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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 accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or 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
(Incorporated in Bermuda with limited liability)
(Stock Code: 983)

CONTINUING CONNECTED TRANSACTIONS

SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT

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



AND

PROPOSED RE-ELECTION OF DIRECTOR

A letter from the Independent Board Committee is set out on pages 8 and 9 of this circular.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 10 to 19 of this circular.

A notice convening a special general meeting of the Company to be held at Room 103, 1st Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong on Wednesday, 21 January 2009 at 11:00 a.m. is set out on pages 30 and 31 of this circular. Whether or not you are able to attend the meeting, 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, not 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 meeting and any adjourned meeting (as the case may be) should you so wish.

* *for identification purpose only*

5 January 2009

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DEFINITIONS

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

“Access Capital” or “Independent Financial Adviser”	Access Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions, and 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;
“associate(s)”, “connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	Shui On Construction and Materials Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange (stock code: 983);
“Construction Services”	the provision by SSOC to SOL and/or its subsidiaries of construction services, including but not limited to civil engineering, electrical work and fitting out work for building construction, and decoration and renovation work, all in respect of property development projects in the PRC;
“Continuing Connected Transactions”	the transactions contemplated under the Framework Agreement as supplemented by the Supplemental Agreement;
“Directors”	directors of the Company;
“Framework Agreement”	the framework agreement dated 4 June 2006 entered into between SSOC and SOL in respect of the provision of the Construction Services;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of the Board comprising Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen, each being independent non-executive Director, formed to advise the Independent Shareholders on whether the terms and conditions of the Supplemental Agreement are fair and reasonable;
“Independent Shareholders”	shareholders of the Company, other than Mr. Lo and his associates;

DEFINITIONS

“Latest Practicable Date”	31 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lo”	Mr. Lo Hong Sui, Vincent;
“PRC”	People’s Republic of China, and for the purpose of this circular, excluding Hong Kong and the Macau Special Administrative Region;
“Resolution”	the ordinary resolution no. 1 to be proposed at the SGM as set out in the Notice of Special General Meeting which is set out on pages 30 and 31 of this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	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, inter alia, the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions;
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of nominal value HK\$1.00 each in the capital of the Company;
“SOL”	Shui On Land Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (stock code: 272);
“SOL Group”	SOL and its subsidiaries;
“SSOC”	瑞安建築有限公司(Shui On Construction Co., Ltd.) (formerly known as 上海瑞安建築有限公司 (Shanghai Shui On Construction Co., Ltd.)), a 70% owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 15 December 2008 entered into between SSOC and SOL, which is supplemental to the Framework Agreement; and
“%”	per cent.

For illustration purpose, conversion of RMB to HK\$ is based on the exchange rate of HK\$1.00 = RMB0.88.

LETTER FROM THE BOARD



瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Executive Directors:

Mr. Lo Hong Sui, Vincent (*Chairman*)
Mr. Choi Yuk Keung, Lawrence (*Vice-Chairman*)
Mr. Wong Yuet Leung, Frankie (*Chief Executive Officer*)
Ms. Lau Jeny (*Chief Financial Officer*)
Mrs. Lowe Hoh Wai Wan, Vivien

Non-executive Director:

Professor Michael Enright

Independent Non-executive Directors:

Mr. Anthony Griffiths
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

5 January 2009

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT
AND
PROPOSED RE-RELECTION OF DIRECTOR**

INTRODUCTION

Reference is made to the announcement and the circular of the Company dated 15 February 2007 and 8 March 2007 respectively relating to the continuing connected transactions contemplated under the Framework Agreement. The Independent Shareholders approved the Framework Agreement and the continuing connected transactions contemplated thereunder at the special general meeting of the Company held on 12 April 2007.

Since the Framework Agreement will end on 31 December 2008, the Board has announced on 15 December 2008 that SSOC and SOL entered into the Supplemental Agreement pursuant to which SSOC and SOL agreed to extend the term of the Framework Agreement for three financial years to 31 December 2011.

* for identification purpose only

LETTER FROM THE BOARD

Mr. Lo, the Chairman and a substantial shareholder of the Company, is the chairman of SOL in which he has an interest of approximately 54.52% in its issued share capital. Therefore, SOL is an associate of a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement as supplemented by the Supplemental Agreement will constitute continuing connected transactions of the Company and are subject to the approval by the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with further information about the Supplemental Agreement and the Continuing Connected Transactions to enable you to make an informed decision on whether to vote for or against the Resolution at the SGM. At the SGM, an ordinary resolution will also be proposed to re-elect Ms. Li Hoi Lun, Helen as a Director in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the bye-laws of the Company.

THE SUPPLEMENTAL AGREEMENT

Date: 15 December 2008

Parties: (1) SSOC; and
(2) SOL

Principal Term: To extend the term of the Framework Agreement so that it shall end on 31 December 2011. Any renewal shall be subject to the agreement of the parties and subject to necessary consent and/or approval being obtained. Each renewal term, if so agreed by the parties and upon obtaining all necessary consent and/or approval, shall be for three financial years.

The Company will comply with the applicable requirements under the Listing Rules upon further renewal of the Framework Agreement.

