SOHO CHINA LIMITED
SOHO 中國有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

(stock code: 410)

Joint Sponsors
(in alphabetical order)

Goldman Sachs (Asia) L.L.C.

The Hongkong and Shanghai Banking Corporation Limited

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Goldman Sachs (Asia) L.L.C.

The Hongkong and Shanghai Banking Corporation Limited

UBS AG

SOHO现代城
SOHO NEW TOWN

建外SOHO
JIANWAI SOHO

SOHO尚都
SOHO SHANGDU

朝外SOHO
CHAOWAI SOHO

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	1,549,420,000 Shares (including 299,420,000 Sale Shares offered by the Selling Shareholders, subject to the Over-allotment Option)
Number of International Offer Shares	:	1,394,478,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Public Offer Shares	:	154,942,000 Shares (subject to adjustment)
Maximum Offer Price	:	HK$8.30 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%
Nominal value	:	HK$0.02 per Share
Stock code	:	410

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The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in “Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection”, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, the Hong Kong Stock Exchange and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), us and the Selling Shareholders on the Price Determination Date which is expected to be on or before 28 September 2007 and, in any event, not later than 4 October 2007. The Offer Price will not be more than HK$8.30 and is currently expected not to be less than HK$6.30 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) may reduce the indicative Offer Price range and/or the number of Public Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In the case of such reduction, notices of the reduction in the indicative Offer Price range and/or the number of Public Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections entitled “Structure of the Global Offering” and “How to Apply for Public Offer Shares” in this prospectus.

The Offer Shares have not been registered under the US Securities Act and may be initially offered or sold, pledged or transferred only (i) in the United States to QIBs, in reliance on Rule 144A under the US Securities Act and (ii) outside the United States in reliance on Regulation S under the US Securities Act.

21 September 2007

EXPECTED TIMETABLE[1]

Application lists open	11:45 a.m. on Thursday, 27 September 2007
Latest time to lodge **White** and **Yellow** Application Forms	12:00 noon on Thursday, 27 September 2007
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, 27 September 2007
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfers) or PPS payment transfer(s)	12:00 noon on Thursday, 27 September 2007
Latest time to give **electronic application instructions** to HKSCC	12:00 noon on Thursday, 27 September 2007
Application lists close[3]	12:00 noon on Thursday, 27 September 2007
Expected Price Determination Date	Friday, 28 September 2007
Announcement of • the level of applications in the Public Offer; • the level of indications of interest in the International Offer; and • the basis of allotment of the Public Offer Shares to the published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Friday, 5 October 2007
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "**Publication of Results**" in the section headed "How to Apply for the Public Offer Shares") from	Friday, 5 October 2007
A full announcement of the Public Offer containing the information above will be published on the Company's website at **www.sohochina.com** and the website of the Hong Kong Stock Exchange at **www.hkex.com.hk** from	Friday, 5 October 2007
Despatch of Share certificates in respect of wholly or partially successful applications on or before[4]	Friday, 5 October 2007
Despatch of refund cheque(s) in respect of wholly or partially unsuccessful applications on or before	Friday, 5 October 2007
Dealings in Shares on the Hong Kong Stock Exchange expected to commence at	9:30 a.m. on Monday, 8 October 2007

Notes:

(1) All times refer to Hong Kong local time.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 27 September 2007, the application lists will not open on that day. See the section entitled "How to Apply for Public Offer Shares — When to Apply for Public Offer Shares — Effect of bad weather on the opening of the application lists".

(4) Share certificates will only become valid if the Global Offering becomes unconditional and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Monday, 8 October 2007.

You should read carefully the sections headed "Underwriting", "How to Apply for Public Offer Shares", and "Structure of the Global Offering", for details relating to the structure of the Global Offering, how to apply for Public Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of refund cheques and share certificates.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OUR COMPANY

We are a commercial property developer with a strong track record of profitability. We are an industry leader focused on central Beijing and have won recognition and awards in China and internationally for our innovative designs. We were founded by our high profile Directors, Mr. Pan and Ms. Zhang.

We primarily focus on the development and sale of Commercial Properties and seek to capitalise on the strength of the SOHO China brand to generate high returns on our developments. To date, we have completed the development of 1,208,594 sq.m. of GFA. By the end of 2009, we plan to complete the development of an additional 878,422 sq.m. of GFA when we will have completed the development of a total of 2,087,016 sq.m. of GFA.

For the three years ended 31 December, 2004, 2005 and 2006 and the six months ended 30 June 2007, we entered into sale contracts with aggregate contract values of RMB3,359.6 million, RMB3,277.9 million, RMB4,065.5 million and RMB3,284.7 million, respectively.

We believe that our strong track record of profitability and our industry leadership are demonstrated by the following:

- *Strong track record of profitability.* Our consolidated profits for 2004, 2005 and 2006 were RMB424,373,000, RMB865,048,000 and RMB409,730,000 respectively.(1)

- *Industry leadership.* We believe that we are the largest real estate developer in the Beijing CBD by sales revenue and developable area. According to a report by China Index Research Institute (中國指數研究院) prepared based on data from Beijing Real Estate Information Network (北京房地產信息網), as at 27 December 2006, sales revenue from our projects accounted for approximately 39% of the total property sales revenue in Beijing CBD from 2003 through a portion of 2006. According to the same report, more than 1,554,000 sq. m., or approximately 19% of total planned developable GFA of the Beijing CBD as set forth in the government plan of March 2004 for the Beijing CBD, has been or is being developed by us. Our pre-sale revenues were the highest in Beijing in 2005 and 2006 and the second highest in 2004, based on the same report.(2) We were also the second highest taxpayer in China's real estate sector from 2003 to 2004, and

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(1) See page 146 "Financial Information — Factors Affecting Results of Operations and Financial Condition — Fluctuation of our Results of Operations" for details of the mismatch between recorded turnover in each of these years and the aggregate contract values of our sale contracts (which primarily consist of pre-sale contracts).

(2) We commissioned the report by China Index Research Institute (中國指數研究院) and paid a total of RMB150,000 for its services. China Index Research Institute (中國指數研究院) derived these amounts based on data from Beijing Real Estate Information Network (北京房地產信息網), which is a government-sponsored organisation. (See "Business — Our Business" for further details.)

were amongst the top 500 highest taxpayers in China from 2004 to 2005. We were named as one of the "Most Admired Companies" in China by Fortune Magazine (Chinese edition) 2006 and were the only real estate company among the top ten companies to receive such recognition.

- *Innovative designs.* Our Jianwai SOHO project received the 2006 Business Week / Architectural Record China Awards and the 2003 CIHAF Prize for Innovative Chinese Famous Development. Our Commune by the Great Wall project was named "*A New Architectural Wonder of China*" by Business Week in 2005 and was the only hotel in China listed on the Condé Nast Traveler's "100 Hot Hotels in the World" in 2004.

- *High profile directors.* Mr. Pan was honoured as one of the 25 most influential business leaders in China by *Fortune (China) Magazine* in 2005 and was named one of the "Top Ten Influential Figures in Real Estate Industry" by *sina.com* in 2004 and 2006 and one of the "Top Ten Influential Figures in Real Estate Industry" by *sohu.com* in 2005. As at 25 April 2007, the total number of visits to Mr. Pan's blog, had surpassed 33 million hits and ranked 6th amongst all blogs hosted on *sina.com.cn* and first amongst all entrepreneurs' blogs hosted on *sina.com.cn*. Ms. Zhang was selected by the World Economic Forum as a Young Global Leader in 2005. She also won Business Week's Stars of Asia Award for 2004 and received the 2004 Montblanc Arts Patronage Award given by Montblanc Cultural Foundation. In recognition of Ms. Zhang's efforts in promoting the development of architecture in Asia, Ms. Zhang was awarded a Special Prize to an Individual Patron of Architectural Award by La Biennale di Venezia in 2002. She has also spoken at various forums including the Fortune Global Forum 2005, the China Business Summit 2003 and the World Economic Development Declaration 2003.

We have entered into a series of agreements with Beijing Tianjie, among other parties, for the acquisition of an interest in the Tiananmen South (Qianmen) Project. Such acquisition is subject to PRC Government approvals. In the event that we obtain the necessary approvals for the acquisition of such interest in the Tiananmen South (Qianmen) Project and Beijing Tianjie completes its acquisition of the 33 Parcels on the expected schedule, we would expect to be able to develop up to an additional 165,000 sq.m. of planned GFA. In the event that we do not obtain the necessary PRC Government approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project and will not have access to any of the associated GFA for development or sale. Further, if we are successful in bidding for the additional 11 Parcels, which form part of the Tiananmen South (Qianmen) Project, and which are expected to be put out for open tender in late 2007, then the total planned GFA of our developments may increase by another 195,000 sq.m.. In the event that we are able to acquire and develop the 33 Parcels and 11 Parcels, the total GFA that we have completed and that we plan to complete on or before 31 December 2009 will total 2,447,016 sq.m.

