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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 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)

**MAJOR TRANSACTION  
FORMATION OF A JOINT VENTURE**

**AND**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF ASSETS**

**AND**

**NOTIFIABLE TRANSACTION  
DISPOSAL OF ASSETS**

**INCIDENTAL TO THE FORMATION OF THE JOINT VENTURE**

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A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the special general meeting of the Company to be held at Room 103, 1st Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong on Monday, 28 February 2011 at 10:00 a.m. is set out on page 28 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 meeting and any adjournment thereof (as the case may be), should you so desire.

*\* for identification purpose only*

9 February 2011

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I — Financial Information of the Group</b> .....	16
<b>Appendix II — General Information.</b> .....	18
<b>Notice of Special General Meeting.</b> .....	28

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## DEFINITIONS

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

“Acquisition”	the capital contribution by the Group to the JV Company in return for a 75% equity interest in the JV Company and its underlying Assets
“Ally Plus”	Ally Plus Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Assets”	96.76% equity interest in TP Kunshan and Site No. 1 Land
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors (including executive Directors and independent non-executive 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)
“Completion”	completion of the Reorganisation and completion of all capital contributions to the JV Company by the Group
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“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
“Joint Venture”	the joint venture to be formed under the Joint Venture Agreement to undertake investment, development, management and operation of knowledge community projects in the PRC
“Joint Venture Agreement”	the agreement dated 19 January 2011 entered into between Ally Plus, Tsinghua SP, Shanghai Jianwei and the Company in respect of the formation of the Joint Venture
“Joint Venture Partners”	Tsinghua SP and Shanghai Jianwei

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## DEFINITIONS

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“JV Company”	瑞安啟迪科技園發展有限公司 (Shui On TusPark Development Co. Ltd.*), a joint venture company to be established in Nanjing of the Jiangsu Province, the PRC for the purpose of the Joint Venture
“Latest Practicable Date”	7 February 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Taiwan and the Macao Special Administrative Region of the PRC)
“Reorganisation”	the reorganisation to be conducted by the Joint Venture Partners whereby the Assets will be injected into the JV Company
“Resolution”	the ordinary resolution to be proposed at the SGM as set out in the notice of SGM which is set out on page 28 of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“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 and, if appropriate, approve the Joint Venture Agreement and the transactions contemplated thereunder
“Shanghai Jianwei”	上海健微實業投資有限公司 (Shanghai Jianwei Investment Co., Ltd*), a company registered in Shanghai, PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Site No. 1 Land”	the land located at Jianging District of Nanjing, PRC which has a site area of approximately 70,000 square metres
“Site No. 2 Land”	the land located between Jianging District, Baixia District and Qixia District of Nanjing, PRC which has a site area of approximately 1.3 square kilometres

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Tech Park Management Co.”	a company to be incorporated in the PRC for the management of the tech parks of the knowledge community projects to be owned and/or developed by the JV Company and its subsidiaries
“Term Loan”	an unsecured interest bearing term loan at the People’s Bank of China lending rate plus 3% per annum for an amount of RMB170 million to be provided by the Group to the JV Company
“Tongren Co.”	昆山清華同仁實業有限公司 (Kunshan Qinghua Tongren Co., Ltd.*), a company registered in Kunshan, PRC with limited liability
“TP Kunshan”	昆山啟迪科技園發展有限公司 (TusPark (Kunshan) Co., Ltd.*), a company registered in Kunshan, PRC with limited liability
“TP Nanjing”	南京啟迪科技園發展有限公司 (TusPark (Nanjing) Co., Ltd.*), a company registered in Nanjing, PRC with limited liability
“Tsinghua SP”	啟迪控股股份有限公司 (Tsinghua Science Park Co. Ltd.), a joint stock limited company registered in Beijing, PRC
“WFOE(s)”	wholly foreign-owned enterprise(s) to be incorporated in the PRC by the Group to acquire and hold Site No. 2 Land
“%”	per cent.

*For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this circular is based on the exchange rate of HK\$1.00:RMB0.85093. Such conversion should not be construed as a representation that any amounts in RMB have been, could have been, or may be, exchanged at the above rate or any other rates.*

\* For identification purpose only

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*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

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

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

9 February 2011

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
FORMATION OF A JOINT VENTURE**

**AND**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF ASSETS**

**AND**

**NOTIFIABLE TRANSACTION  
DISPOSAL OF ASSETS**

**INCIDENTAL TO THE FORMATION OF THE JOINT VENTURE**

**INTRODUCTION**

On 19 January 2011, the Board announced that the Company and Ally Plus, a wholly-owned subsidiary of the Company, have entered into the Joint Venture Agreement on 19 January 2011 with Tsinghua SP and Shanghai Jianwei, which are independent third parties, to undertake knowledge

*\* for identification purpose only*

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## LETTER FROM THE BOARD

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community projects in the PRC. The Joint Venture with Tsinghua SP, which develops, manages and operates the Tsinghua Science Park in the PRC, will bring substantial benefits to the Group's strategic move to develop a unique and sustainable model in knowledge community business with attractive long-term growth opportunities.

The purpose of this circular is to provide you with, among other things, (i) further particulars of the formation of the Joint Venture; (ii) the financial information of the Group; and (iii) a notice of the SGM.

### THE JOINT VENTURE AGREEMENT

#### Date

19 January 2011

#### Parties

- (1) Ally Plus, a wholly-owned subsidiary of the Company
- (2) Tsinghua SP, as one of the Joint Venture Partners
- (3) Shanghai Jianwei, as one of the Joint Venture Partners
- (4) the Company

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

#### Subject matter

The Joint Venture Partners will conduct the Reorganisation whereby they will contribute 25% of the registered capital of the JV Company by injecting the Assets into the JV Company at an agreed value of around RMB613 million (equivalent to approximately HK\$720 million), subject to adjustment.

