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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 Construction and Materials Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(to be renamed as “SOCAM Development Limited”)

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

**CONNECTED TRANSACTION
SUPPLEMENTAL FACILITY AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 10 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 11 and 12 of this circular. A letter from Investec, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular.

A notice convening the special general meeting to be held at Room 103, 1st Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong, on Monday, 3 October 2011 at 4:30 p.m. is set out on page 30 of this circular. A form of proxy for the meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting and any adjournment thereof (as the case may be), should you so desire.

* for identification purpose only

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Agent”	the agent for the Banks pursuant to the Facility Agreement
“Announcement”	the announcement of the Company dated 1 September 2011
“associate”, “connected person”, “holding company”, “subsidiary” and “substantial shareholder”	have the meaning as ascribed to them under the Listing Rules
“Banks”	certain licensed banks under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) which are independent third parties not connected with the Company
“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)
“Corporate Guarantee”	the corporate guarantee provided by the Company in favour of the Banks in relation to the Loan Facility pursuant to the Facility Agreement, which shall continue to be in force until the full repayment of the Loan Facility by Prime Asset pursuant to the Facility Agreement as amended by the Supplemental Facility Agreement
“Counter Indemnities”	collectively, the guarantee and indemnity dated 5 November 2009 provided by Many Gain and the guarantee and indemnity dated 11 December 2009 provided by Penta both in favour of the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective indirect shareholdings of Keen Hero and Penta Group in Prime Asset, both of which shall remain in force until the full repayment of the Loan Facility by Prime Asset pursuant to the Facility Agreement as amended by the Supplemental Facility Agreement
“Directors”	directors of the Company
“Eagle Fit”	Eagle Fit Limited, a company incorporated in the British Virgin Islands with limited liability, which is a 52.5%-owned jointly controlled entity of Noble Pearl and the holding company of Prime Asset

DEFINITIONS

“Facility Agreement”	the facility agreement dated 3 November 2009 entered into between, among others, Prime Asset, the Company, the Banks and the Agent in relation to the Loan Facility
“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 Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility are fair and reasonable
“Independent Shareholders”	shareholders of the Company other than Penta, Yida Group and their respective associates
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee in relation to the Supplemental Facility Agreement and the Corporate Guarantee
“Keen Hero”	Keen Hero International Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Yida Group, which indirectly owns 35% equity interest in Prime Asset
“Latest Practicable Date”	14 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 Banks under the Facility Agreement
“Many Gain”	Many Gain International Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Yida Group

DEFINITIONS

“Noble Pearl”	Noble Pearl Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“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, which together indirectly own an aggregate 12.5% equity interest in Prime Asset (each being an associate of Penta)
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding 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, a wholly-owned subsidiary of Eagle Fit and an indirect 52.5%-owned jointly controlled entity of the Company
“Property”	a “construction-in-progress” development project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC
“Resolution”	the ordinary resolution to be proposed at the SGM as set out in the notice of SGM which is set out on page 30 of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened by the Company to consider the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility
“Shareholders”	holders of ordinary shares of HK\$1.00 each in the Company
“Shareholders Deed”	the shareholders deed dated 11 December 2009 entered into between the Company, Noble Pearl, Keen Hero, Many Gain, PGR Asian Real Estate Fund, L.P., Penta and Eagle Fit governing the management and operation of Eagle Fit and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Facility Agreement”	the first supplemental agreement dated 1 September 2011 entered into between Prime Asset, the Company and the Agent to, among other things, extend the maturity date of the Loan Facility
“Yida Group”	group of companies under common control, comprising Yida Group Company Limited (a company incorporated in the PRC), Many Gain and Keen Hero and their respective holding companies and subsidiaries
“%”	percentage

LETTER FROM THE BOARD



瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(to be renamed as “SOCAM Development Limited”)
(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Wong Yuet Leung, Frankie

*Head Office and Principal Place of
Business in Hong Kong:*

34th Floor
Shui On Centre
6-8 Harbour Road
Hong Kong

Independent Non-executive Directors:

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. David Gordon Eldon
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

16 September 2011

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION SUPPLEMENTAL FACILITY AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 1 September 2011.

As disclosed in the Announcement, the Company has, in November 2009, provided the Corporate Guarantee in favour of the Banks as a security for the Loan Facility granted to Prime Asset, an indirect 52.5%-owned jointly controlled entity of the Company. Pursuant to the Shareholders Deed, Many Gain and Penta have also provided the Counter Indemnities to the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective indirect shareholdings of Keen Hero and Penta Group in Prime Asset. Accordingly, the effective guaranteed obligations of the Company, Many Gain and Penta in relation to the Loan Facility are in the respective proportions of 52.5%, 35% and 12.5%.

