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

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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).

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瑞安房地產  
SHUI ON LAND

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 272)**

**MAJOR TRANSACTION**  
**DISPOSAL OF MAJORITY EQUITY INTERESTS IN**  
**CHONGQING PROJECT**

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A letter from the Board is set out on pages 4 to 12 of this circular.

\* *For identification purposes only*

19 June 2017

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 May 2017 in relation to, among other things, the Transactions
“Agreement”	the transaction cooperation agreement (交易合作協議) dated 26 May 2017 entered into between Shui On Development, the Seller, Vanke and the Purchaser
“AIC Change”	has the meaning ascribed to it in the paragraph headed “Completion” in the section headed “Letter from the Board” in this circular
“associate(s)”, “close associate(s)”, “connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a calendar day on which commercial banks in the PRC, the U.S. and Hong Kong are open for general business and for processing of inter-bank deposit and payment
“Chongqing Tiandi”	重慶天地, a real estate development project held and operated by the Project Company in Chongqing, PRC
“Chongqing Yuzhong”	Chongqing Yuzhong State-Owned Asset Management Company Limited (重慶渝中國有資產經營管理有限公司), a state-owned enterprise established in the PRC
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (stock code: 272)
“Completion”	completion of the disposal of the Sale Equity in accordance with the terms and conditions of the Agreement
“Condition(s)”	conditions precedent to the Completion contained in the Agreement, details of which are set out in the paragraph headed “Conditions” in the section headed “Letter from the Board” in this circular
“Consideration”	the total consideration payable by the Purchaser for the disposal of the Sale Equity, details of which are set out in the paragraph headed “Consideration” in the section headed “Letter from the Board” in this circular

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“First Installment”	has the meaning ascribed to it in the paragraph headed “Payment” in the section headed “Letter from the Board” in this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	has the meaning ascribed to it in the paragraph headed “Consideration” in the section headed “Letter from the Board” in this circular
“Latest Practicable Date”	14 June 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Portfolio”	the portfolio of properties held by the Seller (via the Project Company) subject to the disposal of the Sale Equity as contemplated under the Agreement, details of which are set out in the paragraph headed “Information on the Project Company” in the section headed “Letter from the Board” in this circular
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Project Company”	Chongqing Shui On Tiandi Real Estate Development Company Limited* (重慶瑞安天地房地產發展有限公司), a Sino-foreign joint enterprise established in the PRC at the date of the Announcement, and shall, prior to Completion, be converted into a Sino-foreign cooperative joint venture established in the PRC pursuant to the Agreement
“Purchaser”	重慶錦瀾實業有限公司, a company established in the PRC with limited liability and a subsidiary of Vanke
“Remaining Portfolio”	the portfolio of properties held by the Seller (via the Project Company) which is not subject to the disposal of the Sale Equity as contemplated under the Agreement
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Sale Equity”	79.2% of all equity interests in the Project Company, representing 79.2% of the interests in the Partnership Portfolio (via the Project Company)
“Seller”	Grand Hope Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shares”	the ordinary shares of the Company with nominal value of US\$0.0025 each
“Shareholders”	holders of the Shares
“Shui On Development”	Shui On Development (Holding) Limited, an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Agreement
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Vanke”	China Vanke Co., Ltd* (萬科企業股份有限公司), a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2202) and the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 000002)
“%”	per cent

*Unless otherwise specified in this circular and for the purpose of illustration only, RMB is translated into HK\$ at the rate of HK\$1.00 = RMB0.88171. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates or at all.*

\* For identification purposes only

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## LETTER FROM THE BOARD

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瑞安房地產  
SHUI ON LAND

### Shui On Land Limited 瑞安房地產有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 272)**

*Executive Directors:*

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

Mr. Douglas H. H. SUNG *(Chief Financial Officer)*

*Non-executive Director:*

Mr. Frankie Y. L. WONG

*Independent Non-executive Directors:*

Sir John R. H. BOND

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

Mr. Anthony J. L. NIGHTINGALE

*Registered Office:*

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Grand Cayman KY1-9005

Cayman Islands

*Place of Business in Hong Kong:*

34th Floor, Shui On Centre

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Wan Chai

Hong Kong

19 June 2017

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION DISPOSAL OF MAJORITY EQUITY INTERESTS IN CHONGQING PROJECT

#### INTRODUCTION

Reference is made to the Announcement in relation to the disposal of the Sale Equity. On 26 May 2017, Shui On Development, the Seller (each a wholly-owned subsidiary of the Company), Vanke and the Purchaser entered into the Agreement, pursuant to which the Sale Equity, representing 79.2% of the interests in the Partnership Portfolio (via the Project Company), will be transferred from the Seller to the Purchaser. Upon Completion, the Project Company will cease to be a subsidiary of the Company.

\* For identification purposes only

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## LETTER FROM THE BOARD

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At the Latest Practicable Date, the Project Company owned the Partnership Portfolio and the Remaining Portfolio. The parties agreed that prior to Completion, the form of the Project Company will be changed into a Sino-foreign cooperative joint venture such that the Sale Equity represents interests in the Partnership Portfolio (via the Project Company) only but not in the Remaining Portfolio.

The purpose of this circular is to provide you with, among other things, further details of the Agreement and the Transactions and other information required under the Listing Rules.

### **THE AGREEMENT**

The principal terms of the Agreement are set out as follows.