After completion of the Reorganisation, the Group will contribute up to 75% of the registered capital of the JV Company in stages in an aggregate amount of around RMB1,839 million (equivalent to approximately HK\$2,161 million), subject to adjustment, by injecting into the JV Company cash and Site No. 2 Land which the Group intends to acquire, valued by the aggregate amount paid by the Group for acquiring the land.

The equity interests of the Group and of the Joint Venture Partners in the JV Company of 75% and 25% respectively were determined based on commercial decisions.

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## LETTER FROM THE BOARD

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The agreed value of the Assets (comprising a 96.76% equity interest in TP Kunshan and Site No. 1 Land) was arrived at based on the unaudited consolidated net asset value of TP Kunshan and its subsidiaries as at 31 August 2010 and the estimated value of Site No. 1 Land with reference to the valuation of the land conducted by an independent professional valuer. In the event the consolidated net asset value of TP Kunshan and its subsidiaries on the date of the completion of the Reorganisation is different from that on 31 August 2010 (taken into account the effect of the Reorganisation) by more than RMB5 million (equivalent to approximately HK\$6 million), the value of the Assets will be adjusted and the Group will make a corresponding adjustment to its capital contribution to the JV Company so that the equity interest of the Group and the Joint Venture Partners in the JV Company will remain as 75% and 25% respectively. The adjustment amount will not exceed RMB15 million (equivalent to approximately HK\$18 million).

### **Condition**

The Joint Venture Agreement is conditional upon obtaining the approval of the directors and shareholders of both the Company and Tsinghua SP no later than 1 March 2011 (which could be extended to 1 April 2011 at the latest).

### **Completion**

Completion of the Reorganisation by the Joint Venture Partners is expected to take place before 31 October 2011 and in any event no later than 31 December 2011. After the completion of the Reorganisation, the cash capital contribution by the Group will be made on or before 14 February 2012.

Upon completion of the Reorganisation and acquisition of Site No. 2 Land by the Group, the Group will commence the injection of Site No. 2 Land into the JV Company. It is expected that the Group will complete the injection of Site No. 2 Land into the JV Company on or before 8 July 2012.

### **Particulars of the Joint Venture Partners, the Reorganisation and the Assets**

Tsinghua SP is principally engaged in tech park investment, development, operation and management. It manages and operates Tsinghua Science Park, the only Class A university science park in the PRC, which is positioned to be a base for incubating start-ups, for fostering innovation and for commercialising intellectual property from scientific research. Tsinghua Science Park has achieved sustainable development of innovation ability and established itself as a leader of university science parks in the PRC.

Shanghai Jianwei is principally engaged in industrial investment.

Pursuant to the Reorganisation, the Joint Venture Partners will arrange for the injection into the JV Company of the Assets which comprise:

- (a) equity interest in TP Kunshan which in turn holds (i) two investment properties for leasing with a total gross floor area of approximately 17,000 square metres; (ii) a piece of land located in Kunshan, PRC with a site area of approximately 33,300 square metres; and (iii) a contractual right to acquire a piece of land located in Kunshan, PRC with a site area of approximately 108,000 square metres; and

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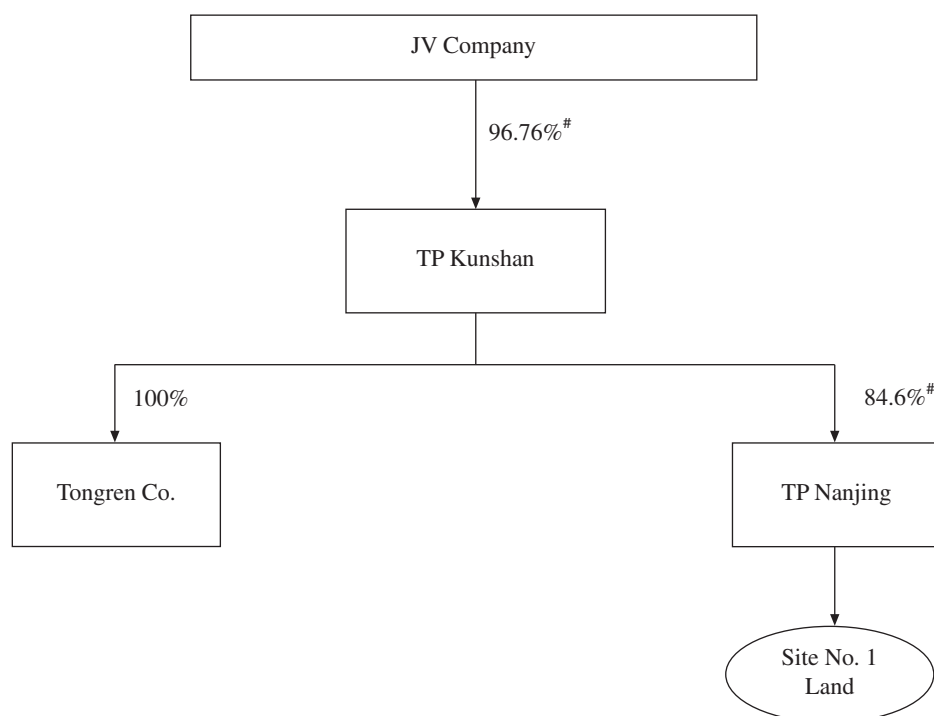
## LETTER FROM THE BOARD

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- (b) Site No. 1 Land, a piece of land located in the southern part of Nanjing, PRC that TP Nanjing, a subsidiary of TP Kunshan, intends to acquire by participating in a public tender. It has a site area of approximately 70,000 square metres and is intended to be developed into a tech park project comprising commercial premises, offices and serviced apartments.

