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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 TRANSACTION

DISPOSAL OF 12.5% ISSUED SHARE CAPITAL OF AND THE RELEVANT SHAREHOLDER LOAN OWING BY EAGLE FIT LIMITED

Reference is made to the announcements of the Company dated 20 August 2009 and 29 September 2009.

The Board announces that on 11 December 2009, Noble Pearl agreed to sell and assign and PGR Fund agreed to purchase the Sale Shares and accept the assignment of the Shareholder Loan from Noble Pearl at an aggregate consideration of US\$6,587,525 pursuant to the New Shareholders Deed and Penta agreed to guarantee the performance of obligations of PGR Fund under the New Shareholders Deed.

Penta is a substantial shareholder of the Company and PGR Fund is an associate of Penta. Therefore, the Disposal constitutes a connected transaction for the Company. As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 0.1% but less than 2.5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 20 August 2009 and 29 September 2009.

The Board of Shui On Construction and Materials Limited announces that on 11 December 2009, Noble Pearl agreed to sell and assign and PGR Fund agreed to purchase the Sale Shares, being 12.5% of the entire issued share capital of Eagle Fit and the related Shareholder Loan at an aggregate consideration of US\$6,587,525 pursuant to the New Shareholders Deed.

Upon the execution of the New Shareholders Deed, the Original Shareholders Deed shall be terminated forthwith.

NEW SHAREHOLDERS DEED

Date

11 December 2009

Parties

- (1) Noble Pearl (as vendor for the sale of the Sale Shares and the assignment of the Shareholder Loan), a wholly-owned subsidiary of the Company, which owns 65% of the entire issued share capital of Eagle Fit before the Disposal and will own 52.5% of the entire issued share capital of Eagle Fit after completion of the Disposal;
- (2) the Company (as guarantor for the performance of obligations of Noble Pearl);
- (3) PGR Fund (as purchaser for the acquisition of the Sale Shares and the Shareholder Loan), an associate of Penta, which will own 12.5% of the entire issued share capital of Eagle Fit after completion of the Disposal;
- (4) Penta (as guarantor for the performance of obligations of PGR Fund), a substantial shareholder of the Company;
- (5) Keen Hero, a member of the Yida Group, which owns 35% of the entire issued share capital of Eagle Fit;
- (6) Many Gain (as guarantor for the performance of obligations of Keen Hero), a member of the Yida Group; and
- (7) Eagle Fit.

Interests to be disposed of

Noble Pearl has agreed to sell and PGR Fund has agreed to purchase (i) the Sale Shares, being 12.5% of the entire issued share capital of Eagle Fit, and (ii) the Shareholder Loan.

Keen Hero irrevocably waived all and any rights of pre-emption, rights of first refusal, co-sale rights or other restrictions on transfer over or in respect of the transfer of Sale Shares.

Consideration

The consideration is US\$6,587,525, which comprises the following:

- (i) US\$25 for the Sale Shares; and
- (ii) US\$6,587,500 for the assignment of the Shareholder Loan.

PGR Fund shall also assume additional shareholder loans in the aggregate amount of US\$637,500 to Eagle Fit in accordance with the New Shareholders Deed.

The consideration for the Disposal was determined after arm's length negotiations between Noble Pearl and PGR Fund with reference to the Group's investment cost in the JV Companies.

Shareholders' loans

Pursuant to the New Shareholders Deed, Noble Pearl, Keen Hero and PGR Fund shall each provide shareholders' loans in an aggregate amount of US\$30,345,000, US\$20,230,000 and US\$7,225,000 in cash respectively to Eagle Fit on an interest free and unsecured basis and with no fixed repayment term for the purpose of funding the development of the Project. Upon assignment of the Shareholder Loan, Noble Pearl, Keen Hero and PGR Fund shall have made shareholders' loans of US\$27,667,500, US\$18,445,000 and US\$6,587,500 respectively to Eagle Fit in proportion to their shareholdings in Eagle Fit. The remaining shareholders' loans will be injected into Eagle Fit on or before 1 April 2011 in accordance with the payment schedule set out in the New Shareholders Deed.