#### **Date**

26 May 2017

#### **Parties**

- (a) Shui On Development;
- (b) the Seller;
- (c) Vanke; and
- (d) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Vanke, the Purchaser and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

#### **Assets to be disposed of**

The Sale Equity.

#### **Conversion into Sino-foreign cooperative joint venture**

At the Latest Practicable Date, the Project Company owned the Partnership Portfolio, details of which are set out in the paragraph headed "Information on the Project Company" in the section headed "Letter from the Board" in this circular, and the Remaining Portfolio. The parties agreed that prior to Completion, the form of the Project Company will be changed into a Sino-foreign cooperative joint venture such that the Sale Equity represents interests in the Partnership Portfolio (via the Project Company) only but not in the Remaining Portfolio.

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## LETTER FROM THE BOARD

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Upon Completion:

- (a) 79.2% of the interests in the Partnership Portfolio (via the Project Company) will be held by the Purchaser;
- (b) 19.8% of the interests in the Partnership Portfolio (via the Project Company) will be held by the Seller; and
- (c) 1% of the interests in the Partnership Portfolio (via the Project Company) will be held by Chongqing Yuzhong.

The Project Company will cease to be a subsidiary of the Company upon Completion. The financial results of the Partnership Portfolio (via the Project Company) will cease to be consolidated into the Company's financial statements upon Completion, whereas the financial results of the Remaining Portfolio (via the Project Company) will, as interests in the Remaining Portfolio will be held as to 99% by the Seller and 1% by Chongqing Yuzhong, continue to be consolidated into the Company's financial statements upon Completion.

### Consideration

The Consideration for the disposal of the Sale Equity shall be an initial amount of RMB4,133,000,000 (equivalent to approximately HK\$4,687,000,000) (the "**Initial Consideration**"), representing 79.2% of the agreed net asset value of the Partnership Portfolio in the amount of RMB5,218,000,000 (equivalent to approximately HK\$5,918,000,000), subject to adjustment at Completion.

In calculating the above agreed net asset value of the Partnership Portfolio, the parties have taken into account:

- (a) the agreed total asset value of the Partnership Portfolio in the amount of RMB5,569,000,000 (equivalent to approximately HK\$6,316,000,000), which represents a premium of approximately 54.6% over the carrying value shown in the unaudited accounts of the Project Company at 31 December 2016 (being RMB3,602,000,000 (equivalent to approximately HK\$4,085,000,000)). Such premium was determined after arm's length negotiations between the parties with reference to the market valuation from an external independent professional valuer;
- (b) the construction costs (including finance costs) incurred and to be incurred for the Partnership Portfolio until Completion, whereby the initial amount of such costs at 31 December 2016 was RMB245,000,000 (equivalent to approximately HK\$278,000,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion;



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## LETTER FROM THE BOARD

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- (c) other assets of the Partnership Portfolio (which are not included in the agreed total asset value of the Partnership Portfolio) at Completion, whereby the initial amount of such assets at 31 December 2016 was RMB2,000,000 (equivalent to approximately HK\$2,268,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion; and
- (d) liabilities of the Partnership Portfolio at Completion, whereby the initial amount of such liabilities at 31 December 2016 was RMB598,000,000 (equivalent to approximately HK\$678,000,000), which was determined based on the unaudited accounts of the Project Company at 31 December 2016 and is subject to adjustment at Completion.

For the purpose of the adjustments to the Initial Consideration at Completion, within 15 Business Days after Completion, the Seller shall produce a Completion accounts of the Partnership Portfolio to the Purchaser, confirming the final amount of the figures under items (b), (c) and (d) above at Completion, and adjusting the net asset value of the Partnership Portfolio to reflect changes up to Completion.

The Consideration was determined after arm's length negotiations between the parties with reference to the above and the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Payment**

The Consideration shall be paid in cash by the Purchaser in accordance with the terms and conditions under the Agreement set out below:

- (a) *First Installment*: within 5 Business Days after the fulfillment of all Conditions, an amount of RMB2,480,000,000 (equivalent to approximately HK\$2,813,000,000), representing 60% of the Initial Consideration, shall be paid to a bank account jointly controlled by the Seller and the Purchaser. Such amount (after deducting all applicable tax payable by the Seller in the PRC) shall be remitted to an offshore bank account designated by the Seller after all tax payment and foreign exchange requirements under the applicable PRC laws and regulations have been duly settled and fulfilled (the "**First Installment**");
- (b) *Second Installment*: within 3 months from Completion, the US\$ equivalent of the amount of RMB827,000,000 (equivalent to approximately HK\$938,000,000), representing 20% of the Initial Consideration, shall be remitted to an offshore bank account designated by the Seller; and
- (c) *Third Installment*: within 6 months from Completion or by 15 December 2017 (whichever is earlier), or within 6 months from Completion if Completion takes place after 30 June 2017, the US\$ equivalent of the balance payment of the Consideration (having taken into account all adjustments at Completion), shall be remitted to an offshore bank account designated by the Seller.

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## LETTER FROM THE BOARD

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### Conditions

Completion is subject to the following Conditions:

- (a) the parties having executed all relevant transaction documents in relation to the disposal of the Sale Equity;
- (b) Chongqing Yuzhong having waived its right of first refusal to the disposal of the Sale Equity;
- (c) the approval of the Transactions by the Shareholders as required by the Listing Rules having been obtained (as applicable); and
- (d) the Project Company having completed all relevant procedures in relation to the disposal of the Sale Equity required by the Ministry of Commerce of the PRC (including the conversion of the Project Company from Sino-foreign joint enterprise to Sino-foreign cooperative joint venture).