ANNUAL CAPS

As set out in the announcement of the Company dated 15 February 2007, the previous annual caps for the three financial years ending 31 December 2008 were RMB285 million (approximately HK\$324 million), RMB535 million (approximately HK\$608 million) and RMB750 million (approximately HK\$852 million) respectively.

It is proposed that the maximum annual total payment for all Construction Services provided by SSOC to SOL Group for each of the three financial years ending 31 December 2011 shall not exceed RMB410 million (approximately HK\$466 million), RMB561 million (approximately HK\$638 million) and RMB845 million (approximately HK\$960 million) (the “new Caps”) respectively. The new Caps are determined based on the estimated amount of payments to be certified upon completion of the outstanding works under the previously awarded contracts to SSOC and with reference to the estimated maximum amount of construction works which will be carried out for new contracts to be awarded by SOL Group to SSOC in accordance with the tendering procedures during the relevant financial years.

LETTER FROM THE BOARD

The total amount paid by SOL Group to SSOC for all Construction Services provided by SSOC to SOL Group for the two financial years ended 31 December 2007 are approximately RMB27 million (approximately HK\$31 million) and RMB117 million (approximately HK\$133 million) respectively. The total amount paid or payable by SOL Group to SSOC for the Construction Services provided for the nine months ended 30 September 2008 is approximately RMB210 million (approximately HK\$239 million). In view of the trend of the significant increase in actual amount paid by SOL Group to SSOC for the Construction Services for the aforesaid financial periods, it is more appropriate to set the annual caps for each of the three financial years ending 31 December 2011 at not exceeding RMB410 million (approximately HK\$466 million), RMB561 million (approximately HK\$638 million) and RMB845 million (approximately HK\$960 million) respectively taking into account: (a) the probability of SSOC taking up more projects with its increasing capability; (b) higher success rate of SSOC's tenders; and (c) more property development projects of SOL coming on stream that may be suitable for SSOC to tender.

REASONS FOR THE TRANSACTIONS

SSOC is the construction arm of the Company in the PRC. The Framework Agreement provides business opportunities for SSOC to tender for contracts and engage in construction works in the PRC, providing solid support to the property development activities of SOL Group.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, the Supplemental Agreement (together with the new Caps) has been agreed on normal commercial terms after arm's length negotiations between the parties, and the terms of the Supplemental Agreement and the Continuing Connected Transactions (together with the new Caps) are fair and reasonable and in the interests of the Shareholders as a whole.

The Shareholders should note that the new Caps represent the reasonable estimates by the Company of the aggregate annual amounts of the relevant transactions based on the information currently available. The new Caps bear no direct relationship to, nor should be taken to have any direct bearing on, the financial or potential financial performance of the Group. SSOC may or may not provide Construction Services to SOL Group up to the level of the new Caps, if at all, as any engagement by SOL Group for construction services (other than to execute contracts with less than RMB1 million) is subject to tender procedures which are open to other independent third party contractors.

IMPLICATIONS OF THE LISTING RULES

Mr. Lo is the Chairman of the Company and has an interest in approximately 56.63% of the issued share capital of the Company. He is also the chairman of SOL in which he has an interest of approximately 54.52% in its issued share capital. Therefore, SOL is an associate of a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement as supplemented by the Supplemental Agreement will constitute continuing connected transactions of the Company. Since the applicable percentage ratios set out in Rule 14A.10 of the Listing Rules calculated for the Company with reference to the new Caps exceed 2.5%, the Supplemental Agreement and the Continuing Connected Transactions will be subject to announcement, Independent Shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Mr. Anthony Griffiths, an Independent non-executive Director, is beneficially interested in approximately 0.0003% of the issued share capital of SOL.

At the SGM, the Company will seek Independent Shareholders' approval for the Supplemental Agreement and the Continuing Connected Transactions (together with the new Caps). The votes to be taken at the SGM will be taken by poll, the results of which will be announced after the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions and Access Capital has been retained as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Independent Shareholders should consider carefully the recommendations of the Independent Board Committee and the factors, reasons and recommendations as set out in the letter of advice from Access Capital in relation to the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions.

GENERAL INFORMATION

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

SSOC is the construction arm of the Company in the PRC and is principally engaged in building construction.

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

PROPOSED RE-ELECTION OF DIRECTOR

In compliance with the code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and in accordance with bye-law 86(2) of the bye-laws of the Company, Ms. Li Hoi Lun, Helen who has been appointed as a Director to fill a casual vacancy during the year 2008, will retire at the SGM and offer herself for re-election as a Director. Pursuant to Rule 13.74 of the Listing Rules, the details of the Director proposed to be re-elected at the SGM are set out in Appendix II to this circular.

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 Wednesday, 21 January 2009 at 11:00 a.m. is set out on pages 30 and 31 of this circular. At the SGM, the Resolution will be proposed to approve the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions.

LETTER FROM THE BOARD

Mr. Lo is the Chairman of the Company and has an interest in approximately 56.63% of the issued share capital of the Company at the Latest Practicable Date. He is also the chairman of SOL in which he has an interest in approximately 54.52% of its issued share capital. Accordingly, Mr. Lo and his associates will abstain from voting in respect of the Resolution at the SGM.

A proxy form for use at 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 not 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) should you so wish.