* for identification purpose only

LETTER FROM THE BOARD

On 1 September 2011, the Company as guarantor entered into the Supplemental Facility Agreement with Prime Asset and the Agent to, among other things, extend the maturity date of the Loan Facility. The Corporate Guarantee shall remain in force until the full repayment of the Loan Facility by Prime Asset following the entering into of the Supplemental Facility Agreement.

The entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

This circular provides you with, among other things, (i) further details of the Supplemental Facility Agreement and the Corporate Guarantee; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice and recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

THE SUPPLEMENTAL FACILITY AGREEMENT AND THE CORPORATE GUARANTEE

The Board announces that on 1 September 2011, the Company as guarantor entered into the Supplemental Facility Agreement with Prime Asset and the Agent to, among other things, extend the maturity date of the Loan Facility. The Corporate Guarantee shall remain in force until the full repayment of the Loan Facility by Prime Asset following the entering into of the Supplemental Facility Agreement. The entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset are subject to the approval of the Independent Shareholders at the SGM.

The salient terms of the Corporate Guarantee, as amended by the Supplemental Facility Agreement, are summarised as follows:

Borrower:	Prime Asset, an indirect 52.5%-owned jointly controlled entity of the Company
Lenders and beneficiaries of the Corporate Guarantee:	the Banks
Guarantor:	the Company
Guaranteed obligations:	the payment obligations of Prime Asset under the Facility Agreement in respect of the Loan Facility of HK\$550 million, including any interests and expenses accrued thereon
Final maturity date of the Loan Facility:	5 October 2012

LETTER FROM THE BOARD

Pursuant to the Shareholders Deed, Many Gain and Penta have also provided the Counter Indemnities to the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective indirect shareholdings of Keen Hero and Penta Group in Prime Asset. Accordingly, the effective guaranteed obligations of the Company, Many Gain and Penta in relation to the Loan Facility are in the respective proportions of 52.5%, 35% and 12.5%.

Many Gain and Penta have acknowledged and consented that both the Corporate Guarantee and the Counter Indemnities shall remain in force until the Loan Facility is fully repaid by Prime Asset pursuant to the Facility Agreement as amended by the Supplemental Facility Agreement. Accordingly, the effective guaranteed obligations of the Company, Many Gain and Penta in relation to the Loan Facility in the respective proportions of 52.5%, 35% and 12.5% remain unchanged following the entering into of the Supplemental Facility Agreement. In consideration of the Company providing the Corporate Guarantee in favour of the Banks as continuing security for the Loan Facility, each of Many Gain and Penta has also agreed to pay to the Company an annual guarantee fee equivalent to 1.5% of their respective effective guaranteed obligations in respect of the principal amount of the Loan Facility for so long as the Company's obligations under the Corporate Guarantee remain outstanding. The guarantee fees are determined on arm's length basis and are made on commercial terms with reference to the valuation in respect of the Corporate Guarantee performed by an independent valuer.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL FACILITY AGREEMENT

The Corporate Guarantee was initially provided as a security to enable Prime Asset to obtain the Loan Facility in order to fund the acquisition and development of the Property. It is intended that the Property will be upgraded into a luxurious development in order to achieve higher returns. The extension of the maturity date of the Loan Facility would allow Prime Asset to secure a stable source of financing in order to maintain financial support for the on-going commercial operation and development of the Property.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

None of the Directors has material interest in the matters to be transacted and therefore none of them is required to abstain from voting on the resolutions passed by the Board in relation to the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset.

LISTING RULES IMPLICATIONS

The Corporate Guarantee was provided by the Company for the benefit of Prime Asset before PGR Asian Real Estate Fund, L.P. (an associate of Penta which is a substantial shareholder of the Company) acquired its indirect interest in Prime Asset, as a result of which Prime Asset has become a connected person of the Company. Prime Asset is now indirectly owned as to 12.5% by Penta Group

LETTER FROM THE BOARD

and therefore is a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset constitutes a connected transaction of the Company.

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the maximum potential liability of the Company under the Corporate Guarantee exceeds 5%, such transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Many Gain is an associate of Keen Hero which is a substantial shareholder of Prime Asset and Penta is a substantial shareholder of the Company, both Many Gain and Penta are connected persons of the Company. Accordingly, the provision of the Counter Indemnities and the payment of the guarantee fees by Many Gain and Penta to the Company also constitute connected transactions of the Company, but are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) and Rule 14A.31(2) of the Listing Rules.

In view of the interest of Penta, Yida Group and their respective associates in the Supplemental Facility Agreement and the Corporate Guarantee, Penta and Yida Group (including their respective associates), which were interested in approximately 17.08% and 4.21% of the issued share capital of the Company respectively at the Latest Practicable Date, will abstain from voting in respect of their shareholdings in the Company at the SGM in this regard.