### Completion

The relevant application procedures for the change in the industry and commerce registration in the PRC for the disposal of the Sale Equity (the “**AIC Change**”) shall be proceeded with after the fulfillment of all Conditions and on the same day when the Purchaser have settled the First Installment. Completion shall take place on the Business Day after the AIC Change application.

### Earnest Money

At the date of the Agreement, an earnest money in the amount of RMB200,000,000 (equivalent to approximately HK\$227,000,000) has been paid by the Purchaser and shall be returned within 5 Business Days after all relevant transaction documents have been executed and the Purchaser has delivered an irrevocable bank guarantee letter to the Seller in the amount of RMB1,240,000,000 (equivalent to approximately HK\$1,406,000,000), representing 30% of the Initial Consideration.

### TRANSFER RESTRICTIONS

Each of the Seller and the Purchaser shall not transfer its interests held in the Partnership Portfolio (via the Project Company) unless otherwise provided in the Agreement. The transfer restrictions provided under Agreement are as follows:

- (a) *Right of first refusal*: each of the Seller and the Purchaser shall have a right of first refusal on any transfer of all (but not some) of its interests in the Partnership Portfolio (via the Project Company) on terms proposed by the intended transferor;

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## LETTER FROM THE BOARD

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- (b) *Tag-along right*: subject to the right of first refusal mentioned under item (a) above, if the Purchaser or the Seller (either of which must hold the majority interests in the Partnership Portfolio (via the Project Company) at the relevant time) proposes to transfer all (but not some) of its interests in the Partnership Portfolio (via the Project Company) to a third party, the other party shall have the right to sell its interests on the same terms;
- (c) *Drag-along right*: subject to the right of first refusal mentioned under item (a) above, if the Purchaser or the Seller (either of which must hold the majority interests in the Partnership Portfolio (via the Project Company) at the relevant time) proposes to transfer all (but not some) of its interests in the Partnership Portfolio (via the Project Company) to a third party, such party shall have the right to require the other party to transfer its interests on the same terms; and
- (d) *No partial transfer*: any transfer of interests in the Partnership Portfolio must be of all (but not some) of the interests held by the proposed transferee.

### INFORMATION ON THE PROJECT COMPANY

The Project Company is established in the PRC and its principal business activity is property development and property investment in Chongqing Tiandi.

The Partnership Portfolio represents a bundle of undeveloped land parcels in Chongqing Tiandi with an aboveground gross floor area of 870,821 square metres, and a construction in progress on Lot B11-2/3 of Chongqing Tiandi with an aboveground gross floor area of 388,420 square metres.

The unaudited net asset value of the Partnership Portfolio at 31 December 2016 was approximately RMB3,236,000,000 (equivalent to approximately HK\$3,670,000,000). For the year ended 31 December 2016, the unaudited losses both before and after taxation of the Partnership Portfolio were approximately RMB98,000,000 (equivalent to approximately HK\$111,000,000) and RMB74,000,000 (equivalent to approximately HK\$84,000,000), respectively. For the year ended 31 December 2015, the unaudited profits both before and after taxation of the Partnership Portfolio were approximately RMB15,000,000 (equivalent to approximately HK\$17,000,000) and RMB11,000,000 (equivalent to approximately HK\$12,000,000), respectively.

### INFORMATION ON THE GROUP

The Company, through its subsidiaries and associates, 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. Shui On Development is incorporated in Cayman Islands with limited liability and is principally engaged in investment holding and debt financing. The Seller is a company incorporated in Hong Kong with limited liability and an investment holding company.

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## LETTER FROM THE BOARD

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### INFORMATION ON VANKE AND THE PURCHASER

Vanke is established in the PRC and its H shares are listed on the Main Board of the Stock Exchange and its A Shares are listed on the Shenzhen Stock Exchange. Vanke is principally engaged in property development and property services. The Purchaser is a company established in the PRC with limited liability and an investment holding company.

### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In line with the “Asset Light Strategy” that the Group has been pursuing since 2015, the Transactions allow the Group to realise value from our assets at a substantial profit, while maintaining its interests and brand name in the future development of Chongqing Tiandi. The Transactions also help improve the Group’s asset turnover rate and to recycle its capital into other development and/or investment opportunities.

Moreover, the formation of a partnership with Vanke, a top-ranked developer in the PRC, in the Partnership Portfolio (via the Project Company), and partnerships with other major companies and other potential partnerships is also part of the “Asset Light Strategy” to help accelerate the Group’s expansion in development businesses throughout the PRC.

The Directors are of the view that the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS AND USE OF PROCEEDS FROM THE DISPOSAL

Taking into account of i) the Initial Consideration of RMB4,133,000,000 (equivalent to approximately HK\$4,687,000,000), subject to adjustment and ii) the unaudited net asset value of the Partnership Portfolio at 30 April 2017, the Group anticipates that the disposal of the Sale Equity, if materialises, will realise a gain of approximately RMB1,611,000,000 (equivalent to approximately HK\$1,827,000,000). The anticipated gain includes the gain from the disposal of the Sale Equity and the fair value gain from the Group’s residual interests in the Partnership Portfolio which is the difference between the fair value and the carrying amount of interests retained in the Partnership Portfolio.

