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瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

**MAJOR TRANSACTION
FORMATION OF JOINT VENTURE
FOR DEVELOPMENT OF THE TAIPINGQIAO PROJECT IN
SHANGHAI**

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 7 June 2021, Lucky Gain (being an indirect wholly-owned subsidiary of the Company) entered into (a) the Capital Increase Agreement with the JV Partner and the JV Company, pursuant to which Lucky Gain and the JV Partner have agreed to form a joint venture through the JV Company for carrying out the property development project at the Lands in Huangpu District, Shanghai, the PRC (i.e. the Taipingqiao Project); and (b) the Shareholders' Agreement with the JV Partner to regulate their respective rights and responsibilities in respect of the operation and management of the business and affairs of the JV Company.

Upon Completion, the JV Company will be owned as to 50% by each of Lucky Gain and the JV Partner, and the JV Company will cease to be a subsidiary of the Group and will not be consolidated into the accounts of the Group.

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the maximum capital commitment of the Company for the Transaction exceeds 25% but all applicable percentage ratios are less than 100%, the Transaction constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (b) written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Transaction.

At the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the Transaction, and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transaction. As such, the Transaction may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules.

Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited which are controlled by Shui On Company Limited and together constitute a closely allied group of Shareholders, holds 1,725,493,996 Shares, 2,733,949,818 Shares and 29,847,937 Shares, respectively, and together represent approximately 55.68% of the issued share capital of the Company at the date of this announcement. The Company has obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited on the Agreements and the Transaction pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Transaction.

A circular containing, among other things, further particulars of the Agreements and the Transaction, is expected to be despatched to the Shareholders for information purpose only within 15 business days after the publication of this announcement, i.e. on or before 29 June 2021.

INTRODUCTION

The Board is pleased to announce that on 7 June 2021, Lucky Gain (being an indirect wholly-owned subsidiary of the Company) entered into (a) the Capital Increase Agreement with the JV Partner and the JV Company, pursuant to which Lucky Gain and the JV Partner have agreed to form a joint venture through the JV Company for carrying out the property development project at the Lands in Huangpu District, Shanghai, the PRC (i.e. the Taipingqiao Project); and (b) the Shareholders' Agreement with the JV Partner to regulate their respective rights and responsibilities in respect of the operation and management of the business and affairs of the JV Company.

CAPITAL INCREASE AGREEMENT

Date

7 June 2021

Parties

- (1) Lucky Gain (being an indirect wholly-owned subsidiary of the Company);
- (2) the JV Partner; and
- (3) the JV Company.

Formation of joint venture through the JV Company for the Taipingqiao Project

For the purpose of carrying out the Taipingqiao Project, Lucky Gain and the JV Partner have agreed that, pursuant to the Capital Increase Agreement, the registered capital of the JV Company shall be increased from US\$35,773,000 (equivalent to approximately HK\$279,029,000) to US\$475,000,000 (equivalent to approximately HK\$3,705,000,000) in the following manners:

- (a) Lucky Gain shall pay up and contribute approximately US\$202,084,730 (equivalent to approximately HK\$1,576,261,000) to the registered capital of the JV Company; and
- (b) the JV Partner shall pay up and contribute approximately US\$237,142,270 (equivalent to approximately HK\$1,849,710,000) to the registered capital of the JV Company.

The respective contribution to the registered capital of the JV Company by Lucky Gain and the JV Partner is determined after arm's length negotiation between the parties with reference to the funding needs of the JV Company required for the carrying out of the Taipingqiao Project and the operation of the JV Company.

Contribution to registered capital of the JV Company

Lucky Gain and the JV Partner shall contribute the increased registered capital of the JV Company pursuant to the Capital Increase Agreement by way of cash contribution.

Within five (5) business days from the date of the issuance of the new business licence of the JV Company by Shanghai Administration for Market Regulation (上海市市場監督管理局) and completion of the filings with the relevant PRC authorities in respect of the transactions under the Capital Increase Agreement and the Shareholders' Agreement, each of Lucky Gain and the JV Partner shall contribute cash equivalent to US\$118,321,230 (equivalent to approximately HK\$922,906,000) and US\$153,378,770 (equivalent to approximately HK\$1,196,354,000) respectively to the JV Company as its increased registered capital.