To the best knowledge, information and belief of the Directors, other than Penta, Yida Group and their respective associates, no other Shareholder had a material interest in the Supplemental Facility Agreement and the Corporate Guarantee and thus no other Shareholder would be required to abstain from voting on the Resolution at the SGM.

GENERAL INFORMATION

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

Prime Asset is a company incorporated in Hong Kong and an indirect 52.5%-owned jointly controlled entity of the Company, and is also indirectly held as to 35% and 12.5% of its shareholding interest by Keen Hero and Penta Group respectively. Prime Asset is the holding company of 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.*) ("Beijing Qixia"), the sole owner of the land use rights over the Property.

The Agent is primarily engaged in the provision of banking services in Hong Kong and the PRC and has been appointed by the Banks to act as their agent under the Facility Agreement.

* *for identification purpose only*

LETTER FROM THE BOARD

Many Gain is a member of Yida Group, which has co-invested with the Company in a development project located in Dalian, the PRC.

Penta principally acts as the investment adviser of various funds and managed accounts and is a substantial shareholder of the Company.

The Property is a “construction-in-progress” development project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC with a total gross floor area of approximately 57,700 square metres. The Property will be developed into a luxury residential property, providing over 200 prime apartments and supporting facilities. At the Latest Practicable Date, the Property was under construction and is expected to be completed in 2012.

As at 30 June 2011, the unaudited consolidated net assets of Prime Asset and Beijing Qixia amounted to approximately HK\$40 million.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Agent, the Banks and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Room 103, 1st Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong on Monday, 3 October 2011 at 4:30 p.m. is set out on page 30 of this circular. At the SGM, the Resolution will be proposed to approve the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting (as the case may be) if you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the SGM will demand a poll for the Resolution to be proposed at the SGM. The results of the voting will be announced after the SGM.

RECOMMENDATION

The Directors consider that the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Independent Shareholders should vote in favour of the Resolution.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility. Your attention is drawn to its letter of recommendation set out on pages 11 and 12 of this circular.

Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to its letter of recommendation set out on pages 13 to 21 of this circular.

Yours faithfully,
On behalf of the Board
Wong Kun To, Philip
Managing Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.



瑞安建業有限公司*
SHUI ON CONSTRUCTION AND MATERIALS LIMITED
(to be renamed as “SOCAM Development Limited”)
(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

16 September 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

SUPPLEMENTAL FACILITY AGREEMENT

INTRODUCTION

We refer to the circular of the Company dated 16 September 2011 (the “Circular”), of which this letter forms part. Unless specified otherwise, terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility. Investec has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 13 to 21 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the Supplemental Facility Agreement and the Corporate Guarantee and taking into account the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security for the Loan Facility are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the Resolution to be proposed at the SGM to approve the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset.

Yours faithfully

For and on behalf of

Independent Board Committee

Chan Kay Cheung

Independent Non-executive Director

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Facility Agreement and the provision of the Corporate Guarantee prepared for the purpose of incorporation in this circular.



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16 September 2011

*To: the Independent Board Committee and
the Independent Shareholders of
Shui On Construction and Materials Limited*

Dear Sirs/Madams,

CONNECTED TRANSACTION SUPPLEMENTAL FACILITY AGREEMENT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility. Details of the Supplemental Facility Agreement and the Corporate Guarantee are contained in the letter from the Board (the "Letter from the Board") of the circular to the Shareholders dated 16 September 2011 (the "Circular"), of which this letter forms part. Unless otherwise stated, terms used in this letter shall have the same meaning as those defined in the Circular.

On 1 September 2011, the Company as guarantor entered into the Supplemental Facility Agreement with Prime Asset and the Agent to, among other things, extend the maturity date of the Loan Facility. The Corporate Guarantee shall remain in force until the full repayment of the Loan Facility by Prime Asset following the entering into of the Supplemental Facility Agreement.

The Corporate Guarantee was provided by the Company in favour of the Banks for the benefit of Prime Asset pursuant to the Facility Agreement before PGR Asian Real Estate Fund, L.P. (an associate of Penta which is a substantial shareholder of the Company) acquired its indirect interest in Prime Asset, as a result of which Prime Asset has become a connected person of the Company. Prime Asset is now indirectly owned as to 12.5% by Penta Group and therefore is a connected person of the

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset constitutes a connected transaction for the Company.