Completion of the Reorganisation is conditional upon (a) the obtaining of all requisite PRC regulatory approvals; (b) the successful bidding of Site No. 1 Land by TP Nanjing at a price not higher than the pre-agreed cap as set out in the Joint Venture Agreement; and (c) the issuance of land title certificate of the Site No. 1 Land to TP Nanjing. In the event the bidding price for Site No. 1 Land exceeds the pre-agreed cap, the Group is not obliged to accept Site No. 1 Land as the Joint Venture Partners' capital contribution to the JV Company, and the parties will continue with the Joint Venture in relation to Site No. 2 Land and re-negotiate the terms of the Joint Venture accordingly. As at the Latest Practicable Date, the Joint Venture Partners have commenced work on the Reorganisation and it is still in progress. Neither of the abovementioned conditions (a), (b) nor (c) to the completion of the Reorganisation has been fulfilled.

A chart showing the ownership of the Assets (including the principal subsidiaries of TP Kunshan) immediately after completion of the Reorganisation is set out below:



# To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the remaining interest in each of TP Kunshan and TP Nanjing will be owned by third parties independent of the Company and its connected persons as defined under the Listing Rules.

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## LETTER FROM THE BOARD

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The audited net profits (losses) before and after taxation and extraordinary items for the years ended 31 December 2009 and 31 December 2008, and unaudited net asset value at 31 August 2010 of TP Kunshan, Tongren Co. and TP Nanjing are as follows:

	Net profits (losses) before tax and extraordinary items for the year ended 31 December		Net profits (losses) after tax and extraordinary items for the year ended 31 December		Net asset value at 31 August
	2009	2008	2009	2008	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
TP Kunshan	16	399	12	246	53,831
Tongren Co.	(12)	(12)	(12)	(12)	9,131
TP Nanjing (Note)	—	—	—	—	10,000
<i>Equivalent to</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
TP Kunshan	19	469	14	289	63,261
Tongren Co.	(14)	(14)	(14)	(14)	10,731
TP Nanjing (Note)	—	—	—	—	11,752

*Note: TP Nanjing was incorporated in 2009 and had no operations during 2009 and 2010.*

### Particulars of the capital contributions from the Group

Pursuant to the Joint Venture Agreement, the Group will contribute 75% of the registered capital of the JV Company in an aggregate amount of around RMB1,839 million (equivalent to approximately HK\$2,161 million), subject to adjustment, by injecting into the JV Company cash and Site No. 2 Land which the Group intends to acquire, valued by the aggregate amount paid by the Group for acquiring the land. Such capital will be contributed to the JV Company in stages in the following manner:

- (1) After the establishment of the JV Company and before the signing by TP Nanjing of the land acquisition agreement for Site No.1 Land, the Group will provide an unsecured Term Loan bearing interest at the People's Bank of China lending rate plus 3% per annum for an amount of RMB170 million (equivalent to approximately HK\$200 million) to the JV Company. If the Joint Venture Partners fail to complete the Reorganisation including the acquisition of Site No. 1 Land in accordance with the terms of the Joint Venture Agreement on or before 31 December 2011, the Term Loan, together with interest accrued thereon, will be repaid on 31 December 2011.

It is expected that the Term Loan will be provided around April 2011 and will be funded by internal resources and available banking facilities of the Group.

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## LETTER FROM THE BOARD

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- (2) Upon completion of the Reorganisation, the Group will make a capital contribution to the JV Company in an amount of RMB300 million (equivalent to approximately HK\$352 million) by capitalising the Term Loan together with interest accrued thereon and payment of the balance in cash.

This balance of capital contribution is expected to be made on or before 14 February 2012 and will be funded by internal resources and available banking facilities of the Group.

- (3) After the Joint Venture Partners and the Group have agreed on the detailed terms and conditions for bidding Site No. 2 Land, the Group will arrange for the bidding of Site No. 2 Land through WFOE(s) to be established by the Group to hold the land and pay up the capital of these WFOE(s) to fund the acquisition of Site No. 2 Land. The relevant acquisition agreements in relation to Site No. 2 Land may be signed up in phases. After the relevant agreements for acquiring Site No. 2 Land or any phases therein have been signed, and after the completion of the Reorganisation and the relevant regulatory approvals for the Group to inject the Site No. 2 Land into the JV Company have been obtained, the Group will inject the WFOE(s) into the JV Company at cost. It is expected that the Group will pay about RMB1,539 million (equivalent to approximately HK\$1,809 million) into the WFOE(s) subject to any adjustments to the agreed value of the Assets as set out in the section headed “Subject matter” above.

Site No. 2 Land is located in the eastern part of Nanjing, PRC, with a gross site area of approximately 1.3 square kilometres, and will be developed into an eco-tech knowledge community project, comprising developments for residential, commercial, education and research and development uses.

Pursuant to the Joint Venture Agreement, the Group is expected to complete the acquisition of Site No. 2 Land within one year from the signing of the Joint Venture Agreement and inject it into the JV Company on or before 8 July 2012. Payment into the WFOEs for the acquisition of Site No. 2 Land will be funded in part by internal resources and available banking facilities of the Group and in part by appropriate strategic partners of this knowledge community project.

The injection of Site No. 2 Land, if materialised, will constitute a disposal of assets by the Company. Such disposal will constitute a notifiable transaction of the Company and may be subject to the notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The Company will endeavour to secure support from its substantial shareholders where available to the acquisition and injection of Site No. 2 Land into the JV Company before agreeing with the Joint Venture Partners on the detailed terms and conditions for bidding Site No. 2 Land. In the event the support of certain substantial shareholders is not forthcoming, or the Joint Venture Partners and the Group are unable to agree on the terms for bidding Site No. 2 Land, the Group will not bid for Site No. 2 Land and the parties will re-negotiate the terms of the Joint Venture accordingly.