The balance of the increased registered capital shall be contributed by each of Lucky Gain and the JV Partner in accordance with the notice(s) of capital contribution to be issued by the JV Company to Lucky Gain and the JV Partner respectively from time to time pursuant to the Shareholders' Agreement.

Condition

Subject to the terms of the Capital Increase Agreement, the Capital Increase Agreement is made conditional on approval by the Shareholders in accordance with the requirements of the Listing Rules.

Completion

Upon Completion, the JV Company will be owned as to 50% by each of Lucky Gain and the JV Partner, and the JV Company will cease to be a subsidiary of the Group and will not be consolidated into the accounts of the Group.

Consolidation of Land Parcel 122-1 and Land Parcel 122-2

Each of the Land Parcel 122-1 and the Land Parcel 122-2 which is currently owned as to 99% by Onfair and 1% by Shanghai Fuxing respectively will be consolidated with the Land Parcel 122-3 after relocation and the related relocation agreement having been completed and entered into respectively, and the relevant PRC government approvals having been obtained.

Information on the JV Company

The JV Company was established under the laws of the PRC with limited liability in 2004. At the date of this announcement, the JV Company has registered capital of US\$35,773,000 (equivalent to approximately HK\$279,029,000) and is owned as to 99% and 1% by Lucky Gain and the JV Partner respectively.

Based on the audited financial statements of the JV Company, the audited net asset value of the JV Company at 31 December 2020 was approximately RMB253,000,000 (equivalent to approximately HK\$306,388,000), and there was no profit or loss of the JV Company for the financial years ended 31 December 2019 and 31 December 2020 respectively.

SHAREHOLDERS' AGREEMENT

Date

7 June 2021

Parties

- (1) Lucky Gain (being an indirect wholly-owned subsidiary of the Company); and
- (2) the JV Partner.

Principal business

The principal business of the JV Company shall be the Taipingqiao Project, being the investment in, relocation and resettlement, development, construction, holding, management, sale and leasing of the Lands.

Financial commitment

The total investment amount of the JV Company is US\$1,425,000,000 (equivalent to approximately HK\$11,115,000,000). The board of directors of the JV Company can adjust the Land Investment Amount, however, the maximum amount of investment to be made by the JV Company on the Lands shall not exceed RMB15,100,000,000 (equivalent to approximately HK\$18,286,406,000) (the “**Land Investment Amount**”). The Land Investment Amount comprises, among other things, the relocation costs, development and construction costs. The Land Investment Amount shall be contributed by Lucky Gain and the JV Partner in proportion to their respective equity interests in the JV Company.

The respective contribution to the Land Investment Amount by Lucky Gain and the JV Partner is determined after arm's length negotiation between the parties with reference to the funding needs of the JV Company required for the carrying out of the Taipingqiao Project and the operation of the JV Company. The amount to be contributed by Lucky Gain shall be funded by internal working capital of the Group and external financing.

The Land Investment Amount will be funded, among others, as follows (i) the respective contribution to the increased registered capital of the JV Company by Lucky Gain and the JV Partner under the Capital Increase Agreement, (ii) external financing to be raised from banks and financial institutions or by way of entrustment loan, and (iii) any additional registered capital of the JV Company to be contributed by Lucky Gain and the JV Partner subsequently to meet the financing needs of the JV Company in the future.

Future funding

The further financing needs of the JV Company shall be funded by external financing to be raised from banks and financial institutions or by way of entrustment loan, and Lucky Gain and the JV Partner shall provide guarantee or other security in proportion to their respective equity interests in the JV Company to guarantee or secure the external financing (if required).

In the event that the above external financing is not sufficient to meet the needs of the JV Company, the registered capital of the JV Company shall be increased and each of Lucky Gain and the JV Partner shall contribute additional registered capital of the JV Company in proportion to their respective equity interests in the JV Company.

Management

The board of directors of the JV Company shall comprise four directors, two of whom shall be nominated by Lucky Gain and the other two by the JV Partner. The chairman of the JV Company's board of directors shall be nominated by the JV Partner; the vice chairman of the JV Company's board of director shall be nominated by Lucky Gain. The chairman and vice chairman shall not be entitled to a casting vote in the meeting of the board of directors.