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the maximum potential liability of the Company under the Corporate Guarantee exceeds 5%, such transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, 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 the independent non-executive Directors, has been established to consider the terms and conditions of the Supplemental Facility Agreement and the provision of the Corporate Guarantee. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility are in the interests of the Company and Shareholders as a whole; (ii) whether the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility are on normal commercial terms and are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolution to approve the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility at the SGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or the Directors and/or its senior management staff (together the "Management"). We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background of the Group and Prime Asset

1.1 Principal activities of the Group

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

1.2 Financial position of the Group

For the two years ended 31 December 2009 and 2010, the Group recorded turnover of approximately HK\$3,200 million and approximately HK\$8,044 million respectively, and recorded profit attributable to owners of the Company of approximately HK\$807 million and approximately HK\$903 million, respectively. For the six months ended 30 June 2011, the Group recorded turnover and profit attributable to owners of the Company of approximately HK\$2,717 million and HK\$460 million, respectively.

As at 31 December 2010 and 30 June 2011, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$9,204 million and approximately HK\$9,683 million, respectively.

As stated in the Group's interim results for the six months ended 30 June 2011, as announced on 31 August 2011, the Group recorded a strong financial and liquidity position with bank balances as at 30 June 2011 of approximately HK\$3,592 million and net current assets of approximately HK\$1,514 million.

1.3 Business overview of Prime Asset

As disclosed in the "Letter from the Board", Prime Asset is a company incorporated in Hong Kong and an indirect 52.5%-owned jointly controlled entity of the Group, and is also indirectly held as to 35% and 12.5% of its shareholding interest by Keen Hero and Penta Group respectively. Prime Asset is the holding company of 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.*) ("Beijing Qixia"), the sole owner of the land use rights over the Property.

* for identification purpose only

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The Property is a “construction-in-progress” development project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC with a total gross floor area of approximately 57,700 square metres. The Property will be developed into a luxury residential property, consisting of over 200 prime apartments and supporting facilities. As at the Latest Practicable Date, the Property was under construction and is expected to be completed in 2012.

As at 30 June 2011, the unaudited consolidated net assets of Prime Asset and Beijing Qixia (collectively the “Prime Asset Group”) amounted to approximately HK\$40 million.

2. Overview of Beijing’s economy and property market

According to statistics from the Beijing Statistics Bureau, the GDP of Beijing was approximately RMB741.8 billion for the first half of 2011, representing an increase of approximately 8.0% over the same period in 2010. Furthermore, Beijing’s per capita disposable income increased to approximately RMB16,236 for the first six months of 2011, representing an increase of approximately 10.1% over the same period in 2010.

Between 2008 and 2010, sales of properties in Beijing by total area grew at a compound annual growth rate of approximately 3.6%. However, sales of Beijing properties by total area decreased by approximately 32.2% in the first half of 2011 as compared to the same period of 2010. In 2011, the PRC government implemented various administrative and policy measures (the “Measures”) to temper the growth of the property market in the PRC such as several increases in the borrowing rate and bank reserve ratio in order to stabilise inflation and prevent overheating in the property market. According to the figures from the People’s Bank of China, the one year borrowing rate increased from 6.06% in February of 2011 to 6.56% in July of 2011 and the reserve ratio for sizable financial institutions increased from 19% in January of 2011 to 21% in May of 2011.

Although the Measures have been implemented to control inflation and overheating in the PRC property market, the Management is of the view that such actions by the PRC government are interim steps and should, in the long run, facilitate the sustainable and healthy development of the PRC property market. Accordingly, the Management believes that the Group, through its investment in Prime Asset, will benefit from the long-term growth potential of the property market in Beijing.

3. Reasons for and benefits of the entering into of the Supplemental Facility Agreement

As disclosed in the “Letter from the Board”, the Corporate Guarantee was initially provided as a security to enable Prime Asset to obtain the Loan Facility in order to fund the acquisition and development of the Property. It is intended that the Property will be upgraded into a luxurious development in order to achieve higher returns. The extension of the maturity date of the Loan Facility would allow Prime Asset to secure a stable source of financing in order to maintain financial support for the on-going commercial operation and development of the Property.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Management, we understand that the current tightening credit environment has resulted in the imposition of more stringent requirements on borrowers in general, with borrowers typically being required to provide additional collateral or guarantees or to borrow at higher interest rates. We have been further advised by the Management that it is common lending practice for banks to require guarantees provided by the ultimate owners of the borrower and that banks generally have a higher level of confidence in the financial position of Hong Kong listed companies than those of privately owned companies. Given that the Company is a Hong Kong listed company and holds the majority interest in Prime Asset, the Banks have requested the Company to provide the Corporate Guarantee for 100% of the repayment obligations of Prime Asset under the Facility Agreement.

In view of the importance for Prime Asset to continue to secure a stable source of financing in order to maintain financial support for the on-going commercial operation and development of the Property and to avoid any undue disruption, the Management is of the view that the entering into of the Supplemental Facility Agreement and provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility are appropriate for securing the requisite financing for Prime Asset, which in turn is in the interests of the Company and the Shareholders as a whole. We concur with the Management's view.