Taking into account the relevant transaction taxes and expenses of approximately RMB210,000,000 (equivalent to approximately HK\$238,000,000) and subject to fulfillment of any post-Completion undertakings, the total net proceeds from the disposal of the Sale Equity will be approximately RMB3,923,000,000 (equivalent to approximately HK\$4,449,000,000) which is expected to reduce Group’s net gearing by approximately 11%. The Group intends to apply the proceeds from the disposal of the Sale Equity to repay indebtedness with near term maturity and to fund general working capital.

The excess of the Initial Consideration over 79.2% of the unaudited net book value of the Partnership Portfolio at 31 December 2016 is approximately RMB1,566,000,000 (equivalent to approximately HK\$1,776,000,000).

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## LETTER FROM THE BOARD

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Following the disposal of the Sale Equity, the net assets of the Group will increase due to an increase in the total assets of the Group and a decrease in the total liabilities of the Group. The profits of the Group will increase due to the gain from the disposal of the Sale Equity.

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is accelerating its overall asset turnover and will continue to seek 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 implement its strategic monetization plan for its commercial portfolio in the prevailing market conditions so as to increase profitability and help to strengthen the Group's cash flow and reduce debt.

For the first four months of 2017, the Company's accumulated contracted sales was RMB1,939,000,000 (equivalent to approximately HK\$2,199,000,000). With the disposal of the Sale Equity, contracted sales to-date amounted to around RMB6,072,000,000 (equivalent to approximately HK\$6,886,000,000).

In relation to the development of the Group's properties, construction works of one residential site situated at the Shanghai Rui Hong Xin Cheng project is in progress; while Hall of the Moon, a retail project situated in Shanghai Rui Hong Xin Cheng project opened in the end of 2016. The second batch of Rui Hong Xin Cheng Phase 7 was successfully launched for pre-sale in April 2017 with good sales result. The remaining batch of Rui Hong Xin Cheng Phase 7 is scheduled to be launched for pre-sale afterwards. The Group will continue to launch new phases of residential properties in other projects in mainland China.

The Directors are of the view that the PRC real estate market will continue to develop and grow in the long run, and that, as the Group implements its current strategies, this will lay a solid foundation for the Group's sustainable development and its long term prospects.

### LISTING RULES IMPLICATION

As the highest applicable percentage ratio for the Company in respect of the Transactions contemplated under the Agreement is higher than 25% but is less than 75%, the Transactions constitute a major transaction for the Company and are 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 Shareholders or any of their respective close associates have any material interest in the Transactions. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Transactions.

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## LETTER FROM THE BOARD

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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, holds 665,603,792 Shares, 1,693,308,826 Shares, 183,503,493 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares and 323,319,781 Shares, respectively, and together representing approximately 56.78% of the issued share capital of the Company at the date of the Announcement.

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 Agreement and the Transactions pursuant to Rule 14.44 of the Listing Rules and as a result, no extraordinary general meeting will be convened to consider the Agreement and the Transactions.

### RECOMMENDATION

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

### 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 audited consolidated financial information of the Group (i) for the year ended 31 December 2016 is disclosed in the annual report of the Company published on 20 April 2017, from pages 121 to 223; (ii) for the year ended 31 December 2015 is disclosed in the annual report of the Company published on 14 April 2016, from pages 117 to 219; (iii) 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; and all of which have been published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.shuionland.com](http://www.shuionland.com)).

## 2. STATEMENT OF INDEBTEDNESS

### Borrowings

At the close of business on 30 April 2017, being the latest practicable date for the purpose of determining this indebtedness of the Group prior to the printing of this circular, the Group had total borrowings amounting to approximately RMB50,501,000,000, details of which are as follows:

- (i) senior notes of the Group with the aggregate carrying amount of RMB18,512,000,000 (the aggregate principal amount of approximately RMB18,191,000,000) which were unsecured and guaranteed;
- (ii) bank borrowings of the Group with the aggregate carrying amount of approximately RMB31,514,000,000 (the aggregate principal amount of approximately RMB31,674,000,000), of which RMB9,249,000,000 (the corresponding principal amount of approximately RMB9,399,000,000) were unsecured, and RMB22,265,000,000 (the corresponding principal amount of approximately RMB22,275,000,000) were secured by certain assets of the Group. Amongst these bank borrowings, borrowings with the aggregate carrying amount of RMB12,968,000,000 (the corresponding aggregate principal amount of RMB13,118,000,000) were guaranteed;
- (iii) loans from a non-controlling shareholder of a subsidiary of the Group with the aggregate carrying amount of RMB159,000,000 which were unsecured and not guaranteed;
- (iv) amounts due to non-controlling shareholders of subsidiaries of the Group with the aggregate principal amount of RMB8,000,000 which were unsecured and not guaranteed; and
- (v) amounts due to related companies of the Group with the aggregate carrying amount of RMB308,000,000 which were unsecured and not guaranteed.

**Mortgages and charge**

At 30 April 2017, the Group's secured borrowings were secured by certain of the Group's bank deposits, investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivables, benefits accrued to the relevant properties and equity interests in certain subsidiaries.

**Contingent liabilities**

In addition, at 30 April 2017, 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 RMB324,000,000 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. At 30 April 2017, such arrangement has not taken place.
- (ii) The Group has provided a guarantee to (i) a joint venture which was formed between Richcoast Group Limited ("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 RMB55,000,000 in respect of Richcoast's payment obligations to the joint venture and Mitsui.
- (iii) The Group has issued financial guarantees to independent third parties in respect of outstanding amounts due from subsidiaries of an associate. The maximum amount that could be paid by the Group if the guarantee was called upon is RMB902,000,000.