All major decisions of the JV Company require unanimous approval of all directors of the JV Company, including but not limited to, approval of the annual plan and budget of the JV Company and/or the Lands, the entering into of certain agreement or arrangement with its shareholders and/or their associates as well as any distribution of profits and the dividend policy.

The JV Company shall have two supervisors, one of whom shall be nominated by Lucky Gain and the other by the JV Partner.

Restriction on transfer of equity interest

Each of Lucky Gain and the JV Partner may not transfer or assign its equity interests in the JV Company without the written consent of the other party. Any proposed transfer of equity interests in the JV Company shall be subject to the customary transfer restrictions provided under the Shareholders' Agreement (including right of first refusal and tag-along right) and no partial transfer of equity interests in the JV Company held by a proposed transferor is allowed.

Condition

Subject to the terms of the Shareholders' Agreement, the Shareholders' Agreement shall only be effective upon completion of the filings with the relevant PRC authorities in respect of the transactions contemplated under the Capital Increase Agreement.

INFORMATION ON THE LANDS

The Lands comprise the Land Parcel 122-1, the Land Parcel 122-2 and the Land Parcel 122-3 which are located in Huangpu District, Puxi, Shanghai, the PRC. The total site area of the Lands is approximately 24,067 square meters. Subject to the relevant PRC government approvals, the Lands will be mainly for mixed-use development comprising residential, commercial and ancillary facilities; and that the project's gross floor area is estimated to be 99,560 square meters. The terms of grant of the Land Parcel 122-1, Land Parcel 122-2 and Land Parcel 122-3 are 70 years expiring on 30 December 2072, 70 years expiring on 30 December 2072 and 50 years expiring on 19 June 2053, respectively. At the date of this announcement, the Lands remain undeveloped.

Each of the Land Parcel 122-1 and the Land Parcel 122-2 is currently owned as to 99% by Onfair and 1% by Shanghai Fuxing respectively; and they were acquired in December 2002 at a total purchase price of approximately RMB23,550,800 (equivalent to approximately HK\$28,520,000). Such purchase price was waived by the PRC government at the time. The Land Parcel 122-3 is currently owned by the JV Company and was acquired in 2003 at a purchase price of approximately US\$9,179,700 (equivalent to approximately HK\$71,602,000). The book value of the Lands at 30 April 2021 was approximately RMB525,000,000 (equivalent to approximately HK\$635,786,000). The valuation of the Lands at 30 April 2021, as prepared by an independent valuer on an "as-is" basis is RMB542,000,000 (equivalent to approximately HK\$656,373,000). The Land Parcel 122-1 and the Land Parcel 122-2 will be consolidated with the Land Parcel 122-3 after relocation and the related relocation agreement having been completed and entered into respectively, and the relevant PRC government approvals having been obtained.

INFORMATION ON THE TAIPINGQIAO PROJECT

The Taipingqiao Project is located in Huangpu District, the main commercial center of Shanghai's Puxi region. The Taipingqiao Project is connected by Shanghai Metro Lines 1, 8 and 10. The Taipingqiao Project is featured with reservation of the historical texture of Shikumen alleys and transformation of the old Shikumen buildings into top luxury residences. It is expected that the Taipingqiao Project will create a unique high end international community featured with cultural heritage and modern life.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Taipingqiao Project is a key component of the entire Taipingqiao master plan that the Company has been developing for the past twenty (20) years. It enables the Company to develop and manage a landmark project at a prime location in the Shanghai city center so as to enjoy the sustainable growth in asset value of the development. Given the location of the Lands and the related development plan, it is expected that the Company will earn good return on the Taipingqiao Project, and that the Transaction will improve the JV Company's capital efficiency and strengthen its financial position and is also in line with the Group's asset light strategy.

The Directors (including the independent non-executive Directors) considered that the Transaction, which has been entered into after arm's length negotiation between the parties, is on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the maximum capital commitment of the Company for the Transaction exceeds 25% but all applicable percentage ratios are less than 100%, the Transaction constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (b) written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Transaction.

At the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the Transaction, and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transaction. As such, the Transaction may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules.

Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited which are controlled by Shui On Company Limited and together constitute a closely allied group of Shareholders, holds 1,725,493,996 Shares, 2,733,949,818 Shares and 29,847,937 Shares, respectively, and together represent approximately 55.68% of the issued share capital of the Company at the date of this announcement. The Company has obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited on the Agreements and the Transaction pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Transaction.

A circular containing, among other things, further particulars of the Agreements and the Transaction, is expected to be despatched to the Shareholders for information purpose only within 15 business days after the publication of this announcement, i.e. on or before 29 June 2021.

INFORMATION ON THE PARTIES

The principal business of the JV Company shall be the Taipingqiao Project, being the investment in, relocation and resettlement, development, construction, holding, management, sale and leasing of the Lands.

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group engages principally in the development and redevelopment, sale, leasing, management and ownership of high-quality residential and mixed-use properties in the PRC.

Lucky Gain is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The JV Partner is a company incorporated under the laws of the PRC with limited liability and is directly owned by State-owned Assets Supervision and Administration Commission of Shanghai Huangpu District (上海市黃浦區國有資產監督委員會). The JV Partner is principally engaged in real estate development and management, responsible for certain old area reconstruction, municipal construction, preservation protection and development of outstanding historical buildings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the JV Partner and its ultimate beneficial owner(s) is an Independent Third Party.

DEFINITIONS

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

“Agreements”	collectively, the Capital Increase Agreement and the Shareholders' Agreement
“associate(s)”, “connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase Agreement”	the Capital Increase Agreement dated 7 June 2021 entered into among the JV Partner, Lucky Gain and the JV Company in relation to the formation of a joint venture through the JV Company for the purpose of carrying out the Taipingqiao Project
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange (stock code: 272)
“Completion”	completion of the respective contribution to the increased registered capital of the JV Company by Lucky Gain and the JV Partner in accordance with the Capital Increase Agreement
“Director(s)”	the 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
“Independent Third Party”	a party who is not connected person (as defined in the Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“JV Company”	上海復基房地產有限公司 (Shanghai Fu Ji Properties Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company at the date of this announcement
“JV Partner”	上海永業企業(集團)有限公司 (Shanghai Yongye Enterprise (Group) Co., Ltd.), a company established under the laws of the PRC with limited liability
“Land Investment Amount”	has the meaning as defined in the section headed “SHAREHOLDERS’ AGREEMENT — Financial commitment” in this announcement
“Lands”	collectively, the Land Parcel 122-1, the Land Parcel 122-2 and the Land Parcel 122-3
“Land Parcel 122-1, Land Parcel 122-2 and Land Parcel 122-3”	the land parcel of lot nos.122-1, 122-2 and 122-3 with a total site area of approximately 24,067 square meters located in Huangpu District, Shanghai, the PRC, details of which are set out in the section headed “INFORMATION ON THE LANDS” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Lucky Gain”	Lucky Gain Limited 樂基有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Onfair”	Onfair Limited 宏輝有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Fuxing”	上海復興建設發展有限公司 (Shanghai Fuxing Construction Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the JV Partner at the date of this announcement
“Share(s)”	ordinary share(s) of US\$0.0025 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement dated 7 June 2021 entered into between Lucky Gain and the JV Partner in relation to the regulation of their respective rights and responsibilities in respect of the operation and management of the business and affairs of the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taipingqiao Project”	the property development project to be carried out at the Lands through the JV Company, details of which are set out in the section headed “INFORMATION ON THE TAIPINGQIAO PROJECT” in this announcement
“Transaction”	the entering into of the Agreements, together with the transactions contemplated thereunder
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, conversions of (i) US\$ into HK\$; and (ii) RMB into HK\$ in this announcement are based on (i) the exchange rate of US\$1.00 to HK\$7.80; and (ii) the exchange rate of HK\$1.00 to RMB0.82575, respectively. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

**By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman**

Hong Kong, 7 June 2021

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Douglas H. H. SUNG (Chief Financial Officer and Chief Investment Officer) and Ms. Stephanie B. Y. LO; and the independent non-executive directors of the Company are Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW, Mr. Anthony J. L. NIGHTINGALE, Mr. Shane S. TEDJARATI and Ms. Ya Ting WU.

** For identification purpose only*