The following table summarises our completed (including substantially completed) and current projects as well as information on the Tiananmen South (Qianmen) Project. Beijing Danshi, an entity controlled by Mr. Pan, which purchased a 49% equity interest in Beijing Tianjie (the project company for the Tiananmen South (Qianmen) Project) has entered into agreements to transfer this interest to us. The proposed transfer remains subject to PRC Government approvals. In the event that we do not obtain the required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale. We also intend to bid for an additional 11 land parcels, which form part of the Tiananmen South (Qianmen) Project, which are expected to be put out for open tender in late 2007.

Project	Location	Use	Total planned GFA	Our attributable economic interest	Status(3)
			(sq.m.)	(%)	
Sanlitun SOHO	Central Beijing	Retail, office, residential	465,680	95%	Under development
Guanghualu SOHO	Central Beijing (CBD)	Office, retail	75,766	95%	Under construction
SOHO Shangdu	Central Beijing (CBD)	Office, retail	172,176	100%	Phase II completed; Phase III completed
Chaowai SOHO	Central Beijing (CBD)	Office, retail	151,168	99.5%	Under construction
Jianwai SOHO	Central Beijing (CBD)	Office, retail residential	683,821	95%	Substantially completed
SOHO Newtown	Central Beijing (CBD)	Office, retail residential	471,300	54%	Completed
Commune by the Great Wall, managed by Kempinski	Beijing Great Wall	Hotel, residential	30,544	95%	Phase I completed; Phase II under construction
Boao Kempinski	Hainan province	Hotel, residential	36,561	90%	Completed
Tiananmen South (Qianmen) — 33 Parcels	Central Beijing	Retail, office, residential	165,000(4)	—(2)	—(2)
Tiananmen South (Qianmen) — 11 Parcels(1)	Central Beijing	Retail, office, residential	195,000(4)	—(1)(2)	—
Total (excluding all 44 Parcels of Tiananmen South (Qianmen))			2,087,016		
Total (including 33 Parcels, but excluding 11 Parcels of Tiananmen South (Qianmen))			2,252,016		
Total (including all 44 Parcels of Tiananmen South (Qianmen))			2,447,016		

(1) These 11 Parcels are situated within the Tiananmen South (Qianmen) Project and are expected to be put out for open tender in late 2007. The inclusion of the GFA into this table is based on the assumption that we will be successful in a bid for all 11 of these parcels. For details, please see section entitled "Business — Our Projects — Tiananmen South (Qianmen) Project".

(2) We have recently entered into a series of agreements with Beijing Danshi and other shareholders of Beijing Tianjie to purchase Beijing Danshi's 49% equity interest in Beijing Tianjie. The acquisition is subject to PRC Government approvals. In the event that we do not obtain the required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale. In the event that we do receive the requisite approvals, the Cooperation Agreement, as amended, generally provides that, excluding the 12 Heritage Sites, (1) we are entitled to develop, design, construct, sell, lease and operate all of the up to 44 Parcels that Beijing Tianjie may acquire and (2) we are entitled to all of the income generated by, less all costs and expenses incurred by, Beijing Tianjie that are related to any of the 44 Parcels that Beijing Tianjie may acquire. See "Business — Our Projects — Tiananmen South (Qianmen) Project" for further details.

(3) See "Business — Our Projects" for a description of these categories.

(4) These planned GFA amounts are approximate amounts and are subject to change based on the final architectural plans and PRC Government approvals.

OUR COMPETITIVE STRENGTHS

We consider our core competitive strengths to be as follows:

- A strong track record of profitability based on a focus on Commercial Property development and sales in central Beijing;
- A prestigious brand name in China which provides us with competitive advantages;
- A visionary management team with a disciplined focus on delivering profit;
- An ability to translate innovative designs into marketable products within cost targets; and
- Financial discipline resulting in a strong balance sheet with low gearing ratio.

OUR STRATEGIES

We aim to continue to grow as an industry leading property developer, focused primarily on premium Commercial Properties utilising innovative designs in prime locations of Beijing by:

- Continuing to emphasise high profitability through selection and development of high return projects;
- Continuing to focus on the development and sale of large-scale Commercial Properties with innovative designs in central Beijing;
- Continuing to capitalise on and enhance our brand name and customer loyalty by developing high profile and innovative projects; and
- Continuing to exercise financial discipline in the operation of our business.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set out a summary of our consolidated results for the three years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2006 and 2007, and our consolidated balance sheet as at 31 December 2004, 2005 and 2006 and 31 March 2007, which have been prepared in accordance with HKFRS issued by the HKICPA. This summary should be read in conjunction with the Accountants' Report set out in Appendix IA to this prospectus.

Our consolidated income statement and consolidated cash flow statement for the three years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2006 and 2007, and our balance sheet as at 31 December 2004, 2005 and 2006 and 31 March 2007 reflect the inclusion of Shangdu Phase I. Since we do not actually manage Shangdu Phase I, nor do we enjoy the economic benefit from or assume obligations for any liabilities of Shangdu Phase I (as set out in the section headed "Business — Our Projects — SOHO Shangdu"), we set forth below our consolidated income statement, balance sheet and cash flow information both including and excluding Shangdu Phase I.

Information including Shangdu Phase I is set forth under the heading "Consolidated", which is derived from Section B of the Accountants' Report set out in Appendix IA to this prospectus. Information excluding Shangdu Phase I is set forth under the heading "Our Managed Business".

The summary income statement information set forth under "Our Managed Business" is derived from Note 2 to Section C of the Accountants' Report set out in Appendix IA to this prospectus. The summary balance sheet and cash flow statement information set forth under "Our Managed Business" is derived from the respective balance of our consolidated balance sheet and cash flow statement and after deducting the corresponding amount for Shangdu Phase I set out in Note (i) to Section A of the Accountants' Report set out in Appendix IA to this prospectus and before elimination of balances between the two segments set out in Note 2 to Section C of the Accountants' Report set out in Appendix IA to this prospectus. Also see "Financial Information — Results of Operations."

Beijing Danshi, an entity established in the PRC and controlled by Mr. Pan, has acquired a 49% equity interest in a company called Beijing Tianjie. We have entered into agreements with Beijing Danshi and other shareholders of Beijing Tianjie for the equity interest that Beijing Danshi holds in Beijing Tianjie to be transferred to us. Such transfer is subject to PRC Government approvals and Beijing Tianjie is not currently part of our Group. In the event that we do not obtain these required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale. See "Appendix IC — Tiananmen South (Qianmen) Project". Beijing Tianjie's financial information for the period from 14 August 2004 to 31 March 2007 is included in "Accountants' Report on Beijing Tianjie" as set out in Appendix IB to this prospectus.

Summary Income Statement Information

	CONSOLIDATED				
	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Turnover	2,332.2	3,842.4	1,740.3	576.7	154.8
Cost of properties sold	(1,359.2)	(1,997.1)	(819.2)	(270.7)	(79.1)
Gross profit	973.0	1,845.3	921.1	306.0	75.7
Other operating revenue	19.6	26.5	67.2	6.0	13.8
Selling expenses	(83.5)	(113.5)	(89.5)	(24.1)	(20.4)
Administrative expenses	(83.1)	(98.2)	(92.7)	(21.9)	(27.5)
Other operating expenses	(19.6)	(13.6)	(34.9)	(4.7)	(13.4)
Profit from operations	806.4	1,646.5	771.2	261.3	28.2
Interest income	8.8	15.8	22.2	5.2	4.5
Finance costs	(8.1)	(8.8)	(6.2)	(0.1)	(0.2)
Government grants	1.7	0.1	—	—	—
Profit before taxation	808.8	1,653.6	787.2	266.4	32.5
Income tax	(384.4)	(788.5)	(377.5)	(130.7)	(23.0)
Profit for the year/period	424.4	865.1	409.7	135.7	9.5
Attributable to:					
Equity shareholders of the Company	317.9	709.6	340.8	116.9	11.0
Minority interests	106.5	155.5	68.9	18.8	(1.5)
Profit for the year/period	424.4	865.1	409.7	135.7	9.5
Basic and diluted earnings per Share (RMB)[1]	0.085	0.189	0.091	0.031	0.003

(1) The calculation of basic earnings per Share and diluted earnings per Share is based on the profit attributable to equity shareholders of the Company for each year/period and assuming that 3,750,000,000 Shares had been issued and were outstanding throughout each year/period.

Pursuant to a written resolution of all the members of the board of the Company passed on 29 May 2007, the Company split ordinary shares at par value of HK$0.10 each into ordinary shares at par value of HK$0.02 each. The basic earnings per Share for each year/period is computed based on 3,750,000,000 Shares as if the split of shares had taken place at the beginning of each year/period.