4. Terms of the Supplemental Facility Agreement and the Corporate Guarantee

As disclosed in the "Letter from the Board", on 1 September 2011, the Company as guarantor entered into the Supplemental Facility Agreement with Prime Asset and the Agent to, among other things, extend the maturity date of the Loan Facility. The Corporate Guarantee shall remain in force until the full repayment of the Loan Facility by Prime Asset following the entering into of the Supplemental Facility Agreement.

4.1 The principal terms of the Corporate Guarantee, as amended by the Supplemental Facility Agreement, are summarised as follows:

Borrower:	Prime Asset, an indirect 52.5%-owned jointly controlled entity of the Company
Lenders and beneficiaries of the Corporate Guarantee:	the Banks
Guarantor:	the Company
Guaranteed obligations:	the payment obligations of Prime Asset under the Facility Agreement in respect of the Loan Facility of HK\$550 million, including any interests and expenses accrued thereon
Final maturity date of the Loan Facility:	5 October 2012

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Counter Indemnities

As disclosed in the “Letter from the Board”, pursuant to the Shareholders Deed, Many Gain and Penta have provided the Counter Indemnities to the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective indirect shareholdings of Keen Hero and Penta Group in Prime Asset. Accordingly, the effective guaranteed obligations of the Company, Many Gain and Penta in relation to the Loan Facility are in the respective proportions of 52.5%, 35% and 12.5%. Many Gain is a member of Yida Group, which has co-invested with the Company in a development project located in Dalian, the PRC. Penta principally acts as the investment adviser of various funds and managed accounts and is a substantial shareholder of the Company.

Many Gain and Penta have acknowledged and consented that both the Corporate Guarantee and the Counter Indemnities shall remain in force until the Loan Facility is fully repaid by Prime Asset pursuant to the Facility Agreement as amended by the Supplemental Facility Agreement. Accordingly, the effective guaranteed obligations of the Company, Many Gain and Penta in relation to the Loan Facility in the respective proportions of 52.5%, 35% and 12.5% remain unchanged following the entering into of the Supplemental Facility Agreement.

In consideration of the Company providing the Corporate Guarantee in favour of the Banks as continuing security for the Loan Facility, each of Many Gain and Penta has also agreed to pay to the Company an annual guarantee fee (the “Fee”) equivalent to 1.5% of their respective effective guaranteed obligations in respect of the principal amount of the Loan Facility for so long as the Company’s obligations under the Corporate Guarantee remain outstanding. The Fee is determined on arm’s length basis and is made on normal commercial terms with reference to valuation in respect of the fair value of the Fee performed by an independent valuer. We have reviewed the valuation report on the fair value of the Fee, with key assumptions including, among others, the expected volatility of Prime Asset with reference to the historical volatilities of comparable companies for the past year, risk free rate with reference to yield of China Government bond and exercise price with reference to the total amount of loans associated with the Property, as prepared by the independent valuer. We noted that the valuer applies Black-Scholes model in arriving at the said value and that its conclusion of the appropriate fair value is in line with the annual rate of the Fee. In addition, the Directors consider that under the currently low interest rate environment, the rate of 1.5% chargeable under the Fee by the Company is commercially appropriate to the Company.

Given that the Group’s position as a major shareholder in Prime Asset Group and has significant influence over its operation, the Directors are of the view that irrespective of the availability and the enforceability of the Counter Indemnities, it is in the interest of the Company to provide the Corporate Guarantee in order to proceed with the planned development of the Property and to realise its expected benefits. Shareholders should also note that whilst the Group is the largest shareholder of Prime Asset Group but under the Shareholders Deed, unanimous consent from all shareholders is needed for certain major decisions, including distribution of assets. As such, the Directors believes that the entering into of the arrangements under the Counter Indemnities is commercially justifiable and the consequential requisite contractual claim on the other shareholders of Prime Asset Group, if crystallised, would strengthen the Group’s position in any future discussion on the distribution of assets of Prime Asset Group amongst its members.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with Management on their view on credibility of the Counter Indemnities by Penta and Many Gain. The Management has advised that in the case of Penta, it is a substantial shareholder of the Company and Penta Group has co-invested with the Company in other property projects in the PRC previously. Likewise, Yida Group is also a shareholder of the Company and the Company has also co-invested with Many Gain in another property project. Based on the Company's experience in business dealings with these parties, the Management is of the view that they are reputable and reliable business partners and stakeholders in these co-investment projects. Accordingly the Management and the Company consider both Penta Group and Many Gain as credible business partners and that they have always honoured their business commitments and obligations. We concur with the Management that the Company's history of business dealings and involvements with Penta Group and Many Gain are relevant and that it is reasonable for the Company to draw comfort from these factors in accepting the Counter Indemnities.