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## LETTER FROM THE BOARD

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The following table summarises the status of affairs of the Joint Venture under different scenarios where the Reorganisation is not completed or Site No. 2 Land is not acquired or injected into the JV Company:

<b>Scenarios</b>	<b>Status of affairs of the Joint Venture</b>
Successful completion of the Reorganisation and the injection of both Site No. 1 Land and Site No. 2 Land into the JV Company	The Group will have a 75% indirect interest in the JV Company and the Joint Ventures Partners will have a 25% interest in the JV Company. The JV Company will be accounted for as a jointly controlled entity of the Group and therefore, will not be consolidated into the Group's consolidated financial statements.
Unsuccessful completion of the Reorganisation by 31 December 2011	The Term Loan, together with accrued interest, will be repaid to the Group and the Group will re-negotiate the terms of the Joint Venture with the Joint Venture Partners.
If the Group fails to acquire Site No. 2 Land	The Group will re-negotiate the terms of the Joint Venture with the Joint Venture Partners or terminate the Joint Venture if the parties fail to agree on the new terms for continuing with the Joint Venture.
If the Group fails to obtain shareholders' approval (if required) or the relevant regulatory approvals for injecting Site No. 2 Land into the JV Company	The Group will re-negotiate the terms of the Joint Venture with the Joint Venture Partners.

The Company will comply with the applicable Listing Rules as required where the Group re-negotiates the terms of the Joint Venture with the Joint Venture Partners.

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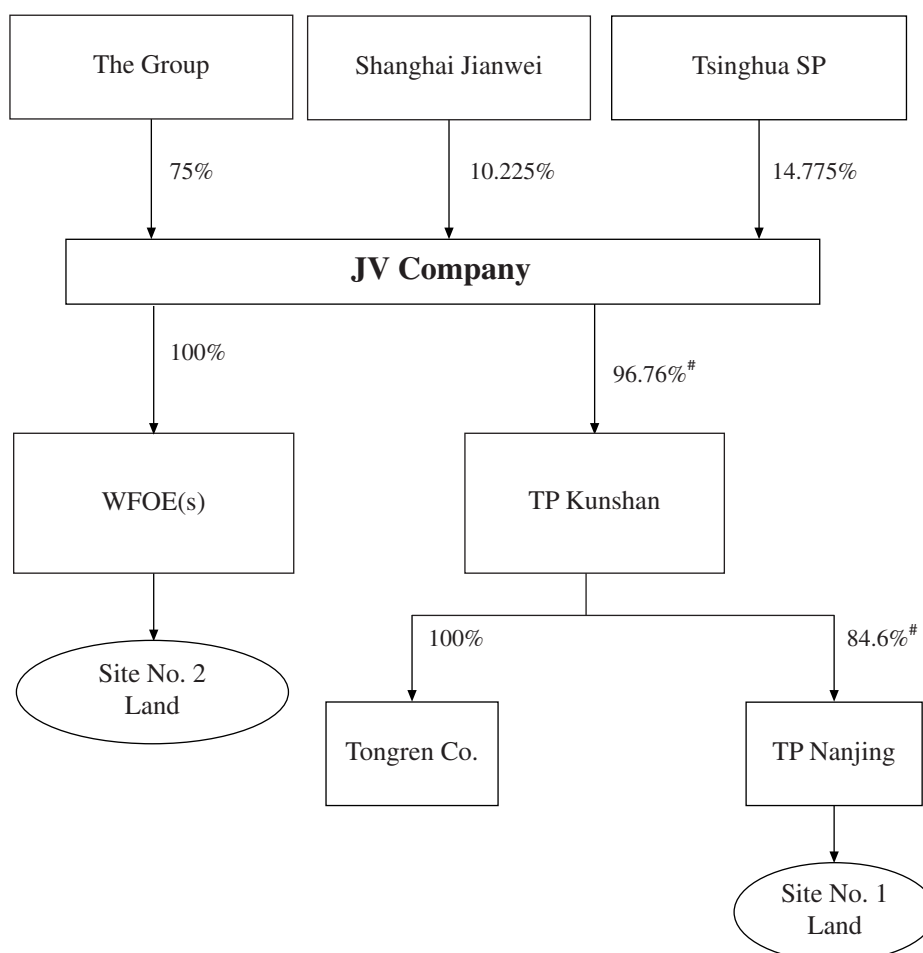
## LETTER FROM THE BOARD

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### Particulars of the Joint Venture and its future operation

#### *Corporate structure and positioning of the JV Company*

The chart below sets out the corporate structure of the JV Company and its ownership of TP Kunshan (including its principal subsidiaries) and Site No. 1 Land and Site No. 2 Land immediately following Completion:



<sup>#</sup> To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the remaining interest in each of TP Kunshan and TP Nanjing will be owned by third parties independent of the Company and its connected persons as defined under the Listing Rules.

The Group intends to develop a long-term strategic relationship with Tsinghua SP in the undertaking of knowledge community projects in the PRC. Pursuant to the terms of the Joint Venture Agreement, the parties have agreed on such relationship, in particular, each party or its related companies will be the exclusive party of the other parties to participate in knowledge community projects in Kunshan, Nanjing and Wuhan in the PRC. Each party or its related companies will also give the other parties a first right of participation in other knowledge community projects that such party or its related companies may have outside Kunshan, Nanjing and Wuhan in the PRC. When the parties wish to jointly participate in any knowledge community projects, priority shall be given to the JV Company to undertake and develop such projects subject to relevant local regulation and policy.

