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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)

## CONNECTED TRANSACTIONS PROJECT AND DESIGN CONSULTANCY AGREEMENTS

The Board is pleased to announce that on 5 August 2010, High Spirit (an indirect wholly-owned subsidiary of the Company) entered into the Design Consultancy Agreement with Beijing Qi Xia pursuant to which Beijing Qi Xia engaged High Spirit and/or its subsidiaries or fellow subsidiaries as the project design consultant to provide design related services for the Project for a consultancy fee to be calculated at 4% of the total construction cost of the Project plus business tax.

Further, Beijing SOCAM (an indirect wholly-owned subsidiary of the Company) entered into the Project Consultancy Agreement on 5 August 2010 with Beijing Qi Xia pursuant to which Beijing Qi Xia engaged Beijing SOCAM and/or its subsidiaries or fellow subsidiaries as the project consultant to provide project management and consultancy services for the Project for a consultancy fee of not more than RMB10 million.

Beijing Qi Xia is indirectly owned as to 12.5% by Penta Group (associates of Penta which is a substantial shareholder of the Company). Therefore, Beijing Qi Xia is a connected person of the Company and the transactions contemplated under the Consultancy Agreements constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the transactions contemplated under the Consultancy Agreements are only subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

## **DESIGN CONSULTANCY AGREEMENT**

### **Date**

5 August 2010

### **Parties**

- (1) Beijing Qi Xia, a company in which the Company owns an indirect 52.5% equity interest; and
- (2) High Spirit, an indirect wholly-owned subsidiary of the Company.

### **Subject matter**

Pursuant to the Design Consultancy Agreement, Beijing Qi Xia engaged High Spirit and/or its subsidiaries or fellow subsidiaries as the project design consultant to provide design related services to Beijing Qi Xia for the Project.

### **Consultancy fee**

The total consultancy fee payable pursuant to the Design Consultancy Agreement shall be equivalent to 4.21% of the total construction cost of the Project, comprising a basic consultancy fee calculated at 4% of the total construction cost of the Project and the corresponding business tax to be payable by High Spirit as a result of the provision of the design consultancy services. The total construction cost of the Project is estimated to be not more than RMB550 million. The consultancy fee shall be accrued and payable by Beijing Qi Xia in cash on a monthly basis and calculated based on the latest budgeted total construction cost of the Project and the total number of months required for completion of the Project, which is estimated to be 15 months. The final consultancy fee payable shall be adjusted based on the actual total construction cost after the completion of the Project and in any event, shall not be more than RMB23.155 million.

The consultancy fee was determined after arm's length negotiation between the parties with reference to the estimated total construction cost of the Project, taking into account the duration and scope of works and design specification, and the prevailing rates charged by other design consultancy companies in comparable projects.

## **PROJECT CONSULTANCY AGREEMENT**

### **Date**

5 August 2010

### **Parties**

- (1) Beijing Qi Xia, a company in which the Company owns an indirect 52.5% equity interest; and
- (2) Beijing SOCAM, an indirect wholly-owned subsidiary of the Company.

### **Subject matter**

Pursuant to the Project Consultancy Agreement, Beijing Qi Xia engaged Beijing SOCAM and/or its subsidiaries or fellow subsidiaries as the project consultant to provide project management and consultancy services to Beijing Qi Xia for the Project.

### **Consultancy fee**

The consultancy fee payable pursuant to the Project Consultancy Agreement shall be not more than RMB10 million, comprising the estimated total costs (which cover items such as administrative expenses, staff costs, travelling and accommodation expenses) to be incurred by Beijing SOCAM to provide project management and consultancy services for the Project. The consultancy fee shall be accrued and payable by Beijing Qi Xia in cash on a monthly basis.

The consultancy fee was determined after arm's length negotiation between the parties with reference to the estimated total cost for the provision of project management and consultancy services, taking into account the duration and scope of works, and the prevailing rates charged by other project management and consultancy companies in comparable projects.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSULTANCY AGREEMENTS**

Both High Spirit and Beijing SOCAM are principally engaged in the provision of project management and consultancy services, which entails design services. Provision of project management, consultancy and design services by High Spirit and Beijing SOCAM and/or their respective subsidiaries or fellow subsidiaries under the Consultancy Agreements are in the ordinary and usual course of business of the Group. Beijing Qi Xia, in which the Group owns a 52.5% equity interest, can also leverage on the professional experiences and strength of High Spirit and Beijing SOCAM and/or their respective subsidiaries or fellow subsidiaries in the management of the Project.

None of the Directors have any material interest in the Consultancy Agreements. The Directors (including the independent non-executive Directors) are of the view that the Consultancy Agreements have been entered into in the ordinary and usual course of business of the Group and the terms of the same have been agreed on normal commercial terms after arm's length negotiations between the parties, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATION**

Beijing Qi Xia is indirectly owned as to 12.5% by Penta Group (associates of Penta which is a substantial shareholder of the Company). Therefore, Beijing Qi Xia is a connected person of the Company and the transactions contemplated under the Consultancy Agreements constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the transactions contemplated under the Consultancy Agreements are only subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under 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.

Beijing Qi Xia is the sole owner of the Project and its principal activities are investment in and development of the Project.

## **DEFINITIONS**

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

“associate(s)”, “connected person(s)”, “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Beijing SOCAM”	北京瑞安建業房地產顧問有限公司 (Beijing SOCAM Real Estate Consulting Co., Ltd.), a wholly foreign-owned enterprise organized under the laws of the PRC and a wholly-owned subsidiary of the Company

“Beijing Qi Xia”	北京啓夏房地產開發有限公司, a wholly foreign-owned enterprise organized under the laws of the PRC and a company in which the Company owns an indirect 52.5% equity interest
“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)
“Consultancy Agreements”	collectively, the Design Consultancy Agreement and the Project Consultancy Agreement
“Design Consultancy Agreement”	the design consultancy agreement entered into on 5 August 2010 between Beijing Qi Xia and High Spirit in relation to the engagement of High Spirit as the project design consultant to provide design related services for the Project
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“High Spirit”	High Spirit Project Management Consultancy Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Penta”	Penta Investment Advisers Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company
“Penta Group”	PGR Asian Real Estate Fund, L.P., a limited partnership formed under the laws of the British Virgin Islands, and Best Perspective Asian Real Estate Fund Limited, a company incorporated in the British Virgin Islands with limited liability, each being an associate of Penta

“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Project”	a “construction in progress” residential development project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC
“Project Consultancy Agreement”	the project consultancy agreement entered into on 5 August 2010 between Beijing Qi Xia and Beijing SOCAM in relation to the engagement of Beijing SOCAM as the project consultant to provide project management and consultancy services for the Project
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By Order of the Board  
**Shui On Construction and Materials Limited**  
**Lo Hong Sui, Vincent**  
*Chairman*

Hong Kong, 5 August 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 purpose only*

Website: [www.socam.com](http://www.socam.com)