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瑞安建業有限公司*
SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

CONTINUING CONNECTED TRANSACTIONS

MASTER AGREEMENT FOR LEASING OF COMMERCIAL PREMISES

The Board announces that on 31 May 2010, SOCL and the Company entered into the Master Lease Agreement, whereby any member of the Group may as the lessee continue, amend or renew the Existing Leases or enter into new leases, sub-leases and licences in relation to the Properties with any member of the SOCL Group as the lessor from time to time during the period commencing from 1 June 2010 and ending on 31 December 2012 subject to the Annual Caps. Such Properties cover all commercial premises owned or leased by the SOCL Group in Hong Kong and the PRC, including Shui On Centre in Hong Kong and Shui On Plaza in Shanghai.

SOCL is the controlling shareholder of the Company. At the date of this announcement, SOCL is beneficially interested in a total of 181,981,000 Shares, representing approximately 37.24% of the issued share capital of the Company. Accordingly, SOCL is a connected person of the Company, and the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the applicable percentage ratios set out in Rule 14A.10 of the Listing Rules calculated with reference to the Annual Caps are more than 0.1% but less than 2.5%, the transactions contemplated under the Master Lease Agreement are subject to the announcement, annual review and reporting requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the Previous Announcement in relation to the continuing connected transactions in respect of the leasing of office premises at Shui On Centre in Hong Kong and Shui On Plaza in Shanghai.

The Board announces that SOCL and the Company entered into the Master Lease Agreement, whereby any member of the Group may as the lessee continue, amend or renew the Existing Leases or enter into new leases, sub-leases and licences in relation to the Properties with any member of the SOCL Group as the lessor from time to time as are necessary for the future business needs of the Group.

THE MASTER LEASE AGREEMENT

Date: 31 May 2010

Parties: (1) SOCL
(2) the Company

Term: 31 months from 1 June 2010 to 31 December 2012

Subject:

The Master Lease Agreement sets out a framework of the terms on which any member of the Group may as the lessee continue, amend or renew the Existing Leases or enter into new leases, sub-leases and licences in relation to the Properties from time to time with any member of the SOCL Group as the lessor, i.e. the Leases. Such Properties cover all commercial premises owned or leased by the SOCL Group in Hong Kong and the PRC, including Shui On Centre in Hong Kong and Shui On Plaza in Shanghai.

Major terms of the Leases:

- (a) The terms of all Leases shall be negotiated on an arm's length basis and shall be fair and reasonable.
- (b) All the terms of the Existing Leases in effect at the effective date of the Master Lease Agreement shall remain in full force and effect notwithstanding the Master Lease Agreement, and any renewal or amendment of the terms of the Existing Leases shall comply with the terms of the Master Lease Agreement.
- (c) The rent and management fees payable by the Group to the SOCL Group under the Leases will be determined by the SOCL Group and the Group with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the Properties.
- (d) The term of the Leases (including options to renew the relevant lease, sub-lease or licence, if any) shall expire on or before the expiry date of the Master Lease Agreement.
- (e) The aggregate annual rent and management fees payable by the Group to the SOCL Group under all the Leases shall be within the limit of the Annual Caps.

Annual Caps:

The Annual Caps in respect of the Leases are set out below:

	Annual Caps for the years ending 31 December		
	2010	2011	2012
HK Leases	HK\$2 million	HK\$1 million	HK\$1 million
PRC Leases	RMB2.5 million	RMB5 million	RMB7 million

REASONS FOR THE TRANSACTIONS

Between May 2007 and January 2010, certain members of the SOCL Group and certain members of the Group entered into the Existing Leases for the leasing or sub-leasing of various commercial premises located at Shui On Centre in Hong Kong and Shui On Plaza in Shanghai to such members of the Group. Details of the Existing Leases were set out in the Previous Announcement.

Two of the Existing Leases in relation to Shui On Centre in Hong Kong will expire on 31 May 2010, and the Group intends to renew both of them. The Group also anticipates that it will continue the remaining Existing Lease in relation to Shui On Plaza in Shanghai, and may renew such lease when it expires, and may further enter into new leases, sub-leases and licences in respect of the Properties to satisfy the future business needs of the Group from time to time. Accordingly, the SOCL Group and the Group have entered into the Master Lease Agreement to set out a framework of the terms on which they may continue or renew the Existing Leases, amend the terms of the Existing Leases, and enter into new leases, sub-leases and licences in respect of the Properties.