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## LETTER FROM THE BOARD

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### *Operation of the JV Company*

The JV Company will be engaged in the investment, development, management and operation of knowledge community projects in the PRC. The parties intend to set up Tech Park Management Co. to manage the tech parks of the knowledge community projects to be owned and/or developed by the JV Company and its subsidiaries. The JV Company will pay a fee of 3% of the construction cost, of which 1.5% to the Group, 1% to the Joint Venture Partners and 0.5% to Tech Park Management Co. It is expected that Tech Park Management Co. will be owned as to 40% by the JV Company, 30% by Tsinghua SP and 30% by the management staff of Tech Park Management Co. As Tsinghua SP will become a connected person of the Company by virtue of its interest in the JV Company, the setting up of Tech Park Management Co. and the provision of management services by Tech Park Management Co. to the JV Company and its subsidiaries will constitute connected transactions of the Company. The Company will comply with the relevant requirements of the Listing Rules as and when required.

### *Management of the JV Company*

The board of directors of the JV Company will be composed as follows:

After the Group has completed the first capital contribution in the amount of RMB300 million (equivalent to approximately HK\$352 million) to the JV Company:

Ally Plus: 2  
Tsinghua SP: 2  
Shanghai Jianwei: 1

After the Group has commenced the second capital contribution of the balance RMB1,539 million (equivalent to approximately HK\$1,809 million) to the JV Company:

Ally Plus: 4  
Tsinghua SP and Shanghai Jianwei: 2  
Independent director nominated by Ally Plus and  
approved by Tsinghua SP and Shanghai Jianwei: 1

### *Future fundings of the JV Company*

The Group and the Joint Venture Partners will contribute to meet the future funding needs of the JV Company, where required, in proportion to their respective equity interests in the JV Company.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE**

The Group, through its property arm, focuses primarily on investing in medium to large property projects in first and second tier cities in the PRC. The potential growth and prospects of the innovation and knowledge-oriented industry in the PRC presents a unique business opportunity for the Group. Currently, the Company has a 22% interest in the Dalian Tiandi project, a visionary knowledge community project in the burgeoning coastal city of Dalian in Northeast China jointly developed by, amongst others, the Company and Shui On Land Limited. Therefore, the Directors believe that the

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## LETTER FROM THE BOARD

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joint venture with Tsinghua SP will bring substantial benefits to the Group's strategic move to develop a unique and sustainable model in knowledge community business with attractive long-term growth opportunities.

The Central Government advocates, particularly in the 12th five-year plan, that the PRC's next phase of economic growth will be based on, among others, "innovation and knowledge orientation". Upgrade of industries driven by technological innovation has become a high priority for local governments, which offer significant incentives to tech parks and knowledge community projects, for attracting enterprises and talents with innovative capacity in technology in meeting the above aspiration.

The government support on establishing tech parks and knowledge communities alone does not necessarily succeed to bring in innovative enterprises and talents, who would also prefer a living environment conducive to innovation, adequate social interactions, and accessible higher educational resources. A unique model of knowledge community has thus emerged, integrating "work, live, play and learn" lifestyle all in one place.

A desirable size of a knowledge community project is about 2.5 – 3 million square metres gross floor area with mixed uses, that will effectively integrate all the required lifestyle components in one community. Support from the local government is essential, and such support will only be forthcoming when the project under contemplation will feature in its master plan significant innovation and knowledge-based activities. This creates a marked contrast with the real estate development projects in the Chinese Mainland that are subject to various austerity measures imposed by the local governments from time to time.

Tsinghua SP's strong track records as a leader of university science parks in the PRC and its capabilities in tech park management, together with the Group's proven project master planning and execution capabilities, can significantly enhance and complement the brand name and positioning of the knowledge community business as well as strengthening the competitive edge to obtain favourable support from the local governments.

The development mode of knowledge community projects aligns with the Central Government's policy towards "innovation and knowledge orientation". As an early mover in the knowledge community business, the Group is well positioned to capitalise on this strong emerging demand in the PRC. This will bring about significant long-term growth potential on a sustained basis to the Group.

The Directors, including the independent non-executive Directors, consider that the formation of the Joint Venture is on normal commercial terms and the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The JV Company will be accounted for as a jointly controlled entity of the Group and therefore, will not be consolidated into the Group's consolidated financial statements. Upon Completion, the Group's interests in jointly controlled entities will increase by approximately HK\$2,161 million, with no effect on the Group's net asset value. The impact of the Joint Venture on the future earnings of the Group could not be quantified at this stage.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Based on the Group's total capital commitment in the Joint Venture, taking into account any adjustment which may be made under the Joint Venture Agreement, the formation of the Joint Venture under the Joint Venture Agreement will constitute a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The capital contributions by the Group to the JV Company in return for a 75% equity interest in the JV Company and its underlying Assets will also constitute an acquisition of assets by the Company. The Acquisition will constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The injection of Site No. 2 Land, as part of the Group's capital contributions to the JV Company, if materialised, will also constitute a disposal of assets by the Company. Such disposal will constitute a notifiable transaction of the Company and may be subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of the Listing Rules as and when required.

To the best knowledge, information and belief of the Directors, no Shareholder had a material interest in the formation of the Joint Venture and thus no Shareholder would be required to abstain from voting on the formation of the Joint Venture at the SGM.

**Completion is conditional upon, among other things, the completion of the Reorganisation and the successful acquisition of Site No. 2 Land and injection of it into the JV Company which may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the shares of the Company.**

### 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, 28 February 2011 at 10:00 a.m. is set out on page 28 of this circular. At the SGM, the Resolution will be proposed to approve the Joint Venture Agreement and the transactions contemplated thereunder.

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 adjournment thereof (as the case may be) if you so wish.

