THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shui On Construction and Materials Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

瑞 安 建 業 有 限 公 司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

PROPOSED GRANT OF SHARE OPTIONS TO ELIGIBLE PARTICIPANTS UNDER THE EXISTING SHARE OPTION SCHEME IN EXCESS OF 1% ENTITLEMENT

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 Thursday, 12 April 2007 at 4:15 p.m. is set out in the accompanying notice of special general meeting. 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 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*

8 March 2007

CONTENTS

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

"associate"	has the meaning set out in the Listing Rules
"Board"	the board of Directors or a duly authorised committee thereof
"Company" or "SOCAM"	Shui On Construction and Materials Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
"Directors"	the directors of the Company
"Existing Share Option Scheme"	the share option scheme of the Company adopted on 27 August 2002
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"SGM"	the special general meeting of the Company to be held for approving the grant of share options to the eligible participants in excess of their respective maximum 1% entitlement
"Share(s)"	share(s) of HK$1.00 each in the issued share capital of the Company
"Shareholder(s)"	holders of Share(s) in issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%"	per cent

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)*
Mr. Wong Fook Lam, Raymond
Mrs. Lowe Hoh Wai Wan, Vivien

Non-Executive Director:
Professor Michael John Enright

Independent Non-Executive Directors:
Mr. Anthony Griffiths
Mr. Cheng Mo Chi, Moses
Professor K.C. Chan

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

8 March 2007

To the Shareholders

Dear Sirs or Madam,

PROPOSED GRANT OF SHARE OPTIONS TO ELIGIBLE PARTICIPANTS UNDER THE EXISTING SHARE OPTION SCHEME IN EXCESS OF 1% ENTITLEMENT

INTRODUCTION

The Directors had earlier proposed to adopt a share award scheme, which was approved by the Shareholders on 23 August 2006, in addition to the Existing Share Option Scheme for the purpose of providing incentives to the employees, officers and directors of the Company and its subsidiaries. The said scheme has, however, determined and become void as the approval for the listing of, and permission to deal in, any award shares which may fall to be issued pursuant to the vesting of awards granted under the scheme was not obtained on or before 31 December 2006 in accordance with the provisions of the said scheme.

* *For identification purpose only*

For the purpose of motivating the Directors and key executives through share ownership and performance-based incentives and in view of the determination of the said share award scheme, the Company has proposed to grant share options to the Directors and key executives under the Existing Share Option Scheme and similar performance-based vesting conditions as proposed under the share award scheme will be imposed on the proposed grant of such share options to the Directors.

Under Rule 17.03(4) of the Listing Rules, the total number of Shares issued and to be issued upon the exercise of the options granted to each participant of the Existing Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of further grant must not exceed 1% of the Shares in issue, unless approval of Shareholders is obtained.

On 3 January 2007, the Board decided unanimously on the recommendation of the Remuneration Committee (comprising all the independent non-executive Directors who constitute the majority of that committee) to grant options to two of the eligible participants under the Existing Share Option Scheme in excess of each participant's maximum 1% entitlement, subject to the approval of Shareholders at the SGM. The purpose of this circular is to give you the information relating to such grant in accordance with Rule 17.03(4) of the Listing Rules. At the SGM, the eligible participants and their associates will abstain from voting on the resolutions approving the grant of such options by the Company.

INFORMATION REQUIRED BY RULE 17.03(4)

(a) **Identity of the eligible participants**

(1) Mr. Choi Yuk Keung, Lawrence ("Mr. Choi"), an Executive Director and the Vice-chairman of the Company; and

(2) Mr. Wong Yuet Leung, Frankie ("Mr. Wong"), an Executive Director and the Chief Executive Officer of the Company.

