

Shui On Land (272.hk)

- Major and Connected Transaction – Swap Agreement**
- Discloseable and Connected Transaction – JV Agreement**

Company Briefing

30th September 2013

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Current Issues faced by SOL and TPD



- Both Shui On Land (“SOL”) and Trophy Property Development Fund (“TPD”) are facing issues in their joint-venture for projects including Shanghai Taipingqiao Lot 116 (“TPQ 116”), Shanghai RHXC (“RHXC”), Wuhan Tiandi (“WHTD”) and Chongqing Tiandi (“CQTD”).

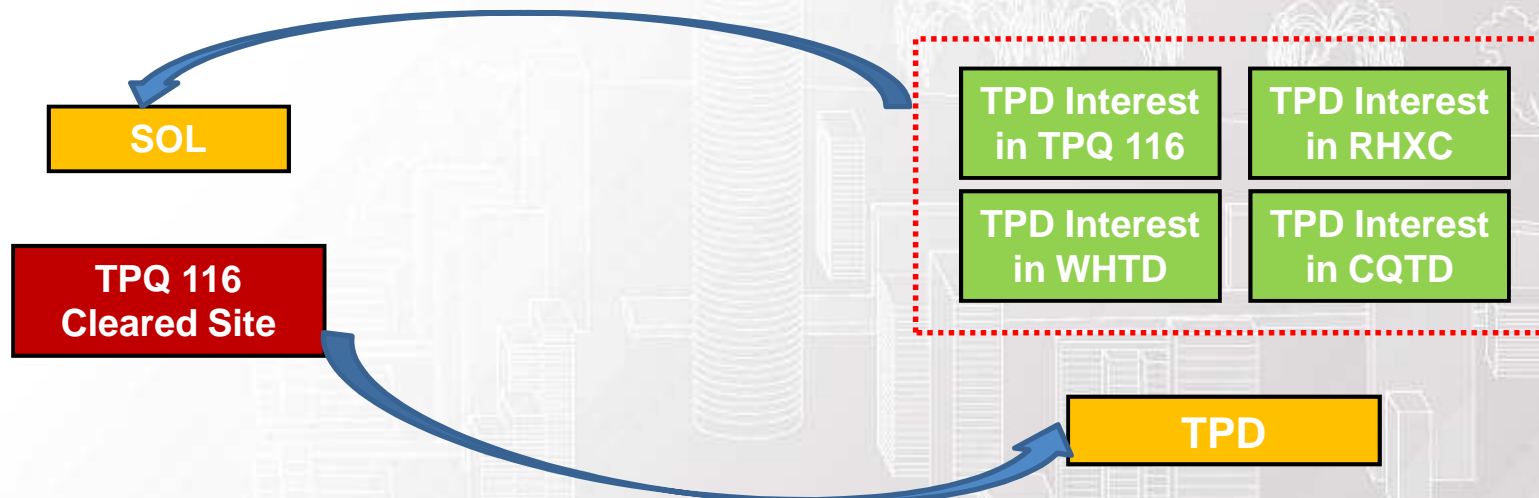
- Issues faced by TPD include:
 - TPD has fully invested its capital and has lost its funding capability while the joint venture for projects are in continuous need for funding, therefore creating a funding gap.
 - TPD invested in SOL’s master plans instead of single plots and is therefore unlikely to receive any cash distribution in the short-term.
 - Given the scale of SOL’s master plans, TPD is unlikely to be able to exit these projects within the fund life. TPD’s general partner did not underwrite a viable exit plan before investing.

- Issues faced by SOL include:
 - Dilution was the only way to resolve the funding gap before the Asset Swap. However, the dilution process is problematic and painfully slow.
 - SOL must obtain TPD’s consent for all major decisions concerning the projects. This has created a real burden on SOL’s development, financing and management activities. Loss of flexibility.
 - TPD was taking the lead in the development of TPQ 116 and some other plots within the CQTD master plan. TPD’s inability to contribute value to the Company’s projects cast doubt on its development capabilities.