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## LETTER FROM THE BOARD

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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 transactions contemplated under the Joint Venture Agreement are on normal commercial terms and in the usual course of business of the Company; and that the terms and conditions of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the Resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**Shui On Construction and Materials Limited**  
**Lo Hong Sui, Vincent**  
*Chairman*

**INDEBTEDNESS****Borrowings**

At 31 December 2010, being the latest practicable date for the purpose of this statement of indebtedness, the Group had total borrowings amounting to approximately HK\$8,418 million, details of which are as follows:

	<i>HK\$ million</i>
Bank loans	8,410
Advances from a jointly controlled entity	8
	<u>8,418</u>
Secured	3,259
Unsecured	5,159
	<u>8,418</u>

**Mortgages and charges**

At 31 December 2010, the Group's secured borrowings were secured by certain of the Group's bank deposits, investment properties, properties under development for sale, properties held for sale, benefits accrued to the relevant investment properties and equity interests in certain subsidiaries and jointly controlled entities.

**Contingent liabilities**

At 31 December 2010, the Group had the following material contingent liabilities:

- (a) Standby documentary credits arranged with a bank amounting to HK\$216 million to secure a bank loan granted to a subsidiary of an associate.
- (b) Guarantees issued in favour of banks amounting to RMB174 million (equivalent to approximately HK\$205 million) in respect of mortgage facilities granted by the banks to the buyers of the Group's property inventories.
- (c) Effective share of guarantees issued in favour of banks amounting to HK\$639 million to secure bank loans granted to certain jointly controlled entities.
- (d) Guarantees issued in favour of a bank for a loan granted to a former wholly-owned subsidiary (the "Former Subsidiary") with an outstanding amount of RMB542 million (equivalent to approximately HK\$637 million) at 31 December 2010. The acquirer of the Former Subsidiary has agreed to procure the repayment of the bank loan and this obligation is guaranteed by the parent company of such acquirer.

**Other liabilities**

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 31 December 2010, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

**Material change**

The Directors have confirmed that, save as disclosed above, there has been no material change in the indebtedness or contingent liabilities of the Group since 31 December 2010.

**WORKING CAPITAL**

The Directors are of the opinion that taking into account the Group's internal resources and available banking facilities, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular.

**FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group will continue to focus on property development, asset management, cement production and construction in Hong Kong and the PRC. The potential growth and prospects of the innovation and knowledge-oriented industry in the PRC presents a unique business opportunity for the Group. The Directors believe that the Joint Venture with Tsinghua SP will bring substantial benefits to the Group's strategic move to develop a unique and sustainable model in knowledge community business with attractive long-term growth opportunities.

The Directors are positive towards the long-term prospects for business growth in the PRC, especially in view of increasing urbanisation and rising levels of income and that they intend to continue to explore and take opportunities to deliver sustainable growth and increased value to the Shareholders.

## 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 they 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				Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	—	312,000 (Note 1)	181,981,000 (Note 2)	182,293,000	37.26%
Mr. Choi Yuk Keung, Lawrence	540,000	—	—	540,000	0.11%
Mr. Wong Yuet Leung, Frankie	800,000	—	—	800,000	0.16%
Mr. Wong Kun To, Philip	—	72,533 (Note 3)	—	72,533	0.01%
Mr. Wong Fook Lam, Raymond	32,000	—	—	32,000	0.01%

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 181,981,000 shares mentioned in note (2) below.

- (2) These shares were beneficially owned by Shui On Company Limited (“SOCL”). Of these 181,981,000 shares beneficially owned by SOCL, 166,148,000 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 a discretionary beneficiary 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 (“Mr. Wong”). Under the SFO, Mr. Wong was deemed to be interested in such shares.

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

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

*Note:* These interests represent 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 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 options outstanding are exercisable	Number of ordinary shares subject to the options
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
	7-5-2008	19.76	7-5-2011 to 6-5-2018	1,000,000
	9-4-2009	7.63	9-10-2009 to 8-4-2014	250,000

**APPENDIX II**
**GENERAL INFORMATION**

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Subscription price per share HK\$</b>	<b>Period during which options outstanding are exercisable</b>	<b>Number of ordinary shares subject to the options</b>
	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
Mr. Wong Yuet Leung, Frankie	1-8-2006	14.00	1-2-2007 to 31-7-2011	2,000,000
	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
	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
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

Name of Directors	Date of grant	Subscription price per share HK\$	Period during which options outstanding are exercisable	Number of ordinary shares subject to the options
Mr. Wong Fook Lam, Raymond	1-8-2006	14.00	1-2-2007 to 31-7-2011	176,000
	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

*Note:* 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.

(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 HK\$	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	6.00	27-8-2005 to 26-8-2011 (Note)	1,600,000

*Note:* Pursuant to a letter of agreement entered into between SOCL and Mr. Wong Yuet Leung, Frankie in July 2010, the exercise period was extended from 26 August 2010 to 26 August 2011.

Save as disclosed above, none of the Directors or chief executive of the Company had, at the Latest Practicable Date, 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 and in the announcements made by the Company, at the Latest Practicable Date, there was 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 announcements made by the Company, at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2009 (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 Yuet Leung, Frankie	SOCL and SOFCL	Director
Mr. Wong Fook Lam, Raymond	SOFCL	Director

### 3. SERVICE CONTRACTS

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

### 4. LITIGATION

At the Last Practicable Date, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims 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 Hong Sui, Vincent was the chairman and the controlling shareholder of Shui On Land Limited 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. MATERIAL CONTRACTS

Save as disclosed below, within the two years immediately preceding the issue of this circular, there was no contract (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which was or might be material:-