**Liabilities arising from rental guarantee arrangement**

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

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.

At 30 April 2017, the fair value of financial liabilities arising from the rental guarantee arrangement amounted to RMB435,000,000. In respect of the guarantee period from 30 April 2017 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 RMB1,103,000,000.



Save as aforementioned and apart from intra-group liabilities within the Group and normal trade business, at the close of business on 30 April 2017, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

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

*The following is a text of the letter and valuation report prepared for the purpose of incorporation in this circular issued by Knight Frank Petty Limited, an independent property valuer, in connection with the valuation of the Partnership Portfolio as at 30 April 2017.*



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

19 June 2017

Dear Sirs

**Various Lots of Chongqing Tiandi, Hualongqiao Development Area, Yu Zhong District, Chongqing, 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 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 30 April 2017.

**Basis of Valuation**

Our valuation is our opinion of the market value of the property interest which we would define as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical

financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of an asset or liability is also estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

### **Valuation Methodology**

We have valued the property by 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 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, 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 interest 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 Executive Director, Mr Clement Leung in June 2017. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc for any future developments. Our valuations are prepared on the assumption that these aspects are satisfactory.

**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 our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

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**  
MFin MCIREA MHKIS MRICS RPS (GP)  
*Executive Director*

*Note:* Clement W M Leung MFin, MCIREA, MHKIS, MRICS, RPS(GP), is a qualified valuer and has about 23 years’ experience in the valuation of properties in Hong Kong, Macau and Asia Pacific region and has 21 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 30 April 2017														
Various lots of Chongqing Tiandi Hualongqiao Development Area Yu Zhong District Chongqing The PRC  <i>(please refer to note 19 below for details)</i>	<p>Chongqing Tiandi (the “Development”) is situated in Yu Zhong District covering a site with area of approximately 1,210,039 sq m. The Development is bounded by No 24 Hua Cun and No 132 Hua Long Qiao Cun on the east, No 82-2 Hong Yan Cun and No 377 Jiao Nong Cun on the west, a railway route under the ridges on the south and the southern coast of Jia Ling Jiang on the north. The whole development is proposed to be finished in 2022.</p> <p>The Development will provide a board range of facilities that include: merchandise mart, luxury hotels, intelligent office buildings as well as residential clusters, dining, shopping and entertainment amenities.</p> <p>The property comprises various lots of the Development <i>(please refer to note 19 below for details)</i> with a total site area of approximately 219,339 sq m. The property will be developed by different phases and the area details are listed as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area sq m</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>271,530</td> </tr> <tr> <td>Office</td> <td>258,868</td> </tr> <tr> <td>Residential</td> <td>703,547</td> </tr> <tr> <td>Hotel</td> <td>25,296</td> </tr> <tr> <td>Other</td> <td>4,594</td> </tr> <tr> <td>Total:</td> <td><u>1,263,835</u></td> </tr> </tbody> </table> <p>The property also comprises 4,667 basement car parking spaces.</p> <p>Portion of the property is held under various land use right terms for urban residential use, commercial and servicing uses <i>(please refer to note 15 below for details)</i>. As per your instructions, the land use right of remaining portion of the property is assumed to be granted for a term of 40 years for commercial, 70 years for residential and 50 years for composite uses commencing from the date of issuance of the real estate ownership certificate.</p>	Use	Gross Floor Area sq m	Retail	271,530	Office	258,868	Residential	703,547	Hotel	25,296	Other	4,594	Total:	<u>1,263,835</u>	<p>Construction works of Lot B11-1/02-2 &amp; B11-1/02-3 of the property are currently pending.</p> <p>The remaining portion of the property is either vacant site or being occupied by a number of low to medium rise buildings.</p>	<p>RMB5,770,000,000 (RENMINBI FIVE BILLION SEVEN HUNDRED AND SEVENTY MILLION ONLY)</p> <p>(99% interest attributable to the Group: RMB5,712,300,000)</p> <p><i>(please see note 20)</i></p>
Use	Gross Floor Area sq m																
Retail	271,530																
Office	258,868																
Residential	703,547																
Hotel	25,296																
Other	4,594																
Total:	<u>1,263,835</u>																