In addition, as discussed with the Management, the purpose of the Counter Indemnities is to safeguard the interests of the Company and to limit its exposure under the Corporate Guarantee in proportion to its beneficial interest in Prime Asset. In order to limit the risk exposure to the Company under the Corporate Guarantee, the Company will continue to closely monitor the operation and financial position of Prime Asset Group. Despite the entities within Prime Asset Group are accounted for as jointly controlled entities of the Group, with half of the board of the directors of the companies within Prime Asset Group appointed by the Company, the general manager who is responsible for the overall management and operation of Prime Asset Group is also directly appointed by the Group. As a result, the Directors are of the view that the Company has a sufficient level of influence over the monitoring of the operations and financial position of the Prime Asset Group in all material respects. Based on the unaudited consolidated net assets of the Prime Asset Group of approximately HK\$40 million as at 30 June 2011, the Management is of the view that Prime Asset Group currently has sufficient assets to meet its liabilities, without resorting to the Corporate Guarantee provided by the Company in favour of the Banks. However, Shareholders should note that in the unforeseeable circumstances that the values of the assets of the Prime Asset Group deplete, which may result in that Prime Asset Group may not have sufficient assets to cover its liabilities in the future, there would be possibility for the Banks to call upon the Corporate Guarantee, which in turns, the Company would be partly protected by the Counter Indemnities as discussed above. We concur with the Management's view.

Given that (i) it is common lending practice for banks to require guarantees provided by the ultimate owners of the borrower and that banks generally have a higher level of confidence in the financial position of Hong Kong listed companies than those of privately owned companies; (ii) the entering into of the Supplemental Facility Agreement is to extend the maturity date of the existing Loan Facility, so that the Corporate Guarantee including the Counter Indemnities shall remain in force until the full repayment of the Loan Facility by Prime Asset; (iii) the Group has sufficient management to monitor the operations and financial position of Prime Asset Group in all material respects; (iv) the Fee is determined with reference to the fair value of the Fee as mentioned above; and (v) the history of business dealings and involvements with Penta Group and Many Gain as mentioned above, we concur with the Management's view that the Counter Indemnities and the Fee are appropriate mechanisms to protect the Company against the potential risk associated with the Corporate Guarantee that is beyond its share of proportionate beneficial interest in Prime Asset.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, in particular, (i) the Company's strong financial position as at 30 June 2011; (ii) the Corporate Guarantee being a specific request of the Banks, the independent third parties of the Company; (iii) there being no additional cash outlay by the Company under the Supplemental Facility Agreement and the provision of the Corporate Guarantee as continuing security by the Company; (iv) Prime Asset Group was at a net asset position based on its unaudited consolidated financial statements as at 30 June 2011; (v) the provision of the Counter Indemnities by Many Gain and Penta; and (vi) the Fee being determined with reference to the fair value of the Fee, the Management is of the view that the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security would provide a secure and stable source of financing for the development of the Property to Prime Asset and enable it to maintain financial support for the commercial operation which is in the interests of the Company and the Shareholders as a whole. We concur with the Management's view.

5. Financial effects of entering into the Supplemental Facility Agreement

As at 30 June 2011, the Group's effective share of the Corporate Guarantee to the Banks amounted to approximately HK\$289 million has been disclosed as a contingent liability in the 2011 interim results announcement of the Group.

The Management is of the view that there will not be any immediate financial impact on the Group's financial position upon entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security unless and until such time that the Corporate Guarantee is enforced by the Banks against the Company.

In respect of the Fee, the Company will record an annual fee income of approximately HK\$4 million.

IV. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered all the above factors and reasons, in particular:

1. The importance for Prime Asset to secure a stable source of financing so as to maintain financial support for the commercial operation and development of the Property;
2. There will not be any additional cash outlay to be provided by the Company under the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security;
3. The appointment by the Group of the general manager of Prime Asset Group with responsibility for the overall management and operation of Prime Asset Group which will enable the Group to monitor the operations and financial position of Prime Asset Group in all material respects despite Prime Asset Group are accounted for as jointly controlled entities of the Group;

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

4. The provision of the Counter Indemnities by Many Gain and Penta to ensure that any liabilities or losses which might be incurred by the Company as a result of its obligations under the Corporate Guarantee will be shared by Many Gain and Penta in proportion to their respective shareholding interests of Keen Hero and Penta Group in Prime Asset, such that the Group's financial exposure under the Corporate Guarantee will be limited only to its beneficial interests in Prime Asset; and

5. The Fee being determined with reference to the fair value of the Fee.

Based on the above considerations, we are of the opinion that the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security are on normal commercial terms and are fair and reasonable. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolution to approve the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Jimmy Chung
Executive Director