- (a) a deed of undertaking dated 12 May 2009 entered into between the Company and China Central Properties Limited (“**CCP**”) pursuant to which the Company and CCP undertook to each other that each of them will comply with the City Code on Takeovers and Mergers of the United Kingdom (“**City Code**”) in relation to the share offer and mixed offer made by the Company to acquire the entire issued share capital of CCP not already owned by the Group on the terms and subject to the conditions set out in the offer document issued by the Company on 14 May 2009 and the related form of acceptance, subject to a number of agreed derogations from the City Code;
- (b) an equity transfer agreement dated 5 June 2009 entered into between Lancewood Enterprises Limited (“**Lancewood**”, a wholly-owned subsidiary of Gracious Spring Limited which became a wholly-owned subsidiary of the Company after privatisation of CCP in June 2009) as purchaser and 西藏築信投資諮詢有限公司 (Xi Zang Zhu Xin Investment Consultancy Limited\*) as vendor whereby the vendor agreed to sell and Lancewood agreed to purchase 51% equity interest in Orient Home Chengdu Jinniu Zhiye Co., Ltd. (now known as Chengdu Xianglong Real Estate Co., Ltd.), which owns a piece of land in Chengdu, the PRC, at a consideration of RMB203.3 million upon and subject to the terms and conditions contained therein;
- (c) a sale and purchase agreement dated 20 August 2009 entered into between Eagle Fit Limited (“**Eagle Fit**”, a wholly-owned subsidiary of the Company) as purchaser and Excel Bright Properties Limited (“**Excel Bright**”) as vendor whereby Excel Bright agreed to sell and Eagle Fit agreed to purchase the entire issued share capital of Prime Asset Investment Limited (a company holding indirectly the interest in a “construction in progress” development project located in Chaoyang District, Beijing, the PRC) and the related shareholder’s loan at an aggregate consideration of US\$118 million (subject to adjustment) upon and subject to the terms and conditions contained therein;
- (d) a shareholders deed dated 29 September 2009 entered into between the Company, Noble Pearl Limited (“**Noble Pearl**”, a wholly-owned subsidiary of the Company), Keen Hero International Limited (“**Keen Hero**”), Many Gain International Limited (“**Many Gain**”) and Eagle Fit pursuant to which Noble Pearl and Keen Hero agreed to subscribe for 65% and 35% equity interests in, and provide shareholder’s loans in an aggregate amount of approximately US\$37.6 million and US\$20.2 million to, Eagle Fit respectively for the development of a property project located in Chaoyang District, Beijing, the PRC; and the Company and Many Gain agreed to guarantee the obligations of Noble Pearl and Keen Hero thereunder respectively;
- (e) a counter guarantee and indemnity dated 5 November 2009 issued by Many Gain as guarantor in favour of the Company in respect of the pro rata share of Keen Hero, being 35%, of the obligations and liabilities assumed by the Company under the finance documents in relation to a HK\$550 million banking facility granted to a subsidiary of Eagle Fit, for which the Company has provided a 100% guarantee;

- (f) a shareholders deed dated 11 December 2009 entered into between the Company, Noble Pearl, Keen Hero, Many Gain, PGR Asian Real Estate Fund, L.P. (“**PGR Fund**”), Penta Investment Advisers Limited (“**Penta**”) and Eagle Fit pursuant to which Noble Pearl agreed to sell and PGR Fund agreed to purchase 12.5% interest in the issued share capital of, and the related shareholder’s loan due from, Eagle Fit at an aggregate consideration of approximately US\$6.6 million; and each of Noble Pearl, Keen Hero and PGR Fund agreed to provide shareholder’s loans in an aggregate amount of approximately US\$30.3 million, US\$20.2 million and US\$7.2 million to Eagle Fit respectively in proportion to their shareholdings in Eagle Fit, which replaced the previous shareholders deed as referred to in item (d) above;
- (g) a counter guarantee and indemnity dated 11 December 2009 issued by Penta as guarantor in favour of the Company in respect of the pro rata share of PGR Fund, being 12.5%, of the obligations and liabilities assumed by the Company under the finance documents in relation to a HK\$550 million banking facility granted to a subsidiary of Eagle Fit, for which the Company has provided a 100% guarantee;
- (h) a sale and purchase agreement dated 22 December 2009 entered into between Mount Shine Limited (“**Mount Shine**”, a wholly-owned subsidiary of the Company) as purchaser and MIRAE ASSET Maps Asia Pacific Real Estate I Investment Company and Kookmin Bank, acting in its capacity as trustee of MIRAE ASSET Maps Frontier Private Placement China Real Estate Investment Trust II, as vendors whereby the vendors agreed to sell and Mount Shine agreed to purchase the entire issued share capital of Dignitary Limited (a company holding indirectly the interest in a completed residential development known as Tower 18, The Lakeville Regency located in Luwan District, Shanghai, the PRC) at a consideration of approximately US\$46.4 million (subject to adjustment) upon and subject to the terms and conditions contained therein;
- (i) a sale and purchase agreement dated 10 February 2010 entered into between Shui On China Central Properties Limited (“**SOCCP**”), a wholly-owned subsidiary of the Company, as seller and Ascott Serviced Residence (China) Fund (“**Ascott**”) as purchaser whereby SOCCP agreed to sell and Ascott agreed to purchase the entire issued share capital of Prosper Idea Limited (“**Prosper Idea**”, a company holding indirectly the interest in a property project known as Central Point Phase I located in Chengdu, the PRC); and SOCCP agreed to assign and Ascott agreed to accept the assignment of the shareholder’s loans owed by Prosper Idea to SOCCP, at an aggregate consideration determined in accordance with such agreement and is estimated to be approximately RMB367 million (subject to adjustment) upon and subject to the terms and conditions contained therein;
- (j) a sale and purchase agreement dated 1 June 2010 entered into between New Rainbow Investments Limited (“**New Rainbow**”, a wholly-owned subsidiary of the Company) and Shui On Properties Limited (“**SOPL**”) whereby New Rainbow agreed to sell and SOPL agreed to purchase approximately HK\$1.08 billion worth of shares of Shui On Land Limited upon and subject to the terms and conditions contained therein;