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) take the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions have been agreed on normal commercial terms after arm's length negotiations between the parties, and the terms of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 8 and 9 of this circular, to the letter of advice from Access Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions set out on pages 10 to 19 of this circular, and to the information set out in the Appendices to this circular.

Yours faithfully
For and on behalf of
Shui On Construction and Materials Limited
Wong Yuet Leung, Frankie
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

5 January 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT

We refer to the circular (the “**Circular**”) dated 5 January 2009 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the transactions contemplated under the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions.

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 7 of the Circular and the text of a letter of advice from Access Capital, as set out on pages 10 to 19 of the Circular, both of which provide details of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions.

Having considered the terms of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions, the advice of Access Capital and the relevant information contained in the letter from the Board, we are of the opinion that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, the Supplemental Agreement (together with the new Caps) has been agreed on normal commercial terms after arm’s length negotiations between the parties, and the terms of the Supplemental Agreement and the Continuing Connected Transactions (together with the new Caps) are 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 the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM.

Yours faithfully,

**Independent Board Committee of
Shui On Construction and Materials Limited**

Gerrit de Nys

Independent Non-executive Director

Li Hoi Lun, Helen

Independent Non-executive Director

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

5 January 2009

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Supplemental Agreement dated 15 December 2008 entered into between SOL and SSOC, a 70% owned subsidiary of the Company. On 4 June 2006, the Framework Agreement was entered into between SSOC and SOL in respect of the provision by SSOC of the Construction Services to the SOL Group and to provide the maximum amount of construction works which may be awarded by SOL Group to SSOC each year. Details of the Framework Agreement are contained in the Company's circular dated 8 March 2007. Since the Framework Agreement will end on 31 December 2008, SSOC and SOL agreed to enter into the Supplemental Agreement to extend the term for three financial years to 31 December 2011.

Details of the Supplemental Agreement are contained in the "Letter from the Board" in this circular (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context specifies otherwise.

Mr. Lo Hong Sui, Vincent is the chairman of the Company and had an interest in approximately 56.63% of the issued share capital of the Company as at the Latest Practicable Date. He is also the chairman of SOL in which he has an interest of approximately 54.52% in its issued share capital as at the Latest Practicable Date. SOL is therefore an associate of a connected person of the Company.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, the transactions contemplated under the Framework Agreement as supplemented by the Supplemental Agreement will constitute continuing connected transactions of the Company. Since the applicable percentage ratios set out in Rule 14A.10 of the Listing Rules calculated for the Company with reference to the new Caps exceed 2.5%, the Supplemental Agreement and the Continuing Connected Transactions will be subject to announcement, Independent Shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of five executive Directors, namely Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie, Ms. Lau Jeny and Mrs. Lowe Hoh Wai Wan, Vivien; one non-executive Director, namely Professor Michael Enright and three independent non-executive Directors, namely Mr. Anthony Griffiths, Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen.

The Independent Board Committee comprising two independent non-executive Directors, Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen, has been established to consider the terms of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. BASES AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors 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 at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors 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 which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide 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

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

us by the Company and/or its senior management staff and/or the Directors 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 an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries. We have reviewed sufficient information and performed adequate analyses required by Rule 13.80 of the Listing Rules to conclude our opinion on a reasonable basis.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background to and reasons for the Supplemental Agreement

The Group is principally engaged in property development, asset management, cement production, construction, investment in property development and venture capital investment in Hong Kong and the PRC. SSOC is the construction arm of the Company in the PRC and is principally engaged in building construction.

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

On 4 June 2006, SSOC and SOL entered into the Framework Agreement in respect of the provision of the Construction Services by SSOC to the SOL Group and to provide clear guidelines on the maximum amount of construction works which may be awarded by the SOL Group to SSOC each year. The Framework Agreement set out the annual caps for the three years ending 31 December 2008 and was approved at the Company's special general meeting held on 12 April 2007. Since the Framework Agreement will end on 31 December 2008, SSOC and SOL agreed to enter into the Supplemental Agreement on 15 December 2008 to extend the term of the Framework Agreement for three financial years to 31 December 2011.

Given (i) the past satisfactory experience with the SOL Group on the provision of Construction Services, the Group will continue to enjoy a fair chance to involve in the Non-tender Contracts (as defined below) and/or to participate in the tendering process of the Tender Contracts (as defined below) for construction works in the PRC; and (ii) the strategic benefit (in terms of business flow) to the Group vis-à-vis the future expansion of SOL's property development business in the PRC; we are of the view that the entering into of the Supplemental Agreement is in line with the Group's corporate strategy to engage in construction works in cities with growth potential.