OUR MANAGED BUSINESS

	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Turnover	1,936.1	3,322.4	1,443.7	538.8	154.8
Cost of properties sold	(1,104.2)	(1,660.5)	(627.2)	(246.2)	(79.1)
Gross profit	831.9	1,661.9	816.5	292.6	75.7
Other operating revenue	19.6	26.0	62.7	6.0	13.7
Selling expenses	(75.5)	(103.7)	(80.1)	(23.2)	(20.4)
Administrative expenses	(71.1)	(72.3)	(79.6)	(19.6)	(24.7)
Other operating expenses	(19.6)	(13.6)	(34.8)	(4.7)	(13.3)
Profit from operations	685.3	1,498.3	684.7	251.1	31.0
Interest income	8.8	14.2	21.4	5.2	4.4
Finance costs	(1.5)	(0.5)	(6.1)	(0.1)	(0.2)
Government grants	1.7	0.1	—	—	—
Profit before taxation	694.3	1,512.1	700.0	256.2	35.2
Income tax	(342.3)	(721.9)	(337.3)	(125.9)	(23.0)
Profit for the year/period	352.0	790.2	362.7	130.3	12.2
Attributable to:					
Equity shareholders of the Company	317.9	709.6	340.8	116.9	11.0
Minority interests	34.1	80.6	21.9	13.4	1.2
Profit for the year/period	352.0	790.2	362.7	130.3	12.2

Summary Balance Sheet Information

CONSOLIDATED

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB million)			
Current assets	5,923.4	5,318.5	7,631.1	9,697.0
Non-current assets	472.4	609.6	798.5	794.3
Current liabilities	5,905.5	4,654.4	6,039.3	6,936.7
Non-current liabilities	28.1	66.3	867.5	2,053.3
Minority interests	117.6	231.3	162.6	132.8
Total equity attributable to equity shareholders of the Company	344.6	976.1	1,360.2	1,368.5

OUR MANAGED BUSINESS

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB million)			
Current assets	4,970.0	4,813.6	7,357.0	9,452.6
Non-current assets	455.5	551.7	741.5	737.6
Current liabilities	4,970.0	4,201.2	5,742.6	6,667.4
Non-current liabilities	28.1	66.3	867.5	2,053.3
Minority interests	82.8	121.7	128.2	101.0
Total equity attributable to equity shareholders of the Company	344.6	976.1	1,360.2	1,368.5

Summary Cash Flow Statement Data

	CONSOLIDATED				
	For the year ended December 31			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Net cash generated from/(used in) operating activities	689.0	644.1	(790.4)	108.2	(78.4)
Net cash generated from/(used in) investing activities	267.8	(142.6)	(41.9)	(28.0)	(599.6)
Net cash (used in)/generated from financing activities	(369.6)	(601.4)	603.9	—	1,067.0
Net increase/(decrease) in cash and cash equivalents	587.2	(99.9)	(228.4)	80.2	389.0
Cash and cash equivalents at end of the year/period	1,409.4	1,309.5	1,081.1	1,389.7	1,470.1

	OUR MANAGED BUSINESS				
	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Net cash generated from/(used in) operating activities	807.0	420.7	(927.7)	83.3	(117.2)
Net cash generated from/(used in) investing activities	141.8	105.3	(69.7)	(37.1)	(584.1)
Net cash (used in)/generated from financing activities	(430.8)	(343.7)	766.2	—	1,096.9
Net increase/(decrease) in cash and cash equivalents	518.0	182.3	(231.2)	46.2	395.6
Cash and cash equivalents at end of the year/period	1,109.3	1,291.6	1,060.4	1,337.8	1,456.0

As we derive our revenue principally from the sale of properties, most of our revenue is non-recurring. Completion and delivery of any development project may be adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control. These factors may affect the timing of completion and delivery of our projects, as well as our cash flow position and recognition of revenue from our projects. There is no assurance that after 2007 we will be able to achieve a similar level of profits to those set out in the profit forecast in Appendix III to this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007[(1)]

Forecast consolidated profit attributable to equity Shareholders of the Company[(2)]	not less than RMB1,624 million (equivalent to approximately HK$1,674 million)
Unaudited pro forma forecast earnings per Share	
Fully diluted[(3)]	RMB0.324 (equivalent to approximately HK$0.334)
Weighted average[(4)]	RMB0.401 (equivalent to approximately HK$0.413)

(1) The above profit forecast does not include any potential revenues or liabilities arising from our proposed acquisition of Beijing Danshi's interest in the Tiananmen South (Qianmen) Project or the 11 Parcels that are subject to open tender.

(2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

(3) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to equity Shareholders of the Company for the year ending 31 December 2007 assuming that the Company had been listed since 1 January 2007 and a total of 5,012,058,000 Shares were in issue during the entire year, comprising the 5,000,000,000 Shares assumed to be in issue immediately following completion of the Global Offering before exercise of the Over-allotment Option, and the 12,058,000 Shares assumed to be in issue pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme on 1 January 2007, without taking into account of any Shares which may be issued pursuant to the exercise of any options under the Share Option Scheme.

(4) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity Shareholders of the Company for the year ending 31 December 2007 and a weighted average number of 4,051,369,863 Shares in issue during the year ending 31 December 2007 following completion of the Global Offering, without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options under the Share Option Schemes.

OFFERING STATISTICS

	Based on a minimum Offer Price of HK$6.30 per Share	**Based on a maximum Offer Price of HK$8.30 per Share**
Our market capitalisation upon completion of the Global Offering[(1)]	HK$31,500 million	HK$41,500 million
Prospective price/earnings multiple on a pro forma fully diluted basis[(2)]	18.9 times	24.9 times
Prospective price/earnings multiple on a weighted average basis[(3)]	15.2 times	20.1 times
Unaudited pro forma adjusted net tangible asset value per Share[(4)]	RMB1.72 (HK$1.77)	RMB2.19 (HK$2.25)

(1) The calculation of market capitalisation is based on 5,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering, based on the Share Capital Assumptions.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma diluted basis at the assumed Offer Price of HK$6.30 and HK$8.30 per Share assuming that the Over-allotment Option is not exercised.

(3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis at the assumed Offer Price of HK$6.30 and HK$8.30 per Share assuming that the Over-allotment Option is not exercised.

(4) The unaudited pro forma adjusted net tangible asset value per Share is based on 5,000,000,000 Shares expected to be in issue immediately following the Global Offering before exercise of the Over-allotment Option and otherwise based on the Share Capital Assumptions. See "Appendix II — Unaudited Pro Forma Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets."

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting commissions and discretionary incentive fees and estimated expenses payable by us in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$7.30 per Share, being the mid-point of the proposed Offer Price range of HK$6.30 to HK$8.30 per Share) will be approximately HK$8,657 million (or HK$10,294 million if the Over-allotment Option is exercised in full).

We intend to use these net proceeds to repay some of our debts, for our current and future development projects and for working capital purposes. See the section headed "Business — Our Projects" and "Future Plans and Use of Proceeds".

Specifically, we intend to apply these net proceeds in the following manner (although these amounts may change for commercial reasons or otherwise):

- approximately HK$2,163 million of the net proceeds to finance the acquisition of an interest in Beijing Tianjie, the project company for the Tiananmen South (Qianmen) Project and for the development of such project (which will be temporarily deposited into interest bearing bank accounts or money market instruments until all applicable approvals for the acquisition of our interest in this project have been obtained or, in the event that such approvals are not provided, may be reallocated to other existing or new projects);

- approximately HK$78 million of the net proceeds to finance the development of our Commune by the Great Wall project;

- approximately HK$302 million of the net proceeds to repay our debts in relation to our Guanghualu SOHO project;

- approximately HK$772 million of the net proceeds to finance the development of our Sanlitun SOHO project, including approximately HK$724 million to repay existing debt;

- approximately HK$4,476 million of the net proceeds to finance the development of future projects and to finance the potential acquisition of the 11 Parcels in the Tiananmen South (Qianmen) Project which are expected to be put out for open tender in late 2007; and

- any remaining balance to be used for working capital.

Our Guanghualu SOHO project and Sanlitun SOHO project have been funded partly by way of entrustment loans provided by our project company, Redstone Jianwai. Upon repayment of these entrustment loans, Redstone Jianwai will use the funds received to repay the loan from China CITIC Bank set out below:

Lender	Borrower	Amount	Interest Rate[(1)]	Maturity Date	Purpose
China CITIC Bank	Redstone Jianwai	RMB1,000 million	6.3%	14 December 2008	Development of Jianwai SOHO

(1) subject to adjustment on a quarterly basis.

To the extent, if any, that the net proceeds to us from the Global Offering are not immediately applied for the above purposes, we will temporarily deposit the net proceeds into interest-bearing bank accounts or use them to purchase money market instruments.

In the event that any part of our developments does not proceed as planned, including as a result of circumstances such as failure to obtain the requisite approvals, changes in government policies which would render any of our property developments not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate the intended funding to other existing or new projects and/or hold such funds on short-term deposits, as they consider to be in our best interests. We are continually looking for new projects and have ongoing discussions with potential business partners and corporations regarding investment opportunities. However, as at the Latest Practicable Date, none of these discussions or opportunities have materialised into proposed future projects which we have decided to proceed to undertake and none of the proceeds of the Global Offering have been allocated to any specific new project, in each case except those as currently disclosed in this Prospectus in the section “Use of Proceeds”.

The Selling Shareholders will be selling a portion of their Shares in the Global Offering. The net proceeds of the Global Offering to the Selling Shareholders (after deducting underwriting commissions and discretionary incentive fees and estimated expenses payable by the Selling Shareholders in connection with the Global Offering and assuming an Offer Price of HK$7.30 per Share, being the mid-point of the proposed Offer Price range of HK$6.30 to HK$8.30 per Share) will be approximately HK$2,105 million.