(b) **Terms of share options previously granted and proposed to be granted**

Mr. Choi and Mr. Wong have been granted share options under the share option schemes of the Company. The Shares issued and to be issued upon exercise of the options granted to Mr. Choi and Mr. Wong (including both exercised and outstanding options) in the 12-month period immediately prior to 3 January 2007 were 2,483,000 Shares and 3,960,000 Shares respectively, the details of which are as follows:

Name	Number of underlying shares	Approximate % of the Shares in issue on 3 January 2007	Exercise price per share	Option period
Mr. Choi	2,483,000	0.88%	HK$6.00	At various periods in respect of different batches of share options granted, up to 26 August 2010
Mr. Wong	3,960,000	1.40%	HK$6.00 to HK$14.00	At various periods in respect of different batches of share options granted, up to 31 July 2011

The terms of the share options proposed to be granted to Mr. Choi and Mr. Wong on 3 January 2007 under the Existing Share Option Scheme are as follows:

Name	Number of underlying shares	Approximate % of the Shares in issue on 3 January 2007	Exercise price per share *(Note)*	Option period
Mr. Choi	700,000	0.25%	HK$16.78	3/1/2007 to 2/1/2017
Mr. Wong	1,500,000	0.53%	HK$16.78	3/1/2007 to 2/1/2017

Note: HK$16.78 represents the highest of: (a) the closing price of a Share on 3 January 2007, being the date of grant; and (b) the average closing price of the Shares for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share.

The aggregate number of Shares issued and to be issued upon exercise of all the options (including both exercised and outstanding options) granted and to be granted to Mr. Choi and Mr. Wong in the 12-month period up to and including 3 January 2007 will therefore be 3,183,000 Shares and 5,460,000 Shares respectively, assuming such options to be granted are accepted and immediately exercisable. Such Shares represent approximately 1.12% and 1.93% of the Shares in issue as at 3 January 2007 and are in excess of the 1% maximum entitlement of Mr. Choi and Mr. Wong respectively under Rule 17.03(4) of the Listing Rules.

(c) **Vesting of share options proposed to be granted**

The vesting of the share options proposed to be granted to Mr. Choi and Mr. Wong is subject to the performance conditions set by the Board. Vesting will only occur if the change in the total shareholders' return ("TSR") on the Shares is positive and equals or exceeds the Hang Seng Index ("HSI") TSR, over a performance period of 3 years from 3 January 2007 to 2 January 2010 ("Performance Period"). Change in TSR means principally changes in Share price during the Performance Period with dividends paid in the Performance Period also taken into account. Vesting will be in accordance with the different levels of percentages as set out in a vesting schedule. 30% of the grant will vest if SOCAM TSR is positive and equals HSI TSR, increasing up to 100% if SOCAM TSR equals or is greater than 135% of HSI TSR; vesting is also 100% if SOCAM TSR is positive while HSI TSR is negative.

For the measurement of performance, TSR for both the HSI and SOCAM at the start and end dates of the Performance Period will be based on the average TSR of the 3 months before each date.

(d) **Restriction on disposal**

Shares to be issued to Mr. Choi and Mr. Wong upon the exercise of options proposed to be granted to them under the Existing Share Option Scheme are subject to restriction on disposal set out in this paragraph. Each of Mr. Choi and Mr. Wong is required to hold at least 25% of the Shares issued and allotted to him upon exercise of such options for a period of 2 years after the date of exercise of such options.

(e) **Amount payable upon acceptance of the share options**

HK$1.00 is payable by each of Mr. Choi and Mr. Wong to the Company on acceptance of the offer of the share options.

(f) **Ranking of Shares**

The Shares to be allotted upon the exercise of the options proposed to be granted to Mr. Choi and Mr. Wong will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue. Shares allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

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 Thursday, 12 April 2007 at 4:15 p.m. is set out in the accompanying notice of special general meeting.

A form of proxy for use at the SGM is enclosed. 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. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the SGM if they so wish.

As at 5 March 2007, being the latest practicable date prior to the printing of this circular, Mr. Choi beneficially owned 740,000 shares, representing approximately 0.26% of the issued share capital of the Company and Mr. Wong did not have any interest in the issued shares of the Company. At the SGM, Mr. Choi and Mr. Wong and their respective associates will abstain from voting, in respect of their shareholdings (if any) in the Company on the respective resolutions approving the grant of share options to them. The vote of shareholders at the SGM will be taken by way of poll in accordance with Rule 13.39(4)(d) of the Listing Rules.

PROCEDURE FOR VOTING BY POLL

In accordance with bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

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, statements of fact expressed herein are true, accurate and not misleading, statements of opinion expressed herein have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors believe that the proposal for grant of share options in excess of the eligible participants' maximum 1% entitlement in the 12-month period up to and including the date of the further grant are in the best interests of the Company and the Shareholders and accordingly recommend Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM.

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