Description of Asset Swap



- The Asset Swap is an ideal solution to resolve issues faced by both SOL and TPD
- The Asset Swap transaction is structured as follows:
 - TPD transfers its interests in TPQ116, RHXC, WHTD and CQTD (“TPD Total Portfolio Value”) into TPQ116 Cleared Site. TPQ 116 Cleared Site is to be delivered by SOL.
 - SOL transfers its interests in TPQ 116 Cleared Site to TPD.
 - After the reciprocal share transfer (Asset Swap), SOL will own 100% of RHXC, WHTD and CQTD. TPD will own 100% of TPQ 116.
 - Immediately after the Asset Swap, SOL will reinvest in TPQ 116 project and the Shortfall Amount (after adjustment) will serve as its capital contribution in the new TPQ 116 joint-venture.
 - TPQ 116 Cleared Site Value is higher than TPD Total Portfolio Value and the difference comprises the Shortfall Amount (RMB 943 million).



Rationale for the Asset Swap: Benefits for SOL



- SOL eliminates a minority shareholder that has lost its ability to fund their share of capital and costs and yet has significant consent rights that interfere with our ability to create value for RHXC, WHTD and CQTD.
- SOL can now develop, finance and manage our projects according to our own plan which intends to generate cash through disposals of completed assets and by fully leasing up our commercial properties.
- With 100% control of our three projects and without a shareholder with a limited fund life obstructing us, we can focus on value creation for our projects in the short to medium term, possibly increasing shareholder value.
- SOL can enter into joint-ventures with other partners with the proper alignment of economic and strategic long-term interests. Partners who can take development risk and also hold long-term.
- SOL retains **development control** of TPQ 116 even as a minority shareholder, as agreed with TPD under the new joint venture agreement.
- SOL has a Put + Call Option which, if exercised, could increase our stake in TPQ 116 to nearly 40%.

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Description of the Shortfall Amount



- Shortfall Amount equals Adjusted TPQ 116 Cleared Site Value plus RMB19.6 million (owed by TPD to SOL) minus TPD Total Portfolio Value.
- Both Adjusted TPQ 116 Cleared Site Value and TPD Total Portfolio Value are based on Knight Frank valuation reports and Deloitte audited balance sheets.
- The Shortfall Amount is approximately RMB 943 million as of 31st July 2013.



Adjusted TPQ 116 Cleared Site Value



	Item
	Knight Frank Valuation of TPQ 116 cleared site as of 31 st July 2013 (RMB 5,261,000,000)
+	Non-relocation cost up to 31 st July 2013
+	Deed Tax
-	Onshore minority shareholder's interest
-	Corporate Income Tax (CIT) provisions
Total	Adjusted TPQ 116 Cleared Site value (RMB 5,272,914,080)

TPD Total Portfolio Value



	TPD's Interest in TPQ116/RHXC/WH/CQ	Notes
	Assets (Real Estate)	Based on Knight Frank's valuations and audited B/S
+	Assets (Others)	
-	Total Liabilities	Based on audited B/S as of 31 st July 2013
-	Onshore minority shareholder's interest	
*	TPD's shareholding %	
+	Amount due to TPD on book	Based on audited B/S as of 31 st July 2013
-	CIT Provisions	

Shortfall Amount



Shortfall Amount		
Adjusted TPQ 116 Cleared Site Value		5,272,914,080
TPD Total Portfolio Value	-	4,348,993,452
Other receivable from TPD	+	19,600,000
Shortfall Amount	=	943,520,628

The Shortfall Amount should be adjusted at Completion as below:

	Item
	Shortfall Amount
+	Non-relocation costs from 1 st August 2013 to Completion Date
+	All assets excluding PPE, properties under development as at Completion Date
-	All liabilities excluding amount due to TPD and SODH
- / +	Increase/(decrease) in minority interest owned by onshore minority shareholder
=	Total Amount

For enquiries, please contact our IR teams
at sol.ir@shuion.com.cn