*Notes:*

1. Pursuant to the Joint Venture Contract entered into between Chongqing Yu Zhong State-owned Assets Management Company Limited (“Party A”) and Grand Hope Limited (“Party B”) on 18 November 2003 and the approval letter No Yu Zhong Wai Jing (2006) 91, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract and the approval letter are as follows:
  - (i) Name of joint venture company : Chongqing Shui On Tiandi Property Development Company Limited (the “Joint Venture”)
  - (ii) Period of operation : 70 years from the date of issue of the business licence
  - (iii) Total investment amount : US\$230,000,000 (currently increased to US\$525,000,000)
  - (iv) Registered capital : US\$90,500,000 (currently increased to US\$385,000,000) (Party A: 1%, Party B: 99%)
  - (v) Operation : property development, construction, operation and management
  - (vi) Profit sharing arrangement : the profit after tax and funds is shared according to the investment ratio of the parties
  - (vii) The demolition and relocation works should be commenced before 31 December 2003.
  - (viii) After the Joint Venture obtaining the land use right, the land should be solely used for self development and the transfer (other than sale of commodity housing), lease, mortgage to third party or dispose of such right is not permitted prior to a written confirmation by Party A. The Joint Venture/ Party B should not transfer the land use rights for speculation purpose.
2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.
3. Pursuant to the Business Licence dated 13 September 2012 issued by the Chongqing Commercial Administration Bureau, the Joint Venture was established with a registered capital of US\$385,000,000 for a period commencing from 21 November 2003 and expiring on 20 November 2073. The scope of business includes property development, operation and management.
4. Pursuant to an authorization document endorsed by the Mayor of the People’s Government of Chongqing dated 19 August 2003, the District Representative of the People’s Government of Yu Zhong District is authorized to sign a cooperation agreement with Hong Kong Shui On Group.
5. Pursuant to the cooperation agreement entered into between the People’s Government of Chongqing Yu Zhong District (“Party C”) and Party B on 19 August 2003, both parties agreed to jointly develop a site with an area of approximately 1,250,000 sq m (currently change to 1,210,039 sq m). The salient conditions of the agreement are, inter alia, listed below:
  - (i) The agreed cost for the development is composed of land premium and relocation cost.
  - (ii) Both parties agreed to form a joint venture company in charge of the development of which the investment ratio of Party C and Party B should be 1% and 99% respectively.
  - (iii) Party B can invite other investor to participate in the project as long as it complies with the requirements of relevant planning departments.
  - (iv) The project should be constructed in phases and the demolition and relocation works should be completed within 4 years and the whole development should be completed within 12 years.

- (v) The 4 years condition stated above expired on 30 June 2008.
  - (vi) The standard of demolition and relocation costs is RMB1,200,000/mu which is valid for 4 years commencing from 31 December 2003.
  - (vii) After the above-mentioned period, relocation cost will be adjusted according to the People's Bank of China announced interest rate on one year term.
  - (viii) The joint venture company/Party B should apply for a rent application for several parcels of lands before the end of 2010.
  - (ix) The joint venture company and/or Party B shall not obtain real estate development loans in settling relocation and resettlement costs without obtaining a written approval from either Party C or the China Party of the joint venture company.
  - (x) After the joint venture company obtaining the land use right, the land should be solely used for self development and the transfer (other than sale of commodity housing), lease, mortgage to a third party or disposal of such right is not permitted prior to the written confirmation by Party C or the China partner of the joint venture company. The joint venture company/Party B should not transfer the land use right for speculation purpose.
  - (xi) Either party to the agreement should neither transfer the whole or any part of the agreement without prior written consent by other party.
  - (xii) Demolition and relocation works should be commenced before 31 December 2003 covering an area of approximately 500 mu.
  - (xiii) Party C is responsible for obtaining relevant land use right certificate, and the land use right term should be 40 years for commercial, 70 years for residential and 50 years for composite use.
6. Pursuant to the authorization agreement endorsed by the Mayor of the People's Government of Yu Zhong District dated 19 November 2003, the directing department for the development and construction of Hua Long Qiao Pian Qu ("Party D") is authorized to represent the People's Government of Yu Zhong District to handle the development of the site including demolition, relocation, joint venture, development, construction and other administration, economic and legal affairs.
7. Pursuant to the agreement of capital arrangement for demolition and relocation in Phase 1 Red-line District of Hua Long Qiao Pian Qu of Yu Zhong District entered into between the Joint Venture and Party D on 2 December 2003, the salient conditions for the demolition and relocation arrangement of Phase 1 Red-line District are as follows:
- (i) The scope of relocation cover an area of approximately 508 mu, 4,762 units to be demolished, approximately 527,614.17 sq m of gross floor area to be demolished.
  - (ii) The relocation cost to be paid by the Joint Venture is approximately RMB609,600,000.
  - (iii) Party D promises to complete all demolition and relocation works not more than 4 years after receiving of the relocation cost paid by the Joint Venture.
  - (iv) Party D should transfer an area of approximately 112 mu within 6 months (before September of 2004) after receiving the first installment of the relocation cost; transfer an area of approximately 108 mu within 2 years (before March of 2006) after receiving the first installment of the relocation cost; transfer an area of approximately 288 mu within 3 years (before March of 2007) after receiving the first installment of the relocation costs; transfer Chongqing Education School with a site area of approximately 80 mu not later than 30 June 2008.