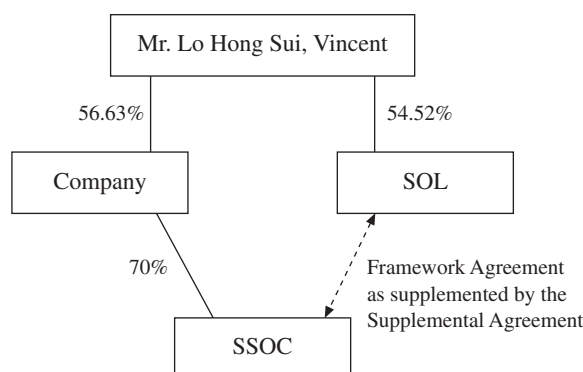
Since one of the principal businesses of the Group is related to construction and contracting and SOL is engaged in property development in the PRC, we concur with the Directors' view that the entering into of the Supplemental Agreement and the transactions contemplated thereunder fall within the ordinary and usual course of business of the Group.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Supplemental Agreement and the new Caps

2.1 Terms of the Supplemental Agreement

The Supplemental Agreement is to extend the term of the Framework Agreement to 31 December 2011. The following diagram sets out the shareholding and corporate structure of the Company, SOL and SSOC:



The principal terms of the Framework Agreement was set out in the Company's circular dated 8 March 2007 and a summary of which is appended below:

For construction contracts with a contract sum less than RMB1,000,000 ("Non-tender Contracts"):

- (a) SSOC may provide the SOL Group with the Construction Services from time to time on such normal commercial terms as SSOC and SOL may agree with each other provided that the contract price shall be based on prevailing market rates or, if no prevailing market price is available, fair and reasonable prices based on arm's length negotiations with reference to prevailing rates for material and labour as published in the relevant provincial or city guidelines; and
- (b) SOL is not bound to contract with SSOC for construction services and has the right to choose independent third party contractors at their discretion.

For construction contracts with a contract sum of RMB1,000,000 or more ("Tender Contracts"):

- (a) SSOC may bid for construction contracts put out for tender by SOL from time to time in accordance with its tendering procedures in place on the same terms as offered to independent third parties; and

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) if any construction contract is granted to SSOC as a result of a successful tender, SSOC will provide the Construction Services to the SOL Group based on the terms of the successful tender.

We understand from the Company that the quantity surveying department of SOL is responsible for inviting pre-qualified contractors to submit their tender for construction works. The decision to award is vested with the procurement committee for the relevant project and is made on the basis of capability to satisfy contract requirements, qualifications, reliability, quality and price (the “**Tendering Procedure**”).

In tendering for the Tender Contracts, SSOC prepares estimates based on:

- the quantum of the work specified in the tender documents;
- the labour, materials and management required to deliver the work to the standards specified within the contract period set out in the tender documents;
- the costs at which it can obtain the materials and labour and, if appropriate, the rates of inflation in these inputs expected to occur during the contract period that may be applicable;
- reasonable allowances for wastage and rework;
- contract administration costs; and
- a rate of profit based on costs that is competitive with the market place for similar types of work in the specific location.

We believe the tendering process outlined above is fair and reasonable and is in the interests of the Shareholders as a whole.

Taking into account (i) the background to and reasons for the Framework Agreement set out above; (ii) the provision of construction works is in the ordinary and usual course of business of the Group, granted on normal commercial terms and negotiated on an arm’s length basis as described above; (iii) the contract price for Non-tender Contracts is based on prevailing market rates and arm’s length negotiations with reference to prevailing rates for material and labour costs from independent suppliers; (iv) the award of the Tender Contracts is based on the Tendering Procedure; and (v) the terms of the Supplemental Agreement (except for the extension of the term for three financial years to 31 December 2011) are the same as those in the Framework Agreement, we concur with the Directors, and are of the view, that the transactions contemplated under the Supplemental Agreement are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Annual caps for the three years ending 31 December 2008

The following table set out the annual caps for the Continuing Connected Transactions for the three years ending 31 December 2008 and the respective utilisation as stated in the “Letter from the Board”.

Year	Annual caps <i>(RMB in million)</i>	Amount paid by the SOL Group to SSOC for the Construction Services <i>(RMB in million)</i>
2006	285	27
2007	535	117
2008	750	210*

* Total amount paid or payable by the SOL Group to SSOC for the nine months ended 30 September 2008.

The annual caps for the three years ending 31 December 2008 were approved at the Company’s special general meeting held on 12 April 2007. As set out in the Company’s 2007 annual report, the fees paid or payable by the SOL Group to SSOC for the provision of the Construction Services for the year ended 31 December 2007 amounted to HK\$119.6 million. The independent non-executive Directors had reviewed such transactions and confirmed that such transactions had been entered into by SSOC in the ordinary and usual course of the Group’s business, on normal commercial terms, and in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

It also stated in the Company’s 2007 annual report that the auditor of the Company had confirmed that the continuing connected transactions under the Framework Agreement (i) had received the approval of the Board; (ii) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and (iii) have not exceeded the cap for the year ended 31 December 2007 as disclosed in the Company’s circular dated 8 March 2007. We have reviewed the report from the auditor of the Company in this respect.

