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The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.



瑞安建業有限公司*
SHUI ON CONSTRUCTION AND MATERIALS LIMITED
(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

**CONNECTED
AND
DISCLOSEABLE TRANSACTION**

**DISPOSAL OF PARTIAL INTEREST IN
SHUI ON LAND LIMITED**

The Board announces that on 1 June 2010, New Rainbow, a wholly-owned subsidiary of the Company, entered into the Agreement with SOPL whereby New Rainbow agrees to sell to SOPL approximately Hong Kong dollars one billion and eighty million (HK\$1,080,000,000) worth of Sale Shares at a price per SOL Share equal to the Purchase Price and subject to the terms of the Agreement. Based on the Minimum Purchase Price of HK\$3.4088 per SOL Share, a maximum of up to approximately 316.83 million SOL Shares representing approximately 6.31% of the issued share capital of SOL may be sold under the Agreement. In the event that the Purchase Price exceeds the Maximum Purchase Price of HK\$4.00 per SOL Share, SOPL shall have the right to terminate the Agreement.

Upon completion of the Disposal, Shui On Group (comprising SOCL and its subsidiaries including SOPL) will increase its shareholding in SOL from approximately 41.39% to 47.70% (based on the Minimum Purchase Price of HK\$3.4088), and a general offer obligation under the Takeovers Code may arise on the part of Shui On Group as a result of the Disposal. Accordingly, a waiver application has been made by SOCL to the SFC on such general offer obligation, and the Disposal is subject to obtaining such a waiver from the SFC.

SOPL is a wholly-owned subsidiary of SOCL, the controlling shareholder of the Company. Accordingly, both SOCL and SOPL are connected persons of the Company. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the Disposal are over 5% but less than 25%, the Disposal constitutes a connected and discloseable transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A and Chapter 14 of the Listing Rules.

At the SGM, the Company will seek Independent Shareholders' approval for the Agreement and the Disposal. In view of the interest of SOCL and its associates in the Agreement, SOCL and its associates will abstain from voting at the SGM in this regard. The votes to be taken at the SGM will be taken by poll, the results of which will be announced after the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Agreement and BNP Paribas has been retained as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders. A circular containing information with respect to the Agreement will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the Disposal is subject to a number of conditions (including Shui On Group obtaining a waiver from the SFC on the general offer obligations in respect of the Disposal) and SOPL's right to terminate the Agreement in the event that the Purchase Price exceeds the Maximum Purchase Price. The release of this announcement does not in any way indicate that the Disposal will be successfully completed. Further announcement will be made to update the Shareholders and investors of the Purchase Price on or before the second Business Day immediately after the Price Fixing Date. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

THE AGREEMENT

Date: 1 June 2010

Parties: (1) New Rainbow; and
(2) SOPL

Sale and purchase

New Rainbow agrees to sell and SOPL agrees to purchase approximately Hong Kong dollars one billion and eighty million (HK\$1,080,000,000) worth of Sale Shares at a price per SOL Share equal to the Purchase Price.

Purchase Price

The Purchase Price shall be determined on the Price Fixing Date, and shall be the higher of the following:

- (i) **Minimum Purchase Price** — HK\$3.4088 per SOL Share, being the higher of (A) the closing price per SOL Share as quoted on the Stock Exchange on the date of the Agreement and (B) the volume weighted average price per SOL Share as quoted on the Stock Exchange for the consecutive thirty (30) dealing days immediately preceding and including the date of the Agreement; and
- (ii) **current market price** — the volume weighted average closing price per SOL Share calculated based on the trading volume of the SOL Shares and the closing price per SOL Share as quoted on the Stock Exchange for the dealing days commencing from the date of the Agreement and ending on the Price Fixing Date or, if that is not a dealing day, the immediately preceding dealing day, both days inclusive,

PROVIDED that if the Purchase Price exceeds the Maximum Purchase Price of HK\$4.00 per SOL Share, SOPL shall have the right to terminate the Agreement by written notice on or before the first Business Day immediately following the Price Fixing Date.

The Minimum Purchase Price and the Maximum Purchase Price of HK\$3.4088 and HK\$4.00 per SOL Share respectively represents:

- (a) a premium of 3.93% and 21.95% over the closing price of HK\$3.28 per SOL Share as quoted on the Stock Exchange on 1 June 2010, being the date of signing the Agreement;
- (b) a premium of 2.12% and 19.83% over the average closing price of HK\$3.34 per SOL Share for the last five (5) dealing days up to and including 1 June 2010; and
- (c) a discount of 0.52% to and a premium of 16.73% over the average closing price of HK\$3.43 per SOL Share for the last thirty (30) dealing days up to and including 1 June 2010.