8. According to the information provided, tentative time schedule for resettlement is stated in various relocation agreements which have superseded the schedule as mentioned in notes 5 and 7 above.
9. Pursuant to the Contract for Grant of State-owned Land Use Right No Yu Di (2005) He Zi (Zhong Qu) Di 92 and its amendment agreement both entered into between the Chongqing Real Estate and Land Resources Administration Bureau and the Joint Venture on 3 March 2005 and 8 June 2007 respectively, the former party agreed to grant the Joint Venture the land use right of the land of portion of the Development with a site area of approximately 537,532 sq m at a consideration of RMB1,593,808,260 (RMB682,378,760 for land grant fee and RMB911,429,500 for relocation cost) for a land use right term of 40 years for commercial use, 70 years for residential use and 50 years for composite use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee. Portion of the property is vested in the said contract.
10. Pursuant to the Contract for Grant of State-owned Land Use Right No Yu Di (2007) He Zi (Zhong Qu) Di 48 and its amendment both entered into between the Chongqing Real Estate and Land Resources Administration Bureau and the Joint Venture on 6 March 2007 and 24 August 2009 respectively, the former party agreed to grant the Joint Venture the land use right of portion of the Development (Phase 3) with a site area of approximately 333,134 sq m at a consideration of RMB1,150,914,795 (RMB200,480,224 for land grant fee, RMB950,351,287 for relocation cost and RMB83,284 for others) for a land use right term of 40 years for commercial use and 50 years for residential use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee. Portion of the property is vested in the said contract.
11. Pursuant to the Confirmation Letter No Yu Di Jiao Yi Chu (2006) 196 issued by the Chongqing Land Transaction Centre dated 31 December 2006, the land use right of portion of the Development obtained by the Joint Venture with a site area of 333,134 sq m at a total consideration of RMB1,134,540,000 (RMB184,105,429 for land grant fee, RMB950,351,287 for resettlement cost and RMB83,284 for planning fee) have been confirmed.
12. Pursuant to the Resettlement and Relocation Agreement entered into between the Joint Venture and Party D on 3 March 2005, the relocation cost of portion of the Development with a site area of approximately 761 mu (currently change to 806 mu) was agreed as RMB913,200,000.
13. Pursuant to the Resettlement and Relocation Agreement entered into between the Joint Venture and Party D on 6 March 2007, the relocation cost of portion of the Development with a site area of approximately 561.45 mu was agreed as RMB949,777,100.
14. Pursuant to the Compensation Agreement entered into between the Joint Venture and Party D on 4 July 2008, the compensation cost of RMB500,000,000 was used for relocation and construction of public facilities.



15. Pursuant to eleven Real Estate Ownership Certificates all issued by the Chongqing Real Estate and Land Resources Administration Bureau, the title to the land portion of the property is vested in the Joint Venture for various terms and the details are listed as below:

Certificate No.	Lot No.	Site area (sq m)	Use	Land use term expiry	Date of issuance
101 Fang Di Zheng D2008 Zi Di 62	B4 (currently reschedule to B4-2/03)	8,627.10	Commercial and servicing	12 August 2048	10 September 2008
101D Fang Di Zheng 2014 Zi Di 202	B5/03	21,001.00	Commercial and servicing and urban residential	12 August 2048 (commercial) 12 August 2078 (residential)	10 December 2014
101D Fang Di Zheng 2009 Zi Di 47	B10/02 (currently reschedule to B10/03)	8,930.10	Urban Residential	30 October 2078	27 May 2009
101D Fang Di Zheng 2010 Zi Di 35	B14-1/02 (currently reschedule to B14-1/03)	8,961.50	Commercial and servicing	30 October 2048	30 June 2010
101D Fang Di Zheng 2010 Zi Di 34	B14-3/02 (currently reschedule to B14-3/03)	6,472.60	Urban Residential	30 October 2078	30 June 2010
101D Fang Di Zheng 2010 Zi Di 36	B14-4/02 (currently reschedule to B14-4/03)	6,564.90	Commercial and servicing	30 October 2048	30 June 2010
101D Fang Di Zheng 2015 Zi Di 135	B15/03	45,663.00	Urban residential	30 October 2078	9 December 2015
101 Fang Di Zheng D2009 Zi Di 46	B11-1/02-2	21,991.10	Commercial and servicing	30 October 2078	14 May 2009
101 Fang Di Zheng D2009 Zi Di 45	B11-1/02-3	14,574.60	Commercial and servicing	30 October 2078	22 May 2009
101D Fang Di Zheng 2015 Zi Di 123	B13/03	29,803.5	Other Commercial and servicing	30 October 2048	16 November 2015
101D Fang Di Zheng 2011 Zi Di 49	B24-6/02 (currently reschedule to B24-6/03)	36,577.30	Urban residential	31 October 2078	11 April 2011

As confirmed by the Company, the Joint Venture is applying the new Real Estate Ownership Certificates for Lot B4-2/03, B10/03, B14-1/03, B14-3/03, B14-4/03 and B24-6/03 of the property and the new planning for Lot B13/03 of the property. In addition, Lot B14-3/03 and B14-4/03 will then be merged into Lot B14-3.

16. Pursuant to eight Construction Land Use Planning Permits all issued by the Chongqing Planning Bureau, portion of the property was permitted to be developed and the details are listed as below:

Certificate No.	Lot No.	Site Area (sq m)	Date of Issuance
Di Zi Di Jian 500103200800324	B11-1/02	56,729	5 September 2008
Di Zi Di 500103201400520	B13/03	29,804	12 October 2014
Di Zi Di 500103201500004	B14-1/03	9,676	5 February 2015
Di Zi Di 500103201700002	B14-3/03	13,040	12 January 2017
Di Zi Di 500103201400513	B15/03	45,663	13 June 2014
Di Zi Di 500103201000110	B24-6/02	36,579	3 December 2010
Di Zi Di 500103201400521	B24-9/03	11,800	11 November 2014
Di Zi Di 500103201400523	B5/03, B6/03, B9/03, B10/03	66,161	21 November 2014