We have discussed with the management of the Company and understand that given its increasing competitiveness, proven work quality and the nature of works which was suitable for SSOC, increased amount of the Construction Services had been successfully awarded to SSOC by the SOL Group during the two financial years ended 31 December 2007 and the year ending 31 December 2008. This explained the increased amount paid to SSOC by the SOL Group for the financial year ended 31 December 2007 and the nine months ended 30 September 2008. We noted that the amount paid by the SOL Group for the two years ended 31 December 2007 were much lower than the cap amounts for the two respective years. The estimated total amount to be paid and payable by the SOL Group for the year ending 31 December 2008 will also be lower than the cap for 2008. We have discussed with the management of the Company and understand that these were mainly due to factors as (i) the amount of Tender Contracts available for SSOC to tender during the three years ending 31 December 2008 was less than the amount anticipated in estimating the annual caps; and (ii) changes in the schedules for construction works on awarded contracts and therefore the schedules for payments on works performed.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 *The new Caps*

Year	Proposed cap <i>(RMB in million)</i>	Year-on-year increase/(decrease) <i>(%)</i>
2009	410	(45.3)
2010	561	36.8
2011	845	50.6

According to the Company, the new Caps are determined:

- (i) based on the estimated amount of payments to be certified upon completion of the outstanding works under the previously awarded contracts to SSOC; and
- (ii) with reference to the estimated maximum amount of construction works which will be carried out for new Non-tender contracts and Tender Contracts to be awarded by the SOL Group to SSOC during the relevant financial years.

We were provided by the Company with the information on construction contracts on hand awarded by the SOL Group. As reviewed, there are contracts (i) with construction works completed, which will be certified by independent quantity surveyors and payments are expected to be received from the SOL Group in 2009; (ii) with construction works commenced, which are expected to be completed and payments to be received in 2009; and (iii) with construction works to be commenced and payments to be received in 2009 and 2010. We have also discussed with the management of the Company and understand that the estimated amount of construction works that might be awarded by the SOL Group to SSOC for the 3 years ending 31 December 2011 was based on the discussion between the management of SSOC and SOL on SOL's estimated amount of works to be commenced during the relevant years based on its internal work schedule and future business plans.

SOL is one of the leading property developers in the PRC. According to SOL's interim report for the six months ended 30 June 2008, SOL has a land bank of about 13.2 million square metres ("sq.m.") gross floor area ("GFA") consisting of eight development projects spanning over Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan, the PRC. These included completed properties held for investment of approximately 0.42 million sq.m. and properties under development and properties held for future development in an aggregate of approximately 12.7 million sq.m. ("Development Area").

In order to assess the reasonableness of the amounts for the new Caps, we have also considered certain information relating to the real estate markets in Shanghai, Chongqing and Dalian in which SOL, according to its interim report for the six months ended 30 June 2008 had properties held for development and properties held for future development with aggregate GFA accounted for approximately 76% of the Development Area.

Overall real estate market in Shanghai

Shanghai is one of the four municipalities in China under direct administration of the PRC central government. According to the National Bureau of Statistics of China, as at 31 December 2007, Shanghai had a population of approximately 13.8 million.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Shanghai experienced substantial gross domestic product (“GDP”) growth rates for the five years from 2003 to 2007. In 2007, Shanghai’s GDP reached approximately RMB1,218.9 billion, representing a per capita GDP of approximately RMB88,745. According to the National Bureau of Statistics of China, total investment in real estate was approximately RMB130.8 billion. The table below sets out selected economic statistics of Shanghai for the periods indicated:

	2003	2004	2005	2006	2007
Nominal GDP (<i>RMB in billion</i>)	669.4	807.3	916.4	1,036.6	1,218.9
Real GDP growth rate (%)	12.3	14.2	11.1	12.0	14.3
Per capita GDP (<i>RMB</i>)	50,032	59,928	67,492	75,990	88,745

Source: Shanghai Statistical Yearbook 2008, Shanghai Statistics Bureau

According to the Shanghai Statistics Bureau, a total GFA of approximately 27.5 million sq.m. of residential properties was completed in Shanghai in 2007. A total GFA of approximately 32.8 million sq.m. of residential properties was sold in Shanghai in 2007, representing an increase of 25.4% over 2006. The average selling price per sq.m. of residential properties in Shanghai increased from RMB4,989 in 2003 to approximately RMB8,253 in 2007.

According to the Shanghai Statistics Bureau, a total GFA of approximately 1.39 million sq.m. of office properties was completed in Shanghai in 2007, representing an increase of 2.0% over 2006. The average selling price per sq.m. of office properties in Shanghai increased from RMB9,711 in 2003 to approximately RMB14,223 in 2007.

Overall real estate market in Chongqing

Chongqing lies to the east of Sichuan Province. According to the National Bureau of Statistics of China, Chongqing had a population of approximately 28.2 million as at 31 December 2007. Chongqing experienced a steady GDP growth rate for the five years from 2003 to 2007. In 2007, the nominal GDP of Chongqing reached approximately RMB412.3 billion, representing a per capita GDP of approximately RMB14,660. The urban resident per capita disposable income in Chongqing reached approximately RMB13,715 in 2007, representing an increase of 18.5% over 2006. The table below sets out selected economic statistics of Chongqing for the periods indicated:

	2003	2004	2005	2006	2007
Nominal GDP (<i>RMB in billion</i>)	227.3	269.3	307.0	345.2	412.3
Real GDP growth rate (%)	11.5	12.2	11.5	12.2	15.6
Per capita GDP (<i>RMB</i>)	8,091	9,624	10,982	12,316	14,660

Source: Chongqing Statistical Yearbook 2008

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Chongqing Statistics Bureau, total investment in real estate in Chongqing rose significantly from approximately RMB32.8 billion in 2003 to RMB85.0 billion in 2007, representing an increase of 35.0% over 2006. A total GFA of approximately 35.5 million sq.m. of commodity properties was sold in Chongqing in 2007, representing an increase of approximately 59.4% from 2006. In 2007, the total revenue from commodity property sales in Chongqing increased to approximately RMB96.7 billion, up 91.3% from 2006. Of total revenue from commodity property sales, approximately RMB85.7 billion was for residential property, representing an increase of approximately 104.6% over 2006.