Out of these proceeds, we expect our Controlling Shareholders to use proceeds from the sale of the Sale Shares to enable the immediate repayment of the outstanding entrustment loan totalling RMB1,144,200,000 (or HK$1,179,770,068) plus interest owed by Beijing Danshi to Redstone Jianwai, a subsidiary of the Company. We will not otherwise receive any of the remaining proceeds from the sale of the Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders will be responsible for underwriting commission and incentive fees, together with any applicable Hong Kong Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sales of their Shares. We will be responsible for all other costs of the Global Offering.

RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” and are summarised below. You should read the section headed “Risk Factors” carefully before you decide whether to invest in the Offer Shares.

Risks relating to our business

- Because of our primary focus on the development and sale of large-scale Commercial Properties, most of our revenue is non-recurring and our results of operations may vary significantly from period to period.
- We are heavily dependent on the performance of the property market in Beijing.
- Beijing’s property market may decline after the 2008 Olympic Games.
- If any of our large-scale Commercial Property developments are unsuccessful, our results of operations may be adversely affected.

- Our future development schedules and growth prospects may be affected if we are unable to identify suitable sites for property development and acquire sufficient land reserves.

- Our future growth prospects may be affected if we are unable to identify suitable sites at commercially acceptable prices.

- Our ability to sell our properties may be affected if we are unable to deliver innovative properties suited to our customers' tastes.

- Our ability to sell our properties may be affected if our brands are diluted as a result of imitations by our competitors.

- Our ability to sell our properties is indirectly affected by the marketing and leasing strategies adopted by our competitors.

- We are heavily dependent on the contribution of our founders, Mr. Pan and Ms. Zhang.

- We may not have insurance to cover certain potential losses and claims.

- We rely on independent contractors to fulfil their contractual responsibilities to complete their work or supply their materials on time and up to the specified quality standards.

- We may become involved from time to time in legal and other proceedings arising out of our operations and may face significant liabilities as a result.

- The non-compliant GFA of a portion of our completed property developments that exceeds the permitted GFA is subject to governmental approvals and additional payments.

- Land may be forfeited if we fail to comply with the terms of the relevant land grant contract.

- Our hotel operations may be affected if we fail to obtain government approval to change current land use.

- Our business, financial condition and results of operations may be adversely affected if we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or there are material delays in obtaining, PRC Government approvals for our property developments.

- Although we have entered into a series of agreements to acquire an interest in the Tiananmen South (Qianmen) Project and intend to bid in an open tender process to acquire other properties, we do not currently hold any interest in such project or properties. Our proposed acquisition of an interest in the Tiananmen South (Qianmen) Project is subject to PRC Government approval processes that may be time consuming and uncertain. In the event that we do not obtain the requisite approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings. See the section entitled "Business — Our Projects" and "Appendix IC — Tiananmen South (Qianmen) Project". Even assuming that we receive the necessary approvals to acquire the interests and/or are successful in the open tender for the properties, because this project is a large-scale and high profile project in its preliminary stage of development, we may have to enter into further agreements and apply for further approvals.

- We face risks related to the pre-sale of properties, including the risk that property developments are not completed.

- We face risks related to the funding of the property developments as these are partly dependent on pre-sales.

- Our failure to meet all requirements for the issuance of building ownership certificates may lead to compensatory liability to our customers.

- Our Shares are held indirectly by HSBC Trustee as trustee of the Trust under which Ms. Zhang is a discretionary beneficiary. The trustee of the Trust, as our ultimate controlling shareholder, or Ms. Zhang can exert influence on us and could cause us to make decisions or enter into transactions that may be contrary to the interests of our other Shareholders.

- We are a holding company that is financially dependent on distributions from subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all.

- We have a limited ability to maintain the quality and image of the properties that we have developed after they are sold, which could adversely affect our brand name and public image.

- Our ability to sell our properties is partly affected by our customers' ability to procure bank mortgages.

- Our project subsidiaries may be required to make payments under guarantees required to be provided to banks in respect of customer mortgages until our customers receive their ownership certificates.

- We may not be able to complete successfully projects that we are currently developing or plan to develop.

- Failures of third parties to file asset appraisal reports and undergo open tender procedures may affect our business.

- Certain assets attributed to us in our consolidated financial statements are not under our management, but we may have residual liabilities from such assets.

- We are subject to legal and business risks if we fail to obtain formal qualification certificates.

- We face uncertainties and risks if we expand outside Beijing.

Risks relating to our industry

- PRC Government policies, regulations and measures, or rumours or threats of such policies, regulations and measures, intended to discourage speculation in the property market or limit foreign investment in China, may adversely affect our business.

- The property market in the PRC is at an early stage of development and is volatile.

- We compete with other large Commercial Property developers in Beijing for, among other things, land and property buyers.

- Our property development activities are subject to risks associated with the property industry.

- The enforcement of regulations on LAT by the PRC tax authorities may adversely affect our cash flow position.

- Potential liability for environmental problems could result in substantial costs.

- Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability.

- Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Risks relating to the People's Republic of China

- Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

- Our operations are subject to the uncertainties of the PRC legal system.

- A newly enacted PRC tax law could affect tax exemptions on dividends received by the Company and Shareholders and increase our enterprise income tax rate.

- Restrictions on currency exchange may limit our ability to utilise our turnover effectively.

- We are subject to risks presented by fluctuations in foreign currencies.

- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

- It may be difficult to enforce against us in the PRC any judgements obtained from non-PRC courts.

- The national and regional economies in China may be adversely affected by an outbreak of epidemics such as avian flu and Severe Acute Respiratory Syndrome, thereby affecting our prospects.

Risks relating to the Global Offering

- Future sales of securities by our existing Shareholders or us may decrease the value of your investment.

- There has been no prior market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price.

- The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

- Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution in book value.

- The industry data and forecasts in this prospectus have not been independently verified.

- Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and the Global Offering.

- You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions.

DIVIDEND POLICY

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal financial year will be subject to Shareholders' approval.

Considering our financial position, our Directors currently intend, subject to certain limitations, and in the absence of any circumstance which might reduce the amount available for distribution whether by losses or otherwise, to distribute to our Shareholders not less than 15% of our profits available for distribution in respect of the year ending 31 December 2007, and, for subsequent years, a portion of our profits available for distribution. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year. For further details, please see the section entitled "Financial Information — Dividend Policy".

PRE-IPO SHARE SCHEME

The Company has adopted a Pre-IPO Share Option Scheme for the benefit of our Directors, senior management and employees. A summary of the principal conditions attached to the Pre-IPO Option Scheme is set out in the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix IX to this prospectus.

The purpose of the Pre-IPO Share Option Scheme is to provide the participants with an opportunity to hold a personal stake in our Company, to motivate such participants to enhance their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of our Group. As at the date of this prospectus, options over a total of 12,058,000 Shares, which may be issued if all the options granted under the Pre-IPO Share Option Scheme were to be exercised, were granted to two Directors, four senior managers and five officers, and 266 other employees of the Group, giving the right to these grantees to subscribe for Shares at the Offer Price during the period from the expiry of 12 months from the Listing Date to the end of the sixth year from the Listing Date. Assuming that all the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be changed from approximately 30.99% to approximately 31.11% of the total issued share capital of our Company and the unaudited pro forma forecast earnings per Share for the year ending 31 December 2007 would be reduced from RMB0.325 to RMB0.324, assuming that the Over-allotment Option is not exercised.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"11 Parcels"	see "Appendix IC — Tiananmen South (Qianmen) Project" for further details
"12 Heritage Sites"	see "Appendix IC — Tiananmen South (Qianmen) Project" for further details
"33 Parcels"	see "Appendix IC — Tiananmen South (Qianmen) Project" for further details
"44 Parcels"	see "Appendix IC — Tiananmen South (Qianmen) Project" for further details
"Application Form(s)"	white application form(s), yellow application form(s) and green application form(s) or, where the context so requires, any of them
"associate"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"BDRC"	Beijing Development and Reform Commission
"Beijing Chaowai"	Beijing Chaowai SOHO Real Estate Co. Ltd. (北京朝外搜侯房地產有限公司), a company incorporated under the laws of PRC, is the project company for Chaowai SOHO
"Beijing Danshi"	Beijing Danshi Investment Management Company Limited (北京丹石投資管理有限公司), a company established under the laws of the People's Republic of China. It is 90% owned by Mr. Pan and 10% by Ms. Yan Yan, an executive Director and our chief financial officer
"Beijing Tianjie"	Beijing Tianjie Real Estate Development Company Limited (北京天街置業發展有限公司), a company established under the laws of the People's Republic of China, which is the project company for our Tiananmen South (Qianmen) Project and is currently, and subject to the Equity Transfer Agreement and the Interim Agreement, 49% owned by Beijing Danshi and 51% owned by District SASAC and Chongyuan
"Board"	the board of Directors
"Boyce"	Boyce Limited, a company incorporated under the laws of the British Virgin Islands
"Business Day"	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"BVI"	British Virgin Islands