The basis of determination of the Purchase Price and the Maximum Purchase Price were arrived at based on arm's length negotiation between the parties having made reference to the prevailing market price of the SOL Shares on the Stock Exchange.

Sale Shares

Based on the Minimum Purchase Price and the Maximum Purchase Price of HK\$3.4088 and HK\$4.00 respectively, up to approximately 316.83 million SOL Shares and 270.00 million SOL Shares may be sold by New Rainbow to SOPL under the Agreement, representing approximately 6.31% and 5.38% respectively of the issued share capital of SOL.

Conditions

The completion of the sale and purchase of the Sale Shares under the Agreement is conditional upon the following conditions being satisfied (or in the case of condition (b) below, waived by both parties to the extent it is legally permitted to do so):

- (a) the approval of the Independent Shareholders at the SGM for the execution of the Agreement and the Disposal;
- (b) the obtaining of all consents, approvals, clearances and authorisations of any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere as may be necessary for the execution and implementation of the Agreement; and
- (c) Shui On Group obtaining a waiver from the SFC on the obligations of Shui On Group and the persons acting in concert with it to make a general offer pursuant to the Takeovers Code in respect of the Disposal.

Completion

Completion shall take place within three (3) Business Days after the above conditions have been satisfied (or in the case of condition (b) above, waived) not later than 30 June 2010 (or such later date as the parties may agree in writing).

INFORMATION RELATING TO SOL

SOL, through its subsidiaries, is one of the leading property developers in the PRC. It engages principally in the development, sale, leasing, management and long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

The audited consolidated net profits (both before and after taxation and extraordinary items) of SOL for the two financial years immediately preceding the Disposal, as extracted from its audited published financial statements are set out below:

Year ended 31 December	Profit before taxation <i>(RMB'million)</i>	Profit after taxation <i>(RMB'million)</i>
2008	2,725	2,068
2009	3,894	2,593

The audited consolidated net asset value of SOL at 31 December 2008 and 31 December 2009 were as follows:

At	Net asset value <i>(RMB'million)</i>
31 December 2008	16,863
31 December 2009	21,579

The Group's interest in SOL are accounted for as "available-for-sale investments" in the Group's consolidated balance sheet, and will remain accounted for as "available-for-sale investments" after completion of the Disposal.

IMPACT OF AND REASONS FOR THE DISPOSAL

The Group is principally engaged in property development, asset management, cement production and construction in Hong Kong and the PRC.

SOCL and SOPL are both investment holding companies.

Impact on the Group's ownership in SOL

At the date of this announcement, SOL is owned as to approximately 8.67% by the Group, and as to approximately 41.39% by SOCL and its subsidiaries (including SOPL). Collectively, the Shui On Group and the Group hold approximately 50.06% in the issued share capital of SOL.

After the completion of the Disposal, the Group's interest in SOL will be reduced from approximately 8.67% to approximately 2.36% (assuming the Purchase Price is the Minimum Purchase Price of HK\$3.4088) and approximately 3.29% (assuming the Purchase Price is the Maximum Purchase Price of HK\$4.00). The interest of the Shui On Group in SOL will be increased from approximately 41.39% to approximately 47.70% (assuming the Purchase Price is the Minimum Purchase Price of HK\$3.4088) and approximately 46.77% (assuming the Purchase Price is the Maximum Purchase Price of HK\$4.00). The collective interest of the Shui On Group and the Group in SOL will remain unchanged at approximately 50.06%.

Financial Impact on the Company

The Group will record a gain on the Disposal, being the difference between the Purchase Price and the carrying investment cost of such shares of approximately HK\$2.23 per SOL Share. The actual amount of the gain will be determined on the Price Fixing Date when the Purchase Price and the number of Sale Shares are fixed. Assuming the Purchase Price is the Minimum Purchase Price of HK\$3.4088 per SOL Share, the gain, before transaction costs, is estimated to be approximately HK\$374.34 million, including transfer from the investment revaluation reserve. Assuming the Purchase Price is the Maximum Purchase Price of HK\$4.00 per SOL Share, the gain, before transaction costs, is estimated to be approximately HK\$478.64 million, including transfer from the investment revaluation reserve. Such gain is expected to be recognised in the Group's consolidated income statement for the year ending 31 December 2010.

The net proceeds after the transaction costs from the Disposal will be used by the Group as its working capital and to repay its existing debts. This would strengthen the Group's financial position for expanding its core businesses.

Reasons for the Disposal

The Group intends to dispose of further interests in the SOL Shares and use the sale proceeds to fund future growth and development of business of the Group. The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of the Independent Financial Adviser) consider that the terms of the Agreement are normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole for the following reasons:

- (a) The Disposal allows the Group to realise some of the profits locked up in its investment in SOL. It is the strategic intention of the Group to strengthen its balance sheet by better matching its long term assets with long term capital funding. The Disposal reflects the Group's efforts in better utilising its assets to produce attractive returns for Shareholders in ways that are proactive and effective.
- (b) The Group will use a substantial part of the proceeds from the Disposal to repay its bank borrowings, thereby reducing its gearing level and freeing up gearing capacity for expanding its property business.

IMPLICATIONS OF THE TAKEOVERS CODE

Upon completion of the Disposal, Shui On Group (comprising SOCL and its subsidiaries including SOPL) will increase its shareholding in SOL from approximately 41.39% to 47.70% (based on the Minimum Purchase Price of HK\$3.4088), and a general offer obligation under the Takeovers Code may arise on the part of Shui On Group as a result of the Disposal. Accordingly, a waiver application has been made by SOCL to the SFC on such general offer obligation, and the Disposal is subject to obtaining such a waiver from the SFC.

IMPLICATIONS OF THE LISTING RULES

SOPL is a wholly-owned subsidiary of SOCL, the controlling shareholder of the Company. Accordingly, both SOCL and SOPL are connected persons of the Company. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the Disposal are over 5% but less than 25%, the Disposal constitutes a connected and discloseable transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A and Chapter 14 of the Listing Rules.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

“Agreement”	the sale and purchase agreement dated 1 June 2010 entered into between New Rainbow and SOPL in respect of the Disposal;
“associates”, “connected persons”	each has the meaning as ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BNP Paribas”	BNP Paribas Capital (Asia Pacific) Limited;
“Business Day”	a day other than a Saturday or Sunday, on which banks are open in Hong Kong to the general public for business;
“Company”	Shui On Construction and Materials Limited, a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange (Stock Code: 983);
“Directors”	directors of the Company;
“Disposal”	the disposal of the Sale Shares by New Rainbow pursuant to the Agreement;
“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;
“Independent Board Committee”	the committee of the Board comprising Mr. Gerrit Jan de Nys, Ms. Li Hoi Lun, Helen, Mr. David Gordon Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses, being independent non-executive Directors, formed to advise the Independent Shareholders on whether the terms and conditions of the Agreement are fair and reasonable;
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee in relation to the Disposal;

“Independent Shareholders”	shareholders of the Company other than SOCL and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maximum Purchase Price”	HK\$4.00 per SOL Share;
“Minimum Purchase Price”	HK\$3.4088 per SOL Share;
“New Rainbow”	New Rainbow Investments Limited, which is a wholly-owned subsidiary of the Company and holds approximately 8.67% of the issued share capital in SOL at the date of this announcement;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan;
“Price Fixing Date”	the eleventh Business Day immediately prior to the date of the SGM;
“Purchase Price”	the price per SOL Share to be paid by SOPL to New Rainbow for the Sale Shares determined in accordance with the Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	such number of SOL Shares (rounded to the nearest whole number) as shall result from dividing HK\$1,080,000,000 by the Purchase Price;
“SFC”	the Securities and Futures Commission;
“SGM”	the special general meeting to be convened by the Company to consider the Agreement and the Disposal;
“Shareholders”	holder of the shares of the Company;
“Shui On Group”	SOCL and its subsidiaries;
“SOCL”	Shui On Company Limited, the controlling shareholder interested in approximately 37.24% of the issued share capital of the Company;

“SOL”	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);
“SOL Share(s)”	ordinary share(s) of nominal value US\$0.0025 each in the capital of SOL;
“SOPL”	Shui On Properties Limited, a wholly-owned subsidiary of SOCL and an investment holding company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong; and
“%”	per cent.

By Order of the Board
Shui On Construction and Materials Limited
Wong Kun To, Philip
Chief Executive Officer

Hong Kong, 1 June 2010

At the date of this announcement, the executive Directors are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie, Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond; and the independent non-executive Directors are Mr. Gerrit Jan de Nys, Ms. Li Hoi Lun, Helen, Mr. David Gordon Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses.

** For identification purposes only*

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