Overall real estate market in Dalian

Dalian, a coastal city in northeast China's Liaoning province, is an important trade and software hub. According to the Dalian Statistics Bureau, as at 31 December 2007, Dalian had a population of approximately 5.78 million. Dalian experienced substantial GDP growth rates for the five years from 2003 to 2007. In 2007, Dalian's GDP reached approximately RMB313.1 billion, representing a growth of 17.5% over 2006, which is the highest growth rate since 1994. The table below sets out selected economic statistics of Dalian for the periods indicated:

	2003	2004	2005	2006	2007
Nominal GDP (<i>RMB in billion</i>)	163.3	196.2	229.0	257.0	313.1
Real GDP growth rate (%)	15.2	16.2	14.2	16.5	17.5
Per capita disposable income [^] (<i>RMB</i>)	9,101.4	10,377.8	11,994.4	13,350.1	15,108.6

Source: *Dalian Statistics Bureau*

[^] *GDP per capita for Dalian is not publicly available from the Dalian Statistics Bureau. Per capita disposable income is disclosed for information purposes.*

According to the Dalian Municipal Bureau of Statistics, a total GFA of approximately 7.84 million sq.m. of residential properties was sold in Dalian in 2007, representing an increase of 37.5% over the previous year. The sales revenue of commercial houses was RMB46.11 billion, up 62.1% from 2006; of which residence sales was RMB42.47 billion, representing an increase of 75% over the previous year. According to the official website of Dalian, the software and IT service outsourcing sector was developing rapidly in Dalian. Policies had been launched in the city to build public facilities for training institutions and construct apartments for IT workers in the city. More construction works are expected to commence in the city.

Due to the recent global financial crisis and the austerity measures in China, it is expected that the real estate markets in the PRC will become more volatile and economic growth in China will be slowed down. However, we concur with the management of the Company that more opportunities are anticipated as the market consolidates. We believe that the huge population, rapid urbanisation and continuous improvement in living standard in the PRC will provide momentum for further development in the real estate market in the PRC.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

2.4 *Our view*

Based on (i) the information provided by the Company on estimated amount of payments to be received on contracts on hand awarded by the SOL Group to SSOC in the coming two years; (ii) SOL's land bank comprising approximately 12.7 million sq.m. GFA of Development Area; and (iii) SSOC's competitive edge in bidding for contracts to be put for tender by the SOL Group during the relevant financial years in light of its proven expertise and past satisfactory experience with the SOL Group on the provision of the Construction Services, we are of the view that the proposed new Caps amounts are fair and reasonable.

V. **RECOMMENDATION**

Having considered the abovementioned factors, we are of the view that terms of the Supplemental Agreement and the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group and the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that they are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the ordinary resolution to approve the Supplemental Agreement (together with the new Caps) and the Continuing Connected Transactions, which will be proposed at the SGM.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jimmy Chung
Principal Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) 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 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 were as follows:

(a) Long position in the Shares

Name of Director	Personal interests	Number of Shares			Total	Approximate percentage of shareholding in the Company
		Family interests	Other interests			
Mr. Lo	—	312,000 <i>(Note 1)</i>	181,981,000 <i>(Note 2)</i>	182,293,000	56.63%	
Mr. Choi Yuk Keung, Lawrence	1,100,000	—	—	1,100,000	0.34%	
Mr. Wong Yuet Leung, Frankie	800,000	—	—	800,000	0.24%	
Mrs. Lowe Hoh Wai Wan, Vivien	720,000	—	—	720,000	0.22%	

Notes:

- (1) 312,000 Shares are beneficially owned by Ms. Loletta Chu (“Mrs. Lo”), the spouse of Mr. Lo. Under the SFO, Mr. Lo is deemed to be interested in such Shares and both Mr. Lo and Mrs. Lo are also deemed to be interested in 181,981,000 Shares mentioned in note (2) below.

- (2) Among 181,981,000 Shares beneficially owned by Shui On Company Limited (“SOCL”), 166,148,000 Shares and 15,833,000 Shares were held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. (formerly “Bosrich Holdings Inc.”). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to be interested in such Shares under the SFO.