"BVI-1"	SOHO China (BVI-1) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 22 February 2002, which is wholly-owned by us and which owns 54% of Zhonghongtian
"BVI-2"	SOHO China (BVI-2) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 22 February 2002, which is wholly-owned by us and which owns 95% of Redstone Jianwai
"BVI-3"	SOHO China (BVI-3) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 22 February 2002, which is wholly-owned by us and which owns 100% of Beijing SOHO Properties
"BVI-4"	SOHO China (BVI-4) Limited a company incorporated under the laws of the British Virgin Islands with limited liability on 22 February 2002, which is wholly-owned by us and which owns 90% of Hainan Redstone
"BVI-5"	SOHO China (BVI-5) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 12 March 2002, which is wholly-owned by us and which owns 95% of Redstone Newtown
"BVI-6"	SOHO China (BVI-6) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 3 April 2002, which is wholly-owned by us and which owns 100% of SOHO China Leasing
"BVI-7"	SOHO China (BVI-7) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 9 March 2004, which is wholly-owned by us and which owns 95% of Jianhua Real Estate
"BVI-8"	SOHO China (BVI-8) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 9 March 2004, which is wholly-owned by us and which owns 95% of Shanshi Company
"BVI-9"	SOHO China (BVI-9) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 28 September 2006, which is wholly-owned by us and which has entered into agreements, including the Equity Transfer Agreement, pursuant to which, subject to approval of the Beijing Municipal government, it hopes to acquire a 49% equity interest in Beijing Tianjie and which we also intend to use to bid for the 11 Parcels which are expected to be put out for open tender in late 2007
"BVI-10"	SOHO China (BVI-10) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 28 September 2006, which is wholly-owned by us and which owns 95% of Beijing SOHO

"BVI-11"	SOHO China (BVI-11) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 15 August 2006, which is wholly-owned by us
"Capevale (BVI)"	Capevale Limited, a company incorporated under the laws of the British Virgin Islands
"Capevale (Cayman)"	Capevale Limited, a company incorporated under the laws of the Cayman Islands
"Cayman Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CBD"	Central Business District, as shown on the map in the "Business" section of this prospectus
"CBRC"	the China Banking Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or **"PRC"**	the People's Republic of China. Except where the context requires and for the purpose of this prospectus only, references in this prospectus to China or the PRC do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
"Chongyuan"	Beijing Chongyuan Investment Company Limited (北京崇遠投資經營公司), a wholly-owned subsidiary of District SASAC, which holds a 2.5% equity interest in Beijing Tianjie
"Commercial Property" or **"Commercial Properties"**	office and retail property
"Company", **"we"**, **"us"** or **"our Company"**	SOHO China Limited, an exempted company incorporated on 5 March 2002 under the laws of the Cayman Islands with limited liability and, where the context requires, "Company", "we", "us" or "our Company" shall mean the Group
"connected person"	has the meaning ascribed thereto under the Hong Kong Listing Rules

"Controlling Shareholders"	Boyce and Capevale (BVI)
"Cooperation Agreement"	a cooperation agreement between Redstone Industry, District SASAC, Chongyuan and Beijing Tianjie entered into on 9 March 2007
"Corporate Investors"	Honeybush Limited, Kerry Asset Management Limited, Trebanos Investment Company Limited, Margingle International Limited, Bright Century Development Ltd., Facina Holdings Inc., Government of Singapore Investment Corporation Pte Ltd, Mr. Lau Luen Hung, Standard Chartered Private Equity Limited and Will Rich Investments Limited
"Deed of Indemnity"	the deed of indemnity dated 18 September 2007 entered into among our Controlling Shareholders, Mr. Pan, Ms. Zhang, HSBC Trustee (in its capacity as the trustee of the Trust) and our Company
"Director(s)"	the director(s) of our Company
"District SASAC"	State-owned Assets Supervision and Administration Commission under the People's Government of Chongwen District of Beijing (北京市崇文區人民政府國有資產監督管理委員會), an independent third party to the Company, which holds a 48.5% equity interest in Beijing Tianjie
"Equity Transfer Agreement"	an equity transfer agreement between Beijing Danshi, District SASAC, Chongyuan and BVI-9 entered into on 16 May 2007
"First Supplemental Agreement"	a first supplemental agreement between Redstone Industry, District SASAC, Chongyuan, Beijing Tianjie and Beijing Danshi entered into on 19 March 2007
"Fourth Supplemental Agreement"	a fourth supplemental agreement between Redstone Jianwai, BVI-9, Beijing Tianjie, District SASAC, Chongyuan, Beijing Danshi and Tianshi Property entered into on 11 September 2007
"GDP"	Gross Domestic Product, the total value of goods and services produced by a nation
"Gearing Ratio"	total of bank and interest bearing borrowings divided by total assets
"GFA"	gross floor area. For the purposes of this prospectus, "total planned GFA" includes areas for carparks and areas not available for sale such as machinery rooms, schools and kindergartens whereas "total saleable GFA" excludes such areas
"Global Offering"	the Public Offer and the International Offer

"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Group" or **"our Group"**	the Company and its subsidiaries
"Hainan Liteng"	Hainan Liteng Property Management Co. Ltd. (海南利騰物業管理有限公司), a company incorporated under the laws of the PRC, is 50% held by Mr. Pan and 50% held by Mr. Su Xin on behalf of Mr. Pan
"Hainan Redstone"	Hainan Redstone Industry Co. Ltd. (海南紅石實業有限責任公司), a company incorporated under the laws of the PRC, which is the project company for Boao Kempinski
"HK$" or **"HK dollars"**	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards and their interpretations issued by the HKICPA
"HKFRS"	Hong Kong Financial Reporting Standards issued by the HKICPA, which includes HKAS
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or **"HK"**	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong)
"Hong Kong Listing Rules" or **"Listing Rules"**	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the several underwriters of the Public Offer listed in the section entitled "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 20 September 2007 relating to the Public Offer entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
"Hongyun"	Beijing Hongyun Enterprises Co., Ltd. (北京鴻運置業股份有限公司), a company incorporated under the laws of PRC, which is a 17% shareholder of Zhonghongtian
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited

"HSBC Trustee"	HSBC International Trustee Limited
"Interim Agreement"	an agreement between Mr. Pan, Ms. Yan Yan, Beijing Danshi, Redstone Jianwai, BVI-9 and the Company setting out certain contingency arrangements in the event of either delay in the PRC Government approvals for the transfer of 49% of Beijing Tianjie to BVI-9 or such approvals not being provided
"International Offer"	the offer by the International Underwriters of International Offer Shares to professional, institutional and other investors, as further described in the section entitled "Structure of the Global Offering"
"International Offer Shares"	1,394,478,000 Shares (subject to adjustment as described in the section entitled "Structure of the Global Offering") which are the subject of the International Offer, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the group of underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offer
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offer, expected to be entered into among our Company, the Selling Shareholders and the International Underwriters
"Jianhua Real Estate"	Beijing Jianhua Real Estate Co., Ltd.
"Joint Bookrunners"	in alphabetical order, Goldman Sachs, HSBC and UBS
"Joint Global Coordinators"	in alphabetical order, Goldman Sachs, HSBC and UBS
"Joint Lead Managers"	in alphabetical order, Goldman Sachs, HSBC and UBS
"Joint Sponsors"	in alphabetical order, Goldman Sachs and HSBC
"LAT"	Land Appreciation Tax as defined in the Provisional Regulations of the PRC on Land Appreciation Tax and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax, as described in Appendix VI to this prospectus
"Latest Practicable Date"	14 September 2007, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information
"Listing"	the listing of our Shares on the Hong Kong Stock Exchange
"Listing Date"	the date on which dealings in our Shares first commence on the Hong Kong Stock Exchange, which is expected to be on Monday, 8 October 2007

"Maximum Offer Price"	the maximum price under the Global Offering of HK$8.30 per Share
"MOFCOM"	Ministry of Commerce of the PRC, previously known as the Ministry of Foreign Trade and Economic Cooperation of the PRC, or MOFTEC
"Mr. Fraser"	The Honourable Alexander Andrew Macdonnell Fraser, one of our Shareholders and a Selling Shareholder
"Mr. Pan"	Mr. Pan Shiyi, who is one of our founders, an executive Director and the Chairman of our Board, and the husband of Ms. Zhang
"Ms. Cox-Fill"	Ms. Olivia Cox-Fill, one of our Shareholders and a Selling Shareholder
"Ms. Zhang"	Mrs. Pan Zhang Xin Marita, who is one of our founders, an executive Director and the chief executive officer of our Company, and the wife of Mr. Pan
"NDRC"	National Development and Reform Commission
"Non-competition Deed"	the non-competition deed dated 18 September 2007 entered into among our Controlling Shareholders, Mr. Pan, Ms. Zhang, HSBC Trustee (in its capacity as the trustee of the Trust) and our Company
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Public Offer and the International Offer
"Offer Shares"	the Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us under the International Underwriting Agreement to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters, pursuant to which we may be required to issue up to an aggregate of 232,413,000 additional Shares, representing in aggregate approximately 15% of the initial number of Offer Shares, at the Offer Price, to, among other things, cover over-allocations in the International Offer, if any
"PBOC"	the People's Bank of China