The Annual Caps are calculated with reference to the estimated aggregate annual rent and management fees payable by the Group to the SOCL Group under the HK Leases and the PRC Leases respectively, taking into consideration a possible increase in the area of the Properties to be leased by the Group from the SOCL Group for the 31-month period commencing from 1 June 2010 and ending on 31 December 2012.

The Directors (including the independent non-executive Directors) consider that the Leases contemplated under the Master Lease Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the Master Lease Agreement (together with the Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Leases contemplated under the Master Lease Agreement (together with the Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

SOCL is the controlling shareholder of the Company. At the date of this announcement, SOCL is beneficially interested in a total of 181,981,000 Shares, representing approximately 37.24% of the issued share capital of the Company. Accordingly, SOCL is a connected person of the Company, and the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the applicable percentage ratios set out in Rule 14A.10 of the Listing Rules calculated with reference to the Annual Caps are more than 0.1% but less than 2.5%, the transactions contemplated under the Master Lease Agreement are subject to the announcement, annual review and reporting requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

The principal business activity of SOCL is investment holding.

DEFINITIONS

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

“Annual Caps”	the annual aggregate maximum amounts of the rent and management fees payable by the Group to the SOCL Group for the three years ending 31 December 2010, 2011 and 2012 under the Master Lease Agreement, which replace the annual caps as set out in the Previous Announcement;
“associates”, “connected person”, “subsidiaries”	each has the meaning as ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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”	the directors of the Company;

“Existing Lease(s)”

collectively (or individually) the following lease(s) or sub-lease(s) entered into between certain members of the Group and certain members of the SOCL Group, further details of which were set out in the Previous Announcement:

- (a) the tenancy agreement dated 28 May 2007 (as amended by supplemental agreements thereto) in respect of the sub-leasing of certain office space on 1st Floor and 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong, for a lease term of 3 years commencing from 1 June 2007 and expiring on 31 May 2010 (to be renewed in accordance with the terms governed by the Master Lease Agreement);
- (b) the tenancy agreement dated 31 May 2007 in respect of the leasing of certain office units at 11th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong, for a lease term of 3 years commencing from 1 June 2007 and expiring on 31 May 2010 (to be renewed in accordance with the terms governed by the Master Lease Agreement on a monthly basis until agreed otherwise); and
- (c) the tenancy agreement dated 23 January 2010 (as amended or supplemented from time to time) in respect of the leasing of certain office units at 23rd Floor, Shui On Plaza, 333 Huai Hai Zhong Road, Luwan, Shanghai, the PRC, for a lease term of 26 months commencing from 16 January 2010 and expiring on 15 March 2012, and with a right of first refusal to lease certain additional office units on the same floor of Shui On Plaza;

“Group”

the Company and its subsidiaries from time to time;

“HK Leases”	collectively the Existing Leases in relation to Shui On Centre in Hong Kong and any renewal or amendments of these leases, and such other leases, sub-leases and licences which may be entered into or renewed by members of the Group with members of the SOCL Group in relation to such other Properties in Hong Kong under the Master Lease Agreement from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Master Lease Agreement”	the agreement entered into between SOCL and the Company on 31 May 2010 in respect of the leasing, sub-leasing and licensing of the Properties by the Group from the SOCL Group;
“Leases”	collectively the HK Leases and the PRC Leases;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“PRC Leases”	collectively the Existing Lease in relation to Shui On Plaza in Shanghai and any renewal or amendments of this lease, and such other leases, sub-leases and licences which may be entered into or renewed by members of the Group with members of the SOCL Group in relation to such other Properties in the PRC under the Master Lease Agreement from time to time;
“Previous Announcement”	the announcement issued by the Company on 23 January 2010 in relation to the continuing connected transactions in respect of the leasing of office premises at Shui On Centre in Hong Kong and Shui On Plaza in Shanghai;
“Properties”	the commercial premises owned or leased by the SOCL Group in Hong Kong and the PRC;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	shares of HK\$1.00 each in the issued share capital of the Company;
“SOCL”	Shui On Company Limited, the controlling shareholder interested in approximately 37.24% of the issued share capital of the Company;
“SOCL Group”	SOCL and its subsidiaries together with its associates from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 31 May 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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