(b) *Short position in the Shares*

Name of Director	Number of Shares		Approximate percentage of shareholding in the Company
	Personal interests	Other interests	
Mr. Lo	—	1,600,000 <i>(Note)</i>	0.49%

Note: These Shares represent 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 International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to have 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 Director	Date of grant	Subscription price per Share <i>HK\$</i>	Period during which options outstanding are exercisable	Number of Shares subject to the options
Mr. Choi Yuk Keung, Lawrence	3-1-2007	16.78	3-1-2010 to 2-1-2017	700,000
	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
	7-5-2008	19.76	7-5-2011 to 6-5-2018	1,000,000

Name of Director	Date of grant	Subscription price per Share HK\$	Period during which options outstanding are exercisable	Number of Shares subject to the options
Mr. Wong Yuet Leung, Frankie	1-8-2006	14.00	1-2-2007 to 31-7-2011	2,000,000
	3-1-2007	16.78	3-1-2010 to 2-1-2017	1,500,000
	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
	7-5-2008	19.76	7-5-2011 to 6-5-2018	2,000,000
Ms. Lau Jeny	7-5-2008	19.76	7-5-2011 to 6-5-2018	1,000,000
Mrs. Lowe Hoh Wai Wan, Vivien	1-8-2006	14.00	1-2-2007 to 31-7-2011	120,000
	3-1-2007	16.78	3-1-2010 to 2-1-2017	625,000
	14-6-2007	20.96	14-12-2007 to 13-6-2012	176,000
	7-5-2008	19.76	7-11-2008 to 6-5-2013	200,000
	7-5-2008	19.76	7-5-2011 to 6-5-2018	750,000

Note: The vesting of the share options granted to the Directors is subject to the vesting schedules and/or performance conditions as set out in their respective offer letters.

(d) *Call option over the Shares*

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

Name of Director	Exercise price HK\$	Exercise period	Number of Shares subject to the call option
Mr. Wong Yuet Leung, Frankie	6.00	27-8-2005 to 26-8-2010	1,600,000

(e) *Long position in the shares of SOL*

Name of Director	Number of ordinary shares in SOL			Total	Approximate percentage of shareholding in SOL
	Personal interests	Family interests	Other interests		
Mr. Lo	—	1,150,000	2,281,250,225 <i>(Note)</i>	2,282,400,225	54.52%
Mr. Anthony Griffiths	15,000	—	—	15,000	0.0003%

Note: 2,281,250,225 shares are directly held by subsidiaries of SOCL, namely, Shui On Investment Company Limited, Shui On Properties Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary. Accordingly, Mr. Lo is deemed to be interested in such shares under the SFO.

(f) *Long position in the shares of China Central Properties Limited (“CCP”)*

Name of Director	Number of ordinary shares in CCP		Approximate percentage of shareholding in CCP
	Personal interests	Other interests	
Mr. Anthony Griffiths	6,000	—	0.002%

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.

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.

At the Latest Practicable Date, none of the Directors has had any direct or indirect interest in any assets which have since 31 December 2007 (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.

(B) Interests of Shareholders discloseable pursuant to the SFO

Save as disclosed below and under the section “Interests of Directors and chief executive” above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at the Latest Practicable Date, had an interest or short position in the Shares or 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 Shareholders	Class of Shares	Capacity	Number of Shares/underlying Shares held	Approximate percentage of shareholding in the Company
John Zwaanstra	Ordinary	Interest of controlled corporation	58,942,657 (L) <i>(Note 2)</i>	18.31%
Penta Investment Advisers Limited	Ordinary	Investment manager	58,942,657 (L) <i>(Note 2)</i>	18.31%
Mercurius GP LLC	Ordinary	Founder of discretionary trust	26,613,951 (L) <i>(Note 3)</i>	8.26%
Todd Zwaanstra	Ordinary	Trustee	26,613,951 (L) <i>(Note 3)</i>	8.26%
Penta Asia Fund, Ltd.	Ordinary	Interest of controlled corporation	26,613,951 (L) <i>(Note 3)</i>	8.26%
UBS AG	Ordinary	Beneficial owner/ Holder of security interest in shares/ Interest of controlled corporation	39,041,734 (L)	12.12%

Notes:

1. The letter “L” denotes a long position.
2. Among the interests owned by these shareholders, 1,570,409 Shares are physically settled derivative interests and 36,569,617 Shares are cash settled derivative interests.
3. Among the interests owned by these shareholders, 16,000,000 Shares are cash settled derivative interests.

(C) Substantial shareholding in other members of the Group

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of owner of shares or equity interest (as the case may be)	Name of subsidiary	Effective % equity interest held
廣州市番禺廣鋁實業有限公司 (Guangzhou Panyu Guanglu Industrial Co., Ltd.)	Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd.	20%
Eversound Enterprise Limited	Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd.	16%
Metro Materials Engineering Company Limited	Lamma Concrete Products Limited	40%
Metro Materials Engineering Company Limited	廣東南丫混凝土構件有限公司	40%
廣州市番禺廣鋁實業有限公司 (Guangzhou Panyu Guanglu Industrial Co., Ltd.)	Panyu Rui Hui Metal Works Engineering Co. Ltd.	22.5%
Hip Kwan Engineering Company Limited	Panyu Rui Hui Metal Works Engineering Co. Ltd.	22.5%
Eversound Enterprise Limited	Dynamic Mark Limited	20%
Hip Kwan Engineering Company Limited	Shui Fai Metal Works Engineering Company Limited	22.5%
Eversound Enterprise Limited	Shui Fai Metal Works Engineering Company Limited	22.5%
Ecomat (Hong Kong) Limited	Pacific Extend Limited	18%*
Win Media Limited	Pacific Extend Limited	10%#
上海建五實業有限公司	SSOC	15%
上海國際集團投資管理有限公司	SSOC	15%
江蘇昆山德普設備租賃有限公司	重慶騰輝德晟工程技術有限公司	20%
上海和晟機械成套設備有限公司	重慶騰輝德晟工程技術有限公司	20%