Guarantee and indemnity

The Company has provided a 100% guarantee for the Loan Facility and pursuant to the Original Shareholders Deed, Many Gain has provided a counter guarantee and indemnity to the Company in respect of 35% of the Loan Facility in proportion to the shareholding of Keen Hero in Eagle Fit. Upon execution of the New Shareholders Deed, Penta has also executed a deed of guarantee and indemnity to the Company in respect of 12.5% of the Loan Facility in proportion to the shareholding of PGR Fund in Eagle Fit.

The provision of counter guarantee and indemnity by Penta to the Company is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

Board representation

The board of each of the JV Companies will have six (6) directors. Each of Noble Pearl, Keen Hero and PGR Fund will have the right to nominate three (3) directors, two (2) directors and one (1) director respectively. The chairman of the board of each of the JV Companies shall be a director designated by Noble Pearl, who shall have a casting vote in case of equality of votes on matters other than those required to be unanimously agreed by all the shareholders of Eagle Fit.

First right of refusal and co-sale right

Any transfer of shares of Eagle Fit by any shareholder shall be subject to the right of first refusal and the co-sale right as provided in the New Shareholders Deed.

Put options

At any time after fulfilment of the Option Condition, each of Noble Pearl and Keen Hero shall have the option to require the other to purchase all of its shares in and shareholder loans owing to it by Eagle Fit at fair market value, provided that if, as a result of exercise of option by Noble Pearl, Keen Hero is to purchase the shares of Noble Pearl in and shareholder loans owing to Noble Pearl by Eagle Fit at fair market value, Keen Hero shall also have the option to purchase (and require PGR Fund to sell to it) at the same time all shares of PGR Fund in and shareholder loans owing to PGR Fund by Eagle Fit at a price calculated on the same basis as the purchase price to be paid to Noble Pearl. If both Noble Pearl and Keen Hero exercise the options, only the exercise of option by Keen Hero shall be valid.

Each of Noble Pearl and PGR Fund shall also have the option to require the other to purchase all of its shares in and shareholder loans owing to it by Eagle Fit at fair market value at any time after fulfilment of the Option Condition. If both Noble Pearl and PGR Fund exercise the said options, only the exercise of option by PGR Fund shall be valid.

The granting of the above options shall be subject to the approval by the shareholders of the Company (if required under the Listing Rules). If such approval is required, (i) Noble Pearl and the Company shall use their commercially reasonable efforts to obtain such approval; and (ii) the granting of the options shall not be effective until such approval is obtained. The Company will make further disclosure as to the details of the above options if required and fully comply with the applicable requirements under the Listing Rules as and when appropriate.

INFORMATION OF EAGLE FIT

Eagle Fit is a private company incorporated in the British Virgin Islands with limited liability in May 2009. Its principal asset is its entire issued share capital in Prime Asset, the holding company of Projectco which is the sole owner of land use rights over the Project Site. Construction of the Project has been commenced and it will be developed into a luxurious residential development. It is scheduled for completion in 2011. Details of the Prime Asset Group have been set out in the announcements of the Company dated 20 August 2009 and 29 September 2009. Save for the Acquisition, Eagle Fit has not carried out any revenue-generating business activity or does not have any material assets since its incorporation. At 31 October 2009, the unaudited consolidated net liabilities of the JV Companies was approximately RMB0.1 million.

For the financial year ended 31 December 2007, the audited net profits before and after taxation and extraordinary items attributable to Prime Asset were both approximately HK\$3.4 million and the audited net losses before and after taxation and extraordinary items attributable to Projectco were both approximately RMB9.8 million.

For the financial year ended 31 December 2008, the audited net profits before and after taxation and extraordinary items attributable to Prime Asset were both approximately HK\$0.4 million and the audited net losses before and after taxation and extraordinary items attributable to Projectco were both approximately RMB7.7 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Completion of the Disposal took place immediately after the signing of the New Shareholders Deed on 11 December 2009. Upon completion, Eagle Fit becomes 52.5% owned by the Group and continues to be accounted for as an indirect jointly controlled entity in the Group's financial statements. Each of the JV Companies is owned as to 52.5% by Noble Pearl, 35% by Keen Hero and 12.5% by PGR Fund. There is not any gain or loss from the Disposal.

The proceeds from the Disposal will be applied towards the Group's general working capital requirement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal represents an opportunity for the Group to invite another long-term strategic financial partner to co-invest in its property development projects.

The terms of the New Shareholders Deed were determined based on arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and the terms of the New Shareholders Deed are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

Penta is a substantial shareholder of the Company, holding 101,272,499 shares representing approximately 20.75% of the issued share capital of the Company at the date of this announcement and PGR Fund is an associate of Penta. Therefore, the Disposal constitutes a connected transaction for the Company. As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 0.1% but less than 2.5%, the Disposal is only subject to the reporting and announcement requirements and is 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.

As far as the Company is aware after making reasonable enquiries, Penta is an investment manager and focuses on managing Pan-Asian equity investment funds and PGR Fund is an investment fund focusing primarily on Chinese real estate investments.

Keen Hero, a member of Yida Group, is a substantial shareholder holding 35% entire issued share capital of Eagle Fit. Many Gain, a member of Yida Group, is a shareholder of a joint venture established for the development of a property project known as Dalian Tiandi, in which the Group, Shui On Land Limited and Yida Group effectively owns 22%, 48% and 30% respectively. Yida Group is a conglomerate in the PRC with interests in property development, construction and furnishing, equipment manufacturing and software park development. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, at the date of this announcement, Yida Group is beneficially interested in 20,645,950 shares of the Company, representing approximately 4.23% of its issued share capital.

DEFINITIONS

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

“Acquisition”	the acquisition by Eagle Fit of the entire issued share capital of, and the related shareholder loan to, Prime Asset at an initial consideration of US\$118 million which was completed on 5 October 2009
“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
“Disposal”	the sale of the Sale Shares and the assignment of the Shareholder Loan to PGR Fund by Noble Pearl pursuant to the New Shareholders Deed
“Eagle Fit”	Eagle Fit Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 65% by the Company and 35% by Keen Hero before the Disposal
“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
“JV Companies”	collectively Eagle Fit and the Prime Asset Group
“Keen Hero”	Keen Hero International Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Yida Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Facility”	a HK\$550 million term loan facility provided to Prime Asset by the licensed banks under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) which are independent third parties not connected with the Company
“Many Gain”	Many Gain International Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Yida Group
“New Shareholders Deed”	the shareholders deed dated 11 December 2009 entered into between Noble Pearl, the Company, Keen Hero, Many Gain, PGR Fund, Penta and Eagle Fit in relation to, inter alia, the Disposal and the management and operation of Eagle Fit and its subsidiaries
“Noble Pearl”	Noble Pearl Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Option Condition”	at any time after the completion of the sale by Projectco of more than 95% of the above-the-ground sellable residential area of the Project or, if earlier, the end of five years from the date of the New Shareholders Deed provided that at such time Projectco has completed the sale of more than 70% of the above-the-ground sellable residential area of the Project
“Original Shareholders Deed”	the shareholders deed dated 29 September 2009 entered into between the Company, Noble Pearl, Keen Hero, Many Gain and Eagle Fit in relation to the management and operation of Eagle Fit and its subsidiaries
“Penta”	Penta Investment Advisers Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company
“PGR Fund”	PGR Asian Real Estate Fund, L.P., a limited partnership formed under the laws of the British Virgin Islands
“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)

“Prime Asset”	Prime Asset Investment Limited, a company incorporated in Hong Kong with limited liability holding the entire equity interests in Projectco
“Prime Asset Group”	collectively, Prime Asset and Projectco
“Project”	a “construction in progress” development project located at the Project Site
“Projectco”	北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.), a wholly foreign owned enterprise organised under the laws of the PRC and the sole owner of land use rights over the Project Site
“Project Site”	the site area located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC with total area of approximately 14,123 square metres
“Sale Shares”	25 issued shares of US\$1.00 each in the capital of Eagle Fit held by Noble Pearl, representing 12.5% of the entire issued share capital of Eagle Fit
“Shareholder Loan”	Shareholder’s loan due from Eagle Fit to Noble Pearl in the amount of US\$6,587,500, being 12.5% of the total shareholders’ loans due by Eagle Fit to its shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States of America
“Yida Group”	group of companies under common control, comprising Yida Group Company Limited (a limited liability company incorporated in the PRC), Many Gain and Keen Hero and their respective holding companies and subsidiaries
“%”	percentage

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

Hong Kong, 11 December 2009

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; the non-executive Director is Professor Michael Enright; and the independent non-executive Directors are Mr. Anthony Griffiths, Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen.

** For identification purpose only*

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