"PRC Enterprise Income Tax"	income tax payable by foreign invested enterprises and/or other enterprises governed by the relevant income tax rules and regulations of the PRC, as amended, repealed and/or enacted from time to time, including but not limited to the Income Tax Law of the PRC for Enterprises with Foreign Investment and its Implementing Rules (中華人民共和國外商投資和外國企業所得稅法) and its implementing rules (中華人民共和國外商投資和外國企業所得稅法實施細則)
"PRC Government" or **"State"**	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or, where the context requires, any of them
"Pre-IPO Share Option Scheme"	the existing Share option scheme for directors, employees, officers and business associates of our Group approved and adopted by our Company pursuant to a resolution passed by our Shareholders on 14 September 2007
"pre-sale permit"	the permit authorising a developer to start the pre-sale of property under construction
"Price Determination Date"	the date, expected to be on or around 28 September 2007 but no later than 4 October 2007, on which the Offer Price is fixed for the purposes of the Public Offer and the Global Offering
"Principal Share Registrar"	Butterfield Fund Services (Cayman) Limited
"Project Management Agreement"	the project management and services agreement dated 3 September 2007 entered into among Beijing SOHO Properties and Beijing Danshi
"Public Offer"	the offer of Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	154,942,000 Shares (subject to adjustment as described in the section entitled "Structure of the Global Offering") being offered by us for subscription at the Offer Price under the Public Offer
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Redstone Industry"	Beijing Redstone Industry Co. Ltd. (北京紅石實業有限責任公司), a company established under the laws of the People's Republic of China, which is 85% owned by Mr. Pan and 15% owned by Ms. Yan Yan, an executive Director and our chief financial officer

"Redstone Newtown"	Beijing Redstone Newtown Real Estate Co. Ltd. (北京紅石新城房地產有限公司), a company incorporated under the laws of the PRC, is the project company for Commune by the Great Wall
"Regulation S"	Regulation S under the US Securities Act
"Renminbi" or **"RMB"**	renminbi yuan, the lawful currency of the PRC
"Repurchase Mandate"	the repurchase mandate granted to the Board pursuant to a shareholders' resolution as described in Appendix IX to this prospectus
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC
"Sale Shares"	the 299,420,000 Offer Shares being offered for sale by the Selling Shareholders at the Offer Price under the International Offer
"Savills"	Savills Valuation and Professional Services Limited
"Second Supplemental Agreement"	a second supplemental agreement between Beijing Danshi, Redstone Jianwai, BVI-9, District SASAC, Chongyuan and Beijing Tianjie entered into on 14 May 2007
"Securities and Futures Commission" or **"SFC"**	the Securities and Futures Commission of Hong Kong
"Selling Shareholders"	the Controlling Shareholders, Mr. Fraser and Ms. Cox-Fill
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shangdu Phase I"	phase I of the SOHO Shangdu project. See "Financial Information — Results of Operations"
"Share(s)"	ordinary share(s) with nominal value of HK$0.02 each in the share capital of our Company
"Share Capital Assumptions"	the assumptions that, as at the Listing Date, our issued Share capital will include any new Shares issued or to be issued pursuant to the Global Offering, but exclude (i) any new Shares which may be issued pursuant to the exercise of the Over-allotment Option, (ii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IX to this prospectus, and (iii) any Shares which may be allotted and issued pursuant to the exercise of any options which have been granted or may be granted under the Share Option Schemes

"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by our Shareholders on 14 September 2007
"Share Option Schemes"	the Pre-IPO Share Option Scheme and the Share Option Scheme
"SOHO"	"small office; home office", and for the purposes of this prospectus, SOHO is included under the category of "office"
"sq.m." or **"m^2"**	square metre(s)
"Stabilising Manager"	Goldman Sachs (Asia) L.L.C.
"Third Supplemental Agreement"	a third supplemental agreement between Redstone Jianwai, BVI-9, Beijing Tianjie, District SASAC, Chongyuan, Beijing Danshi and Tianshi Property entered into on 6 June 2007
"Tianshi Property"	Beijing Qianmen Tianshi Property Development Company Limited (北京前門天市置業發展有限公司), a company controlled by District SASAC
"Track Record Period"	the three financial years ended 31 December 2006
"Trust"	The Little Brothers Settlement constituted on 25 November 2005, of which HSBC Trustee is the trustee
"UBS"	UBS AG, acting through its business group, UBS Investment Bank, a registered institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or **"US"**	the United States of America, including its territories and possessions
"US$" or **"US dollars"**	United States dollars, the lawful currency of the United States
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated under the US Securities Act of 1933

"White Form eIPO"	applying for Public Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	the White Form eIPO service provider designated by the Company, as specified on the designated website **www.eipo.com.hk**
"Zelihang"	Beijing Zelihang Enterprise Co., Ltd. (北京澤利行實業有限公司), a company incorporated under the laws of PRC, which is an 11% shareholder of Zhonghongtian
"Zhonghongtian"	Beijing Zhonghongtian Real Estate Co. Ltd. (北京中鴻天房地產有限公司), a company incorporated under the laws of the PRC, is the project company for SOHO Newtown

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections entitled "Business" and "Financial Information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- Our business and operating strategies and our ability to implement such strategies;
- Our ability to further develop and manage our projects as planned;
- Our dividend distribution plans;
- Changes in laws and PRC Government regulations (including laws and Government regulations on taxes), policies and approval processes in the regions where we develop or manage our projects;
- Future developments and competitive environment for the PRC property industry;
- Changes in economic conditions and competition in the cities in which we operate, including a downturn in the property markets and general economy in China;
- Exchange rate fluctuations and restrictions; and
- Catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Investing in the Shares involves substantial risks. In evaluating an investment in our Shares, you should carefully consider, along with the other information provided to you in this prospectus, the specific factors set out below. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other jurisdictions. Any of the risks and uncertainties set out in this prospectus could materially affect our business, prospects, financial condition or results of operations. In such case, you may lose all or part of your original investment.

RISKS RELATING TO OUR BUSINESS

Because of our primary focus on the development and sale of large-scale Commercial Properties, most of our revenue is non-recurring and our results of operations may vary significantly from period to period.

We primarily focus on developing large-scale Commercial Properties. As we derive our revenue principally from the sale of these properties, most of our revenue is non-recurring. In addition, because of our focus on developing a small number of large-scale properties, our results of operations may vary more significantly than those of property developers with a greater number of smaller-scale projects. The fluctuation in our results of operations is partly attributable to our revenue recognition policy. As we recognise revenue from a sale of property only upon delivery, and because the delivery of our properties varies according to our construction timetable, our revenue and results of operations may fluctuate more than those of developers with "percentage-of-completion" method of recognition. In light of the above, our results of operations and cash flow positions for the periods discussed in "Financial Information" may not be comparable to each other or to future periods. Furthermore, the completion and delivery of any project development may be adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control. Any of these factors may affect the timing of completion and delivery of our projects, as well as our cash flow position and recognition of revenue from our projects, thus adversely affecting our financial condition.

We are heavily dependent on the performance of the property market in Beijing.

Our business is heavily dependent on the performance of the property market in Beijing. Except for the Boao Kempinski, all of our other current projects and completed and substantially completed projects are located in and around Beijing. The success of our business therefore heavily depends on the continued growth of the property market in China and, in particular, Beijing. Our financial condition, results of operations and profitability may be materially and adversely affected by any adverse development in the supply of or demand for properties, property prices or government actions in Beijing and elsewhere in China. Policies and measures introduced or which may be introduced by the PRC Government (including Beijing) may lead to changes in market conditions and sentiment, including price instability and an imbalance between supply of, and demand for, properties in Beijing. We cannot be certain that significant declines will not take place in the Beijing property market or in other property markets in which we may operate in the future.

Furthermore, there can be no assurance that there will not be measures implemented by the relevant PRC Government entities, including those of Beijing, to restrict the growth of the Beijing property market, or that there will not be material adverse changes in the PRC (including Beijing) economy and property market as a result of the PRC Government's policies. Any such changes could have a material adverse effect on our revenue and profitability.

Beijing's property market may decline after the 2008 Olympic Games.

Beijing's economy has grown significantly in recent years, which we believe has been, at least in part, attributable to the anticipation of the 2008 Olympic Games in Beijing. In particular, the PRC Government has made significant capital expenditure investments on improving the infrastructure of the city in preparation for the 2008 Olympic Games. Fixed-asset investments in Beijing, including those in the property development industry, from the private sector have also experienced significant growth in recent years. Some market studies, including a recent Beijing government study, have indicated that the residential property market in Beijing has been expanding too quickly.

After, or even shortly prior to, the 2008 Olympic Games, fixed-asset investments made by the PRC Government or the private sector may decline significantly compared to previous periods. Such decline may lead to a slower rate of growth, or even contraction, in Beijing's economy, which may, in turn, lead to a decline in Beijing's property market. If any of the foregoing events occurs, our business, financial condition and results of operations could be materially and adversely affected.

If any of our large-scale Commercial Property developments are unsuccessful, our results of operations may be adversely affected.

We primarily focus on large-scale Commercial Property development projects. We cannot assure you that each of our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may adversely affect our business, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future large-scale property developments is unsuccessful, our business, financial condition and results of operations may be adversely affected.

Our future development schedules and growth prospects may be affected if we are unable to identify suitable sites for property development and acquire sufficient land reserves.