Name of owner of shares or equity interest (as the case may be)	Name of subsidiary	Effective % equity interest held
重慶市第二建築材料廠	Chongqing T.H. White Cement Co. Ltd.	40%
Hanshing Limited	Honour Link Development Limited	24%
Glory Prospect International Company Limited	Honour Link Development Limited	24%
Shenzhen Yue Jie Concrete Products Co., Ltd.	Lamma Yue Jie Company Limited	40%

* The 18% equity interest held by Ecomat (Hong Kong) Limited represents 18% of the issued ordinary shares and carries voting right of 11.25% of the total issued share capital comprising ordinary shares and special shares.

The 10% equity interest held by Win Media Limited represents 10% of the issued ordinary shares and carries voting right of 6.25% of the total issued share capital comprising ordinary shares and special shares.

3. SERVICE CONTRACTS

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

4. LITIGATION

At the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, Mr. Lo was the chairman and the controlling shareholder of SOL which is engaged in property development in the PRC.

Save as referred to herein, 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.

6. EXPERT AND CONSENT

The followings are the qualifications of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Access Capital	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

Access Capital has given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appear.

7. EXPERT'S INTEREST IN ASSETS

At the Latest Practicable Date, Access Capital:

- (a) does 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) does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcement of the Company dated 2 January 2009, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Company have been made up.

9. GENERAL

- (a) The secretary of the Company is Ms. Tsang Yuet Kwai, 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 The Bank of 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.

10. 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 21 January 2009:

- (a) the Supplemental Agreement;
- (b) the Framework Agreement;
- (c) the "Letter from the Independent Board Committee" as set out in this circular;
- (d) the "Letter of Advice from the Independent Financial Adviser" as set out in this circular;
and
- (e) the letter of consent from Access Capital referred to in paragraph 6 of this Appendix.

APPENDIX II DETAILS OF THE DIRECTOR PROPOSED TO BE RE-ELECTED

The details of the Director proposed to be re-elected at the SGM are set out below.

Li Hoi Lun, Helen (“Ms. Li”)

Ms. Li, aged 52, has been appointed as an independent non-executive Director since 28 August 2008. She is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as in-house legal counsel for the group companies, and an executive director of the property arm, of SOCL (“Shui On group”). She took early retirement in 2005.

Ms. Li has not held any directorship in any other public company the shares of which are listed on any securities market in Hong Kong and overseas in the past three years.

Save as disclosed herein and except for the relationship arising from her position as a Director, Ms. Li does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Ms. Li does not have any interest in the securities of the Company within the meaning of Part XV of the SFO.

Ms. Li has met the independence guidelines as set out in Rule 3.13 of the Listing Rules except that she has been consulted by the Company and Shui On group on an ad hoc basis after her retirement to tap her legal expertise, PRC experience and knowledge of Shui On group and the Company. The Company and Shui On group compensated Ms. Li for the time spent on her advice and commentary work on legal documents. There was no service contract or arrangement subsisting between Shui On group or the Company and Ms. Li, and such ad hoc advisory work ceased upon her appointment as a Director. Ms. Li has no interest in any business relationship or outstanding contracts/agreements of Shui On group or the Company.

Given that Ms. Li has fulfilled all the independence criteria of Rule 3.13 of the Listing Rules other than Rule 3.13(3) as explained above, the Company has demonstrated to the satisfaction of the Stock Exchange that Ms. Li is sufficiently independent to carry out her duties as an independent non-executive Director. The Company considers that Ms. Li has the integrity, experience and independent judgment to perform her duties as an independent non-executive Director.

Ms. Li was appointed for a term of three years and will be subject to retirement by rotation every three years in accordance with the bye-laws of the Company. Her emoluments are determined by the Board, based on her qualifications and contributions to the Board. Ms. Li is entitled to receive annual fees of HK\$350,000 as remuneration.

Save as disclosed herein, there is no matter that needs to be brought to the attention of the Shareholders, nor is there any information as required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

NOTICE OF SPECIAL GENERAL MEETING



瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

NOTICE OF SPECIAL GENERAL MEETING

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 Wednesday, 21 January 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:-

ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the Supplemental Agreement (as defined in the circular to shareholders of the Company dated 5 January 2009 and a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the continuing connected transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the new Caps (as defined in the circular to shareholders of the Company dated 5 January 2009) for the three financial years ending 31 December 2011 be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the Supplemental Agreement and all other transactions contemplated thereunder with any changes as they may consider necessary, desirable or expedient.”

(2) “**THAT** Ms. Li Hoi Lun, Helen be and is hereby re-elected as a director of the Company.”

By Order of the Board
Tsang Yuet Kwai
Company Secretary

Hong Kong, 5 January 2009.

* For identification purpose only

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Notes:

- (1) 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.
- (2) 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.

At the date of this notice, the executive directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie, Ms. Lau Jeny and Mrs. Lowe Hoh Wai Wan, Vivien; the non-executive director of the Company is Professor Michael Enright; and the independent non-executive directors of the Company are Mr. Anthony Griffiths, Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen.