition of the entire shareholders' loans and interest owed by the Target Group to the Group as well as to the Vendor.

4. The adjustment represents cash paid for the Initial Sale, translated to RMB using the exchange rate of US$1:RMB6.56 as at 11 January 2016, the latest practicable date for translation purposes for the purposes of preparation of the pro form statement of assets and liabilities, which may be different from the actual exchange rate on the completion date of the Initial Sale (i.e. 19 January 2016).

5. In accordance with the Share Purchase Agreement, the Group has agreed to acquire the remaining 42.1% of the issued share capital of Portspin Limited and the related shareholders' loans from the Vendor on 29 December 2017 for a cash consideration of US$407 million, translated to RMB2,670 million using the exchange rate of US$1:RMB6.56 as at 11 January 2016, which may be different from the actual exchange rate on the completion date of the Initial Sale. The adjustment represents the present value of such a deferred consideration discounted for about 2 years using the weighted average borrowing rate of the Group's bank and other borrowings outstanding during 2015 of 6.26% per annum.

6. According to the Share Purchase Agreement, the Vendor has the right to reduce the number of shares of Portspin Limited to be transferred to the Group in the Final Sale such that the Vendor will retain 15.00% issued share capital of Portspin Limited and the related shareholders' loans. However, in accordance with the Share Purchase Agreement, the Vendor shall notify the Group in writing of its decision to exercise such a retention right on or before 31 December 2015; otherwise such right shall lapse and shall be null and void. The Group confirms that the Vendor did not exercise such right on or before 31 December 2015. Therefore, this pro forma statement of assets and liabilities has not reflected the financial impact of such retention right.

7. In accordance with the Share Purchase Agreement, when the Earn-Out Conditions as defined in the Share Purchase Agreement are met, in addition to the US$407 million being the consideration for the Final Sale, the Group shall pay the Vendor an Earn-Out Amount which will at the maximum equal to US$15 million. The actual Earn-Out Amount will depend on a) the actual selling price of the units sold and b) the actual gross floor area of units sold. For the purposes of the preparation of this pro forma statement of assets and liabilities, the fair value of such contingent consideration is assumed to be the maximum amount of US$15 million, translated to RMB98 million using an exchange rate of US$1:RMB6.56 as of 11 January 2016. In accordance with IFRS 3 *Business Combinations*, the fair value of the contingent consideration will be reassessed at the date when the acquirer obtains control over the investee and at the end of each subsequent reporting period.

8. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2015.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

To the Directors of Shui On Land Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shui On Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2015 and related notes as set out on pages III-1 to III-5 of the circular issued by the Company dated 29 January 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-5 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the Sale Shares and the Debt Interests (both as defined in the Circular) in Portspin Limited on the Group's financial position as at 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2015, on which a report on review of condensed consolidated financial statements has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 January 2016

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 TPQ116 as at 31 October 2015.

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The Directors
Shanghai Jun Xing Property Development Co., Ltd.
26/F Shui On Plaza
333 Huai Hai Zhong Road
Shanghai
The PRC

29 January 2016

Dear Sirs

Lot 116, 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 such 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

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

Title Documents and Encumbrances

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

No allowance has been made in our valuation for any charges, mortgages or amounts owing on 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 dates of buildings, particulars of occupancy, floor and site areas, development proposals, construction costs and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site 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 Clement Leung in January 2016. 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 address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, 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.

Our valuation report is attached.

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

Note: 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.

VALUATION REPORT

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 October 2015
Lot 116 Taipingqiao Area Huang Pu District Shanghai The PRC	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. The property is part of Shanghai Taipingqiao Project with a site area of 25,684 sq m. According to the information provided to us, the property is planned to be developed into a residential development with proposed area details listed as follows:	The property is currently under construction and is scheduled to be completed no later than March 2017.	RMB7,399,000,000 (39.06% interest attributable to the Group: RMB2,890,049,400)

Use	Gross Floor Area *sq m*
Residential	87,608
Residential (Basement)	5,737
Club house	3,514
Car park (330 nos.) (Basement)	24,849
Others	5,558
Total:	127,266

The property is held under a land use right term of 70 years from 19 July 1997 and expiring in 18 July 2067 for residential use.

Notes:

1. Pursuant to the Business Licence No. 310000400594673 dated 13 April 2015, Shanghai Jun Xing Property Development Co., Ltd. ("Jun Xing") was incorporated with a registered capital of RMB4,661,300,000 for a valid period from 5 March 2009 to 4 March 2079 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands and to provide property management services.

2. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di (1997) Chu Rang He Tong Wai Zi 24 dated 19 July 1997 and supplementary contract No. Hu Gui Tu Zi (2010) Chu Rang He Tong Bu Zi Di 18 dated 22 June 2010 entered into among the Shanghai Real Estate and Land Administration Bureau, Shanghai Jun Xing Property Development Co., Ltd. ("Party A") and Shanghai Fuxing Construction and Development Company Limited ("Party B")

on 19 July 1997, Party A and Party B were granted the land use right of a plot of land known as Lot 116 in Lu Wan District with a site area of 25,684 sq m. The Contract for Grant of State-owned Land Use Right contains, inter alia, the following salient conditions:

(i)	Land use	:	Residential
(ii)	Land use term	:	70 years
(iii)	Plot ratio	:	≦5
(iv)	Total Gross Floor Area	:	≦128,420 sq m (of which commercial facilities less than 15% of total gross floor area)
(v)	Permitted site coverage	:	≦45% of site area
(vi)	Building covenant	:	the construction work of the proposed development must be completed before 31 December 2014
(vii)	Land grant fee	:	RMB23,419,656

3. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Huang Zi (2014) Di 051880 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 29 July 2014, the title to the property with a site area of 25,684 sq m is vested in Jun Xing for a term commencing from 19 July 1997 and expiring in 18 July 2067 for residential use.