We derive a majority of our revenue from the sale of properties that we have developed. To maintain or grow our business in the future, we need to identify and acquire a suitable portfolio of properties for future development at commercially acceptable prices. However, our ability to identify and acquire these sites is subject to a number of factors that are beyond our control.

The PRC Government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC Government towards land supply affect our ability to acquire land use rights for sites we have identified and the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including ourselves, obtain land sites for property developments.

There can be no assurance that we will be able to identify and acquire sufficient appropriate sites in the future. Any inability to identify and acquire sufficient appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

Our future growth prospects may be affected if we are unable to identify suitable sites at commercially acceptable prices.

We focus on developing large-scale properties in central Beijing. Land prices have increased significantly in Beijing in recent years and may continue to increase in the future. In May 2002, the PRC Government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential and Commercial Property developments through public tender, auction or listing-for-sale. Prices are usually higher if land use rights are acquired through these processes. If we are unable to obtain land sites for development at prices that allow us to achieve reasonable returns upon sale to our customers, our business, financial condition and results of operations would be adversely affected.

Our ability to sell our properties may be affected if we are unable to deliver innovative properties suited to our customers' tastes.

We believe our success depends in significant part on our ability to identify design trends and translate innovative design concepts into marketable properties in China. If the innovative designs of our properties do not suit the tastes of customers in the markets in which we operate, our business, financial condition and results of operations may suffer.

Our ability to sell our properties may be affected if our brands are diluted as a result of imitations by our competitors.

We believe our success depends in significant part on our brands which attract a nationwide and loyal customer base, increase our opportunity to secure land in prime locations in central Beijing and help drive sale prices for our products. However, other companies are imitating our brands and products by, for example, including the SOHO and Newtown name in the name of their projects and in promotional material and building developments in similar styles to our own. These activities could affect our customers' perception of the distinctiveness and quality of our brands and lead to our brands being diluted and our business, financial condition and results of operations being adversely affected as a result.

Our ability to sell our properties is indirectly affected by the marketing and leasing strategies adopted by our competitors.

Our products are favoured by our customers due in part to our ability to arrange leasing for them after they have purchased our properties. Our speed in arranging leasing, as well as the terms of such leasing, has made our properties more competitive. If our competitors adopt a more aggressive approach in marketing, pricing and leasing, this may affect the speed and terms of our leasing, which may ultimately affect our business, financial condition and results of operations.

We are heavily dependent on the contribution of our founders, Mr. Pan and Ms. Zhang.

Our identity and image are closely associated with Mr. Pan and Ms. Zhang, our co-founders and executive Directors. Mr. Pan, who is also our Chairman and Ms. Zhang, who is also our chief executive officer, are married to each other and are central to our project development efforts and management. Ms. Zhang is the discretionary beneficiary under the Trust, but Mr. Pan does not have any economic interest in our Shares (even though he has minority interests in some of our PRC subsidiaries). We depend heavily on Mr. Pan's more than decade-long experience and relationships within the PRC property industry to provide us with critical know-how throughout the development process, and on Ms. Zhang's relationships within the international architectural community to develop the design innovations that are fundamental to our business. As a result, the loss of the services of either Mr. Pan or Ms. Zhang, or any damage to the reputation of Mr. Pan or Ms. Zhang, could have a material adverse effect upon our ability to successfully identify, design and develop properties and maintain our reputation within the industry. Our business, financial condition and results of operations may be adversely affected as a result.

We may not have insurance to cover certain potential losses and claims.

We do not carry insurance for any liability arising from any allegedly tortious acts committed on our development sites. Although we believe any such liability that may arise would be borne by the relevant third-party construction companies engaged by us, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts.

For some of our construction sites, insurers may specifically carve out certain natural hazards from their all risks insurance policies and specific insurance for such hazards may not be available on what we consider to be commercially practicable terms. If we suffer losses and damages from such uninsured hazards, we may not have sufficient funds to cover the same or to rectify or replace any property development that has been damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

We rely on independent contractors to fulfil their contractual responsibilities to complete their work or supply their materials on time and up to the specified quality standards.

We engage independent contractors, vendors and suppliers to provide various materials and services, including design, construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors by submission of open tenders. We cannot assure you that the services rendered or materials supplied by any of these independent contractors will always be satisfactory or meet our quality requirements. Moreover, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We may become involved from time to time in legal and other proceedings arising out of our operations and may face significant liabilities as a result.

We may be involved in disputes with various parties involved in the development, construction and the sale of our properties, including contractors, suppliers, construction workers, partners and purchasers. Such disputes may arise from a variety of causes, including the suitability of building materials, workmanship, construction delay and payment terms. These disputes may lead to legal or other proceedings which would result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if the subsequent planning and development of such projects is perceived to be inconsistent with the representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays to our property developments.

The non-compliant GFA of a portion of our completed property developments that exceeds the permitted GFA is subject to governmental approvals and additional payments.

The local government authorities inspect property developments after their completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If, for example, the total constructed GFA of a property development exceeds the amount of GFA originally authorised in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorised by the construction permit, the property developer may be required to obtain the approval from the competent governmental authority and pay additional payments or take corrective actions with respect to such non-compliant GFA before the property development could be issued a completion certificate.

We cannot assure you that the local government authorities will not find the total constructed GFA of our current projects under development or any future property developments exceeding the relevant authorised GFA upon completion. If this occurs, we will not be permitted to sell the non-compliant GFA until we obtain the relevant government approval.

Land may be forfeited if we fail to comply with the terms of the relevant land grant contract.

Under PRC law, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant land authorities may impose various penalties ranging from fines to withdrawal of the land grant unless the failure is due to force majeure or the activities of a government authority. Such requirement has been further prescribed in PRC Government measures aimed at stabilising the property sector. We cannot be certain that circumstances leading to possible forfeiture of land or delays in the completion of any of our existing or future property development will not arise. If our lands are forfeited, our business and financial conditions and our results of operations will be materially and adversely affected.

Our hotel operations may be affected if we fail to obtain government approval to change current land use.

We have two hotels, namely Commune by the Great Wall and Boao Kempinski. However, the condition of land use specified in the Land Use Right Certificates of Boao Kempinski and Phase II of Commune by the Great Wall is residential. Whilst the Law of Land Administration of the People's Republic of China (中華人民共和國土地管理法) provides as a technical matter that the authority in charge of land administration may issue an order to revoke the grant of the land parcels, our PRC legal advisers have advised us that, as a practical matter, the current risk of revocation is minimal by virtue of such inconsistent land use. For details of the inconsistent land use and its potential legal consequences, please see "Business — Regulatory Matters — Inconsistent Land Use".

We have made an application to the relevant department to change the land use condition in the Land Use Right Certificates from residential to residential and commercial. However, in order to obtain such approval we will need to obtain consent to the change of land use from all other owners of the development and as at the Latest Practicable Date the applications are still pending approval. If we fail to obtain the PRC Government's approval to continue to use the development for hotel operations, as a condition of Listing we will cease our hotel operations within 12 months after Listing in order to comply with the relevant regulations. Since the income from Commune by the Great Wall for the year ended 31 December 2006 accounted for only 1.05% of our total turnover, and there was no income for Boao Kempinski for the year ended 31 December 2006, we do not expect the cessation of the hotel operation would have a significant adverse impact on our financial position. However, we have entered into management contracts with Key International Hotels Management Co. Ltd. ("**Key Management**") in relation to the two hotels and we would need to pay liquidated damages for early termination if we cease hotel operations. The liquidated damages would be calculated based on (i) the average of the monthly fees received by Key Management in the 12 months immediately prior to the termination times (ii) the number of months remaining under the management contracts divided by two.

Our business, financial condition and results of operations may be adversely affected if we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or there are material delays in obtaining, PRC Government approvals for our property developments.

The property industry in the PRC is heavily regulated by the PRC Government. PRC real estate developers must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. Historically, we have had instances of non-compliance, such as inconsistent land use and lack of permits and certificates, during the development of some of our projects. See “Business — Regulatory Matters”. We have also been subject to a fine of RMB 2.7 million by the SAFE for the failure to timely repatriate net proceeds received in Hong Kong from the sale of units in Jianwai SOHO and SOHO Shangdu. See “Business — Corporate Governance Measures”. However, we cannot assure you that our measures to enhance the effectiveness of our corporate governance will be effective.

In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. In particular, we are currently in the process of applying for the Construction Land Planning Permit, the Construction Works Planning Permit and the Work Commencement Permit for Sanlitun SOHO. We cannot assure you that we will not encounter major problems in obtaining the permits, licences, certificates or approvals as required, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to the granting of the approvals.

There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience material delays in obtaining, the requisite governmental approvals, penalties could be levied on us and/or the schedule of development, as well as the pre-sale and sale of our developments, could be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

Although we have entered into a series of agreements to acquire an interest in the Tiananmen South (Qianmen) Project and intend to bid in an open tender process to acquire other properties, we do not currently hold any interest in such project or properties. Our proposed acquisition of an interest in the Tiananmen South (Qianmen) Project is subject to PRC Government approval processes that may be time consuming and uncertain. In the event that we do not obtain the requisite approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings. See the section entitled “Business — Our Projects” and “Appendix IC — Tiananmen South (Qianmen) Project”. Even assuming that we receive the necessary approvals to acquire the interests and/or are successful in the open tender for the properties, because this project is a large-scale and high profile project in its preliminary stage of development, we may have to enter into further agreements and apply for further approvals.