17. Pursuant to the Construction Works Commencement Permit No 500103201110200101 issued by the Chongqing Yuzhong District Construction and Transportation Committee, construction works of piling of Lot B11-1/02 was permitted.
18. As advised by the Group, the construction cost incurred of the property as at the valuation date was approximately RMB1,237,700,000. Accordingly, we have taken into account the said cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming a total construction cost (including professional fee) of approximately RMB11,297,000,000, was estimated approximately as RMB21,344,000,000.
19. The property refers to Lot B4-2/03, B5/03, B10/03, B14-1/03, B14-3/4/03, B15/03, B11-1/02-2, B11-1/02-3, B13/03, B24-6/03, B24-8 and B24-9/03 of the Development.
20. In the course of our valuation, we have assumed that all land premium, costs of public utility services and relocation costs of the property have been fully settled.
21. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:
- (i) the Joint Venture has been legally established;
  - (ii) the Joint Venture has legally obtained the land use rights of portion of the property as mentioned in note (15) and is the sole owner of the land use rights of portion of the property;
  - (iii) lot B5/03, B14-1/03, B14-4/03, B11-1/02-3 and B24-6/03 of the property are subject to mortgages;
  - (iv) the land use rights of the property as mentioned in note (15) can be legally occupied, used or transferred by the Joint Venture subject to relevant laws and regulations and conditions stipulated in the mortgage contracts;
  - (v) construction works of Lot B11-1/02-2 and B11-1/02-3 were currently pending. Construction engineering planning certificate of the aforesaid lot will be issued after the approval for the aviation height restriction as requested by the planning bureau; and
  - (vi) other than the portion of the property as mentioned in note (21) (iii), the property is free from mortgages and other encumbrances.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors and chief executive of the Company

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

#### (a) Long position in the Shares and the underlying Shares of the Company

Name of Directors	Number of ordinary Shares			Interests in the underlying shares Share options (Note 4)	Total	Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date (Note 5)
	Personal interests	Family interests	Other interests			
Mr. Vincent H. S. LO (“ <b>Mr. Lo</b> ”)	—	1,849,521 (Note 1)	4,587,365,484 (Notes 2 & 3)	—	4,589,215,005	57.17%
Mr. Douglas H. H. SUNG	—	—	—	437,000	437,000	0.0054%
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 665,603,792 Shares, 1,693,308,826 Shares, 183,503,493 Shares, 29,847,937 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares and 323,319,781 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 represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for Shares.
- (5) These percentages have been compiled based on the total number of issued Shares (i.e. 8,026,630,189 Shares) at the Latest Practicable Date.

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

<b>Name of Director</b>	<b>Name of Associated Corporation</b>	<b>Nature of Interests</b>	<b>Amount of Debentures</b>
Mr. Lo	Shui On Development (Holding) Limited	Family interests	USD1,300,000
Mr. Douglas H. H. SUNG	Shui On Development (Holding) Limited	Personal interests	USD450,000
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. Anthony J. L. NIGHTINGALE	Shui On Development (Holding) Limited	Personal interests	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 positions 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 2016 (being the date to which the latest published audited financial statements of the Group were made up).

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

At the Latest Practicable Date, save as disclosed below, none of the Directors or the proposed Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

### **3. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Knight Frank Petty Limited	Independent property valuer and chartered professional surveyors

Knight Frank Petty Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its valuation report and certificates and/or references to its name in the form and context in which they respectively appear.

#### 4. EXPERT'S INTEREST

Knight Frank Petty Limited has confirmed that 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 2016 (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 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 which SOCL and Mr. Lo have severally undertaken not to compete with the business of the Company. For more details, see the section headed “Relationship with the Shui On Group” of the Listing Prospectus. In addition, Mr. Lo is also the chairman and controlling shareholder of SOCAM Development Limited, which is engaged in property development in the PRC.

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

## 8. NO MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2016 (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 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 entered into between Shui On Development (Holding) Limited (“**SODH**”) and Taipingqiao 116 Development Company Limited (“**Taipingqiao 116**”) dated 18 December 2015, in relation to the acquisition of 74,558 issued shares of US\$0.001 each in the capital of Portspin Limited (“**Portspin**”) (subject to adjustment) and certain Taipingqiao 116’s rights to certain shareholder’s loans (together with interest accrued thereon) granted to Portspin for a maximum aggregate consideration of US\$563,000,000 (equivalent to approximately HK\$4,363,419,000) (subject to adjustment);
- (b) the sale and purchase agreement entered into between certain indirect wholly-owned subsidiaries of the Company and 佛山市順德區碧桂園地產有限公司 (Foshan Shunde Country Garden Properties Company Limited\*) dated 14 April 2016, in relation to the disposal of 100% equity interests in 佛山源康房地產發展有限公司 (Fo Shan Yuan Kang Property Development Co., Ltd.\*) at the consideration of RMB1,726,457,696 (subject to adjustment, if any);
- (c) the framework agreement dated 3 May 2016 entered into between SODH, 武漢瑞安天地房地產發展有限公司 (Wuhan Shui On Tiandi Property Development Co., Ltd.\*), and 中信泰富(中國)投資有限公司 (CITIC Pacific China Holdings Limited\*) relating to the disposal of certain properties in Wuhan, Hubei, the PRC, consideration and details of which were set out in the announcement of the Company dated 3 May 2016 and the circular of the Company dated 24 June 2016; and
- (d) the 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 SMP Partners (Cayman) Limited, Royal Bank House - 3rd Floor, 24 Shedden Road, P.O. Box 1586, 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 property valuation report issued by Knight Frank Petty Limited on the Partnership Portfolio, the text of which is set out in Appendix II to this circular;
- (c) the written consent referred to in the section headed "Expert and Consent" in this appendix;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (e) the annual reports of the Company for the years ended 31 December 2014, 31 December 2015 and 31 December 2016; and
- (f) this circular.