4. Pursuant to the Construction Land Use Planning Permit Certificate No. Hu Lu Di (2010) EA31010320100918 issued by the Shanghai Lu Wan District Planning, Land and Resources Administration Bureau dated 3 August 2010, the property with a site area of 25,684 sq m was permitted to be developed.

5. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Huang Jian (2014) FA31010120145239 issued by the Shanghai Huang Pu District Planning, Land and Resources Administration Bureau dated 9 September 2014, piling work of the property was permitted to be constructed.

6. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Huang Jian (2014) FA31010120145445 issued by the Shanghai Huang Pu District Planning, Land and Resources Administration Bureau dated 22 October 2014, construction works of portion of the property with a total gross floor area of 39,990 sq m (basement) was permitted to be constructed.

7. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Huang Jian (2015) FA31010120154880 issued by the Shanghai Huang Pu District Planning, Land and Resources Administration Bureau dated 29 June 2015, construction works of portion of the property with a total gross floor area of 92,525.68 sq m was permitted to be constructed.

8. Pursuant to the Construction Works Commencement Permit No. 1301HP0005D01 issued by the Shanghai Construction Management Office dated 16 September 2014, piling work of the property was permitted to be commenced.

9. Pursuant to the Construction Works Commencement Permit No. 1301HP0005D02 issued by the Shanghai Construction Management Office dated 3 November 2014, construction works of portion of the property with a total gross floor area of 39,990 sq m (basement) was permitted to be commenced.

10. Pursuant to the Construction Works Commencement Permit No. 1301HP0005D03 issued by the Shanghai Construction Management Office dated 17 July 2015, construction works of portion of the property with a total gross floor area of 92,525.68 sq m was permitted to be commenced.

11. As advised by the Group, the total construction cost incurred and outstanding construction cost of the property as at the valuation date were approximately RMB550,800,000 and RMB1,579,000,000 respectively. Accordingly, we have taken into account the said cost in our valuation. In our opinion, the gross development value of the proposed development of the property, assuming it were complete as at the valuation date, was estimated approximately as RMB10,997,000,000.

12. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:

(i) Jun Xing has been legally established;

(ii) Jun Xing is the sole owner of the property;

(iii) as relocation work of the property was postponed to 15 November 2014 as approved by the Huangpu District Housing Security and Housing Bureau, the construction works of the property cannot be commenced until completion of the relocation work. The completion date of the property at 31 December 2014 as mentioned in the note 2 (vi) was therefore postponed accordingly. According to the three Construction Works Commencement Permits as mentioned in notes 8 to 10, the completion dates as stipulated were 13 October 2014 for piling work and 24 July 2016 for superstructure work and substructure work;

(iv) the land use right and construction works of the property is subject to a mortgage in favour of Bank of Communication Bank Limited, Shanghai Branch for a loan amount of RMB1,940,000,000 for a security period expiring on 24 December 2018;

(v) Jun Xing 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

(vi) apart from the said mortgage, the property is free from 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***

	Number of ordinary Shares				
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of interests to the issued share capital of the Company as at the Latest Practicable Date** *(Note 4)*
Mr. Vincent H. S. LO ("**Mr. Lo**")	—	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 complied 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***

Name of Director	**Name of Associated Corporation**	**Nature of Interests**	**Amount of Debentures**
Mr. Lo	Shui On Development (Holding) Limited	Family interests	USD1,300,000
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 Interests of Controlled Corporation	USD500,000 USD3,000,000
Mr. Douglas H. H. SUNG	Shui On Development (Holding) Limited	Personal interest	USD450,000
Mr. Anthony J. L. NIGHTINGALE	Shui On Development (Holding) Limited	Personal interest	USD200,000

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:

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

3. EXPERTS AND CONSENTS

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

Name	**Qualification**
Knight Frank Petty Limited	Independent property valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
Jin Mao PRC Lawyers	PRC Legal Adviser

Each of Knight Frank Petty Limited, Deloitte Touche Tohmatsu 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, Deloitte Touche Tohmatsu 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).

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 any member of the Enlarged Group.

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 whichSOCL 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. NO MATERIAL ADVERSE CHANGE

As 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 2014 (being the date to which the latest published audited financial statements of the Group were made up).

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged Group (not being contract entered into in the ordinary course of business) within two years preceding the date of this circular:

(a) the Share Purchase Agreement.

10. 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.

11. 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 the date which is 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the accountants' report on Portspin issued by Deloitte Touche Tohmatsu as set out in Appendix II to this circular;

(c) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(d) the valuation report issued by Knight Frank Petty Limited on TPQ116, the text of which is set out in Appendix IV to this circular;

(e) the written consents referred to in the section headed ''Experts and Consents'' in this appendix;

(f) each of the material contract(s) referred to in the section headed "Material Contracts" in this appendix;

(g) the annual reports of the Company for the years ended 31 December 2013 and 31 December 2014 and the interim report of the Company for the six months ended 30 June 2015;

(h) a copy of the circulars of the Company dated 30 April 2015, 14 August 2015 and 31 December 2015, respectively which have been issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up); and

(i) this circular.