Beijing Danshi, an entity controlled by Mr. Pan, recently purchased a 49% equity interest in Beijing Tianjie entitling it to 100% economic interest in the Tiananmen South (Qianmen) Project. We have entered into an equity transfer agreement with Beijing Danshi, pursuant to which Beijing Danshi agreed to transfer its 49% equity interest in Beijing Tianjie to us. Such transfer is subject to various approvals by the PRC Government. Applications for approval have been submitted to the Beijing Bureau of Commerce and the Beijing Development and Reform Commission. However, the approval process can be time consuming, and we cannot assure you that approval will be provided to acquire an equity interest in Beijing Tianjie. If we do not obtain the required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings. See the section entitled “Business — Our Projects” and “Appendix IC — Tiananmen South (Qianmen) Project”.

Our subsidiary, Beijing SOHO Properties, has separately entered into the Project Management Agreement with Beijing Danshi, under which we will be the exclusive provider of various services in the development of Tiananmen South (Qianmen) Project. However, we cannot assure you that we will be able to control and manage all material aspects of the development and operations of the Tiananmen South (Qianmen) Project. In addition, if we do not obtain, or timely obtain, the requisite PRC Government approvals for our acquisition of the 49% equity interest in Beijing Tianjie from Beijing Danshi, we expect to receive payment under the Project Management Agreement for providing these services to Beijing Danshi. We have also entered into the Interim Agreement with Mr. Pan and Beijing Danshi which, amongst other things, provides that in the event the requisite approvals are not obtainable, we may elect to terminate the Equity Transfer Agreement and enter into a further agreement with Mr. Pan and Beijing Danshi to transfer Beijing Danshi's right to receive revenues from the project to BVI-9 or another member of our Group with effect from the date of termination of the Equity Transfer Agreement, to the extent permissible under PRC laws and regulations (as applicable) and in compliance with the Listing Rules. The Interim Agreement also provides that in the event the requisite approvals are not obtained within two years after the date of the Interim Agreement or prior to the issuance of a pre-sale permit with respect to any phase of the project, Mr. Pan and Beijing Danshi will negotiate with us in good faith with a view to restructuring the existing arrangements to put us in the same position we would have been in as if we, or one of our subsidiaries, had acquired Beijing Danshi's interests in the Tiananmen South (Qianmen) Project. In addition, any such restructuring must be effected to the extent and in the manner permitted by Hong Kong and PRC laws and regulations and in full compliance with the Hong Kong Listing Rules and will be subject to approval by the independent non-executive Directors and by the independent Shareholders (excluding Mr. Pan and Ms. Zhang and their respective associates). However, the enforceability of such provisions in the Interim Agreement under PRC law is uncertain, and if they were determined to be enforceable, it is uncertain precisely how they would be enforced by the PRC courts.

Even assuming that we timely obtain all the requisite approvals for our acquisition of the 49% equity interest in Beijing Tianjie from Beijing Danshi, we face additional risks relating to the Tiananmen South (Qianmen) Project. The project is large-scale and is in its preliminary stage of development and we may have to enter into further agreements and apply for further approvals. It is also a very high profile project and the arrangements to be put in place are therefore likely to be closely scrutinised by the PRC Government. The initial Cooperation Agreement provided a framework to address the rights, obligations and terms of cooperation between the relevant parties and we have since entered into supplemental agreements to set out more detailed terms of cooperation.

In addition, we intend to bid for the 11 Parcels in the Tiananmen South (Qianmen) Project, having a total saleable GFA of approximately 120,000 sq.m., which are subject to open tender. There is no assurance that we and/or Beijing Tianjie will acquire Land Use Right Certificates for the remaining 6 parcels out of the 33 Parcels and/or for any of the 11 Parcels. Although any third party who may successfully bid for any or all of the 11 Parcels would be required to carry out the development of such land parcels in accordance with the Beijing government's overall development plan for the Tiananmen South (Qianmen) Project, such third party would hold those land parcels and carry out the development independently of us and of Beijing Tianjie and would not be required to cooperate with us or Beijing Tianjie in the development of such land parcels.

In the event that we acquire the 49% equity interest in Beijing Tianjie, we expect to have to enter into further agreements with more detailed terms to give effect to the framework set out in the Cooperation Agreement, as amended, including the terms and method upon which an additional 46% equity interest in Beijing Tianjie may be transferred to us, and the additional consideration, if any, to be paid for such transfer. Any delay or failure to reach agreement or agreement reached which is inconsistent with the principles laid down in the Cooperation Agreement, as amended, may have an adverse effect on our business and operating results. Furthermore, we will need to apply for various approvals and permits with respect to the development of this project and the grant of the land use right certificates. Any failure to obtain the necessary approvals in time or at all may result in a delay to the project and our business and operating results may be adversely affected.

See the section headed "Appendix IC — Tiananmen South (Qianmen) Project".

We face risks related to the pre-sale of properties, including the risk that property developments are not completed.

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would be likely to find ourselves liable to purchasers of pre-sold units for losses suffered by them. We cannot be certain that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, we may be subject to payment of fines and other compensation to the purchasers for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA originally indicated in the purchase contract, the purchaser would be entitled to terminate the purchase contract and claim damages. As substantially all of our projects are pre-sold, if we fail to complete or suffer delay in any single project, we are likely to face substantial claims for loss and damages by the purchasers.

We face risks related to the funding of the property developments as these are partly dependent on pre-sales.

Historically, approximately 30% to 40% of our customers pay their purchase price without obtaining mortgage financing, but this rate has recently increased to approximately 40% to 50% for projects currently being pre-sold. In these cases, we generally require 10% of the purchase price to be paid upon execution of the pre-sale contract, an additional aggregate of 85% of the purchase price within four months thereafter, and any outstanding amount by delivery. For those customers who finance their purchases with mortgage financing, we generally require them to pay a minimum down payment for commercial property of 40% to 50% and for residential property of 20% to 30% of the unit purchase price within four months of the execution of the pre-sale contract, and receive the remaining purchase price from the bank with which the purchaser has entered into a mortgage agreement when the relevant property is topped out or completed, which may be one to two years after the execution of the pre-sale contract. Proceeds from the pre-sale of our properties are an important source of financing for our property developments, which will remain the case after listing. PRC regulations permit the pre-sale proceeds from one project to be applied only to fund that project. On 5 August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued on the grounds that it creates significant market risks and generates transactional irregularities. These recommendations have no mandatory effect and we believe that they have not been adopted by any PRC Governmental authority. However, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would require us to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, financial condition and results of operations.

Our failure to meet all requirements for the issuance of building ownership certificates may lead to compensatory liability to our customers.

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in sales contracts for the customers to apply for building ownership certificates, including passing various governmental clearances, formalities and procedures. There may also be factors beyond our control that cause delay to the delivery of property ownership certificates, such as time-consuming examination and approval processes at various government agencies. Under our sales contracts, we are required to compensate our customers for delays in completing certain deliverables. In the case of serious delays on one or more of our property projects, our business and reputation will be harmed.

Our Shares are held indirectly by HSBC Trustee as trustee of the Trust under which Ms. Zhang is a discretionary beneficiary. The trustee of the Trust, as our ultimate controlling shareholder, or Ms. Zhang can exert influence on us and could cause us to make decisions or enter into transactions that may be contrary to the interests of our other Shareholders.

Immediately following the Global Offering, HSBC Trustee (in its capacity as the trustee of the Trust) will indirectly own and hold on trust for Ms. Zhang approximately 66.48% of our Shares, assuming the Over-allotment Option is not exercised. As our ultimate controlling Shareholder, HSBC Trustee (in its capacity as the trustee of the Trust) will have significant influence over our major business decisions, including our expansion and investment decisions, initiation of new projects or other corporate actions, by their ability to nominate and elect a majority of the Board, resulting in their significant influence over the Board. HSBC Trustee (in its capacity as the trustee of the Trust) may also be able to affect or determine the outcome of corporate actions, such as to amend the provisions of our articles of association, alter our capital structure or any other corporate actions that are put to shareholders' votes at our shareholders' meetings. As settlor, protector and a discretionary beneficiary under the Trust, Ms. Zhang may have significant influence over HSBC Trustee (in its capacity as the trustee of the Trust). Ms. Zhang is also the sole director of Boyce and Capevale (BVI), our Controlling Shareholders, the shares of which are Trust assets. The interests of our ultimate controlling Shareholder and/or Ms. Zhang may differ from the interests of the other holders of our Shares, for example, whether dividends are paid or how management decisions are made and may not always vote their Shares in a way that is consistent with the interests of our other Shareholders.

We are a holding company that is financially dependent on distributions from subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all.

We are a holding company and our core business operations are conducted through subsidiaries. Under PRC regulations, equity joint ventures may distribute their after-tax profits, as determined in accordance with the PRC accounting rules and regulations, to their shareholders according to their capital contribution only after they have made appropriate contributions to relevant statutory funds