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 OF DIRECTORS AND CHIEF EXECUTIVE

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 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 the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

(a) Long position in the shares of the Company

Name of Directors	Number of ordinary shares in the Company			Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests		
Mr. Lo Hong Sui, Vincent	—	312,000 (Note 1)	235,981,000 (Note 2)	236,293,000	48.27%
Mr. Choi Yuk Keung, Lawrence	540,000	—	—	540,000	0.11%
Mr. Wong Kun To, Philip	—	192,533 (Note 3)	—	192,533	0.03%
Mr. Wong Fook Lam, Raymond	32,000	—	—	32,000	0.01%
Mr. Wong Yuet Leung, Frankie	600,000	—	—	600,000	0.12%

Notes:

- (1) These shares were beneficially owned by Ms. Loletta Chu (“Mrs. Lo”), the spouse of Mr. Lo Hong Sui, Vincent (“Mr. Lo”). Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in the 235,981,000 shares mentioned in note (2) below.

- (2) These shares were beneficially owned by Shui On Company Limited (“SOCL”). Of these 235,981,000 shares beneficially owned by SOCL, 220,148,000 shares were held by SOCL itself and 15,833,000 shares were held by Shui On Finance Company Limited (“SOFCL”), an indirect wholly-owned subsidiary of SOCL. SOCL was owned by 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 one of the discretionary beneficiaries and HSBC International Trustee Limited (“HSBC Trustee”) was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
- (3) These shares were beneficially owned by the spouse of Mr. Wong Kun To, Philip. Under the SFO, Mr. Wong Kun To, Philip was deemed to be interested in such shares.

(b) *Short position in the shares of the Company*

Name of Director	Number of ordinary shares in the Company				Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	—	—	1,600,000 (Note)	1,600,000	0.32%

Note: This short position represents the underlying shares of the Company subject to the call option granted by SOCL on 27 August 2002 to Mr. Wong Yuet Leung, Frankie as part of the incentive reward to his services to the Company. Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to have a short position in these shares under the SFO.

(c) *Share options of the Company*

At the Latest Practicable Date, the following Directors had interests in the share options granted by the Company under the share option scheme adopted by the Company on 27 August 2002:

Name of Directors	Date of grant	Subscription price per share HK\$	Period during which share options outstanding are exercisable	Number of ordinary shares subject to the share options outstanding
Mr. Choi Yuk Keung, Lawrence	14-6-2007	20.96	14-12-2007 to 13-6-2012	250,000
	7-5-2008	19.76	7-11-2008 to 6-5-2013	250,000
	9-4-2009	7.63	9-10-2009 to 8-4-2014	250,000

Name of Directors	Date of grant	Subscription price per share HK\$	Period during which share options outstanding are exercisable	Number of ordinary shares subject to the share options outstanding
Mr. Choi Yuk Keung, Lawrence (Cont'd)	9-4-2009	7.63	9-4-2012 to 8-4-2019	1,000,000
	12-4-2010	12.22	12-10-2010 to 11-4-2015	250,000
	12-4-2010	12.22	12-4-2013 to 11-4-2020	1,000,000
	23-6-2011	10.90	23-12-2011 to 22-6-2016	250,000
	28-7-2011	10.00	1-5-2015 to 27-7-2021	6,500,000
Mr. Wong Kun To, Philip	5-6-2009	11.90	3-1-2010 to 2-1-2012	1,602,000
	5-6-2009	11.90	1-7-2010 to 13-6-2012	88,000
	12-4-2010	12.22	12-10-2010 to 11-4-2015	350,000
	12-4-2010	12.22	12-4-2013 to 11-4-2020	1,500,000
	23-6-2011	10.90	23-12-2011 to 22-6-2016	400,000
	28-7-2011	10.00	1-5-2015 to 27-7-2021	10,800,000

Name of Directors	Date of grant	Subscription price per share HK\$	Period during which share options outstanding are exercisable	Number of ordinary shares subject to the share options outstanding
Mr. Wong Fook Lam, Raymond	14-6-2007	20.96	14-12-2007 to 13-6-2012	200,000
	12-4-2010	12.22	12-10-2010 to 11-4-2015	200,000
	12-4-2010	12.22	12-4-2013 to 11-4-2020	1,000,000
	23-6-2011	10.90	23-12-2011 to 22-6-2016	250,000
	28-7-2011	10.00	1-5-2015 to 27-7-2021	6,500,000
Mr. Wong Yuet Leung, Frankie (Note 2)	14-6-2007	20.96	14-12-2007 to 13-6-2012	500,000
	7-5-2008	19.76	7-11-2008 to 6-5-2013	500,000
	9-4-2009	7.63	9-10-2009 to 8-4-2014	750,000
	9-4-2009	7.63	9-4-2012 to 8-4-2019	2,000,000
	12-4-2010	12.22	12-10-2010 to 11-4-2015	350,000
	12-4-2010	12.22	12-4-2013 to 11-4-2020	1,000,000
	23-6-2011	10.90	23-12-2011 to 22-6-2016	150,000