- (k) an agreement dated 17 September 2010 entered into between Chengdu Shui On Huiyuan Property Co., Ltd. (“**Hui Yuan**”, a wholly-owned subsidiary of the Company) and Ping An Property & Casualty Insurance Company of China, Ltd. (“**PingAn**”) whereby Hui Yuan agreed to sell and PingAn agreed to acquire the office building of Phase II and certain carparking spaces in Phases I and II of Central Point located in Chengdu, the PRC, at an estimated aggregate consideration of RMB718 million and the payment of an additional sum of RMB9 million as provided therein, subject to adjustment based on the actual relevant gross floor areas and/or the actual number of carparking spaces to be delivered to PingAn pursuant to the terms therein;
- (l) a sale and purchase agreement dated 30 September 2010 entered into between 北京億達房地產開發有限公司 (Beijing Yida Real Estate Development Co., Ltd.\*) (“**Beijing Yida**”, a wholly-owned subsidiary of the Company) as seller, 內蒙古伊泰置業有限責任公司 (Inner Mongolia Yitai Real Estate Co., Ltd.\*) and 北京華府盛世置業投資管理有限公司 (Beijing Huafu Shengshi Real Estate Investment Management Co., Ltd.\*) as purchasers and SOCCP whereby Beijing Yida agreed to sell and the purchasers agreed to purchase the entire equity interest in 北京瑞順鴻業投資管理有限公司 (Beijing Ruishun Hongye Investment Management Co., Ltd.\*) (“**Beijing Ruishun**”, which will own a residential development in Shunyi District, Beijing, the PRC upon completion) at a consideration of RMB492.6 million, and the purchasers also agreed to repay the related loans and debts in an aggregate amount of approximately RMB452.3 million to be owed by Beijing Ruishun to Beijing Yida and its affiliated companies;
- (m) a sale and purchase agreement dated 16 November 2010 pursuant to which Lead Wealthy Investments Limited (“**Lead Wealthy**”, a wholly-owned subsidiary of the Company) as purchaser and HPL Properties (North Asia) Pte Ltd (“**HPL**”) and Hines 21st Century Partners LLC (“**Hines**”) as vendors whereby HPL and Hines agreed to sell and Lead Wealthy agreed to purchase the entire issued share capital of, and the related shareholders’ loans owing by, HPL-Hines Development Pte. Ltd. (now known as Lead Wealthy Investments (Singapore) Pte. Ltd., a company holding indirectly 72.7632% interest in a property project known as Shanghai 21st Century Tower in Shanghai, the PRC) at a total consideration of approximately RMB900 million (subject to adjustments which were estimated to be not exceeding RMB93 million) upon and subject to the terms and conditions contained therein;
- (n) a sale and purchase agreement dated 22 December 2010 entered into between Bright Jade Investments Limited (“**Bright Jade**”, a wholly-owned subsidiary of the Company) and Remparts Ltd. (“**Remparts**”) whereby Bright Jade agreed to sell and Remparts agreed to purchase 10% interest in the entire issued share capital of, and the related shareholder’s loan owing by, Lead Wealthy at a total consideration of RMB76.3 million upon and subject to the terms and conditions contained therein (as amended by a supplemental agreement dated 29 December 2010);

- (o) a counter guarantee and indemnity dated 22 December 2010 issued by Penta as guarantor in favour of the Company in respect of the pro rata share of Remparts, being 10%, of the obligations and liabilities assumed by the Company under the finance documents in relation to a HK\$500 million banking facility granted to Lead Wealthy, for which the Company has provided a 100% guarantee, and under a letter of assumption dated 1 December 2010 signed by the Company in favour of Hines Real Estate Holdings Limited Partnership;
- (p) a sale and purchase agreement dated 30 December 2010 entered into between Bright Jade, a wholly-owned subsidiary of the Company, HPL Leisure Holdings Pte Ltd (“**HPL Leisure**”) and Lead Wealthy whereby (a) Bright Jade agreed to sell and HPL Leisure agreed to purchase 20% interest in the entire issued share capital (the “**Sale Shares**”) of, and the related shareholder’s loan (the “**Shareholder’s Loan**”) owing by, Lead Wealthy at a total cash consideration of approximately RMB152.6 million (subject to adjustment with the maximum consideration amount not exceeding RMB200 million); and (b) Bright Jade agreed to grant to HPL Leisure a put option where HPL Leisure is entitled to require Bright Jade to purchase from HPL Leisure the same number of the Sale Shares at any time within 36 months after completion of the sale and purchase of the Sale Shares at the same consideration per Sale Share in cash, being the consideration paid as adjusted under the sale and purchase agreement and after deducting the Shareholder’s Loan, upon and subject to the terms and conditions contained therein; and
- (q) the Joint Venture Agreement.

\* For identification purpose only

## 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 2009, 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 branch share registrar and transfer office of the Company in Hong Kong 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 28 February 2011:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this Appendix II;
- (c) the circular dated 10 June 2010 in relation to the disposal of partial interest in Shui On Land Limited; and
- (d) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

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, 28 February 2011 at 10:00 a.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 entry into of the Joint Venture Agreement (as defined in the circular to the shareholders of the Company dated 9 February 2011), 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 transactions contemplated thereunder be hereby confirmed, approved, authorised and ratified; 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 Joint Venture Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Shui On Construction and Materials Limited**  
**Tsang Yuet Kwai, Anita**  
*Company Secretary*

Hong Kong, 9 February 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