Notes:

- (1) The vesting of all share options granted to the Directors is subject to the vesting schedules and/or performance conditions as set out in their respective offer letters.
- (2) Mr. Wong Yuet Leung, Frankie has retired from employment of the Company on 1 September 2011 and certain share options held by him will vest in accordance with the terms of the respective offer letters. Details of the vesting of his share options are still subject to be finalised by the Board based on the assessment and determination by the remuneration committee of the Company on the fulfilment of the performance conditions attached to some of his share options.

(d) *Call option over the shares of the Company*

At the Latest Practicable Date, the following Director had a call option granted by SOCL over the shares of the Company pursuant to the arrangement mentioned in the note to item (b) above:

Name of Director	Exercise price per share <i>HK\$</i>	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	6.00	27-8-2005 to 26-8-2012 <i>(Note)</i>	1,600,000

Note: The call option was granted by SOCL to Mr. Wong Yuet Leung, Frankie on 27 August 2002 as part of the incentive reward to his services to the Company. Pursuant to a letter of agreement entered into between SOCL and Mr. Wong Yuet Leung, Frankie in July 2010, the exercise period for this call option was extended from 26 August 2010 to 26 August 2011. The exercise period was further extended to 26 August 2012 pursuant to a letter of agreement between the two parties in July 2011.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions 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 the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

Save as disclosed herein, at the Latest Practicable Date, there is no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

Save as disclosed herein and in the announcement of the Company dated 17 June 2011 in respect of the master agreement for leasing of commercial premises by the group companies of SOCL to the Group, at the Latest Practicable Date, none of the Directors has had any direct or indirect interest in any assets which have since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

At the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares 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:

Name of Directors	Name of companies which had such discloseable interest or short position	Position within such companies
Mr. Lo Hong Sui, Vincent	SOCL and SOFCL	Director
Mr. Choi Yuk Keung, Lawrence	SOCL and SOFCL	Director
Mr. Wong Fook Lam, Raymond	SOFCL	Director
Mr. Wong Yuet Leung, Frankie	SOCL and SOFCL	Director

3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered into any service contract with the Group excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, the following Directors were considered to have interests in the businesses, which compete or were likely to compete, either directly or indirectly, with the businesses of the Group as set out below:

Name of Director	Name of entity with businesses considered competing or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo Hong Sui, Vincent	Shui On Land Limited	Property development in the PRC	director and controlling shareholder
Mr. Wong Yuet Leung, Frankie	Shui On Land Limited	Property development in the PRC	non-executive director

Save as disclosed above, at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Investec	a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Investec has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

6. EXPERT'S INTEREST IN ASSETS

At the Latest Practicable Date, Investec:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which had since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. GENERAL

- (a) The secretary of the Company is Ms. Tsang Yuet Kwai, Anita, an Associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The principal share registrar and the transfer office of the Company is HSBC Securities Services (Bermuda) Limited, 6 Front Street, Hamilton HM 11, Bermuda.

- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong from the date of this circular up to and including 3 October 2011:

- (i) the Supplemental Facility Agreement;
- (ii) the "Letter from the Independent Board Committee" as set out in this circular;
- (iii) the "Letter of advice from the Independent Financial Adviser" as set out in this circular; and
- (iv) the letter of consent from Investec referred to in paragraph 5 of this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



瑞安建業有限公司*
SHUI ON CONSTRUCTION AND MATERIALS LIMITED
(to be renamed as “SOCAM Development Limited”)
(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

NOTICE IS HEREBY GIVEN that a special general meeting of Shui On Construction and Materials Limited (the “Company”) will be held at Room 103, 1st Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong on Monday, 3 October 2011 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the Supplemental Facility Agreement (as defined in the circular to the shareholders of the Company dated 16 September 2011 (the “Circular”)), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, and the provision of the Corporate Guarantee (as defined in the Circular) by the Company as continuing security for the Loan Facility (as defined in the Circular) be hereby approved, ratified and confirmed; and
- (b) the directors of the Company be hereby authorised for and on behalf of the Company to execute any such documents, instruments and agreements and to do any such acts or things as may be deemed by such directors in their absolute discretion to be incidental to, ancillary to or in connection with the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility.”

By Order of the Board
Tsang Yuet Kwai, Anita
Company Secretary

Hong Kong, 16 September 2011

Notes:

- (i) Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (ii) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

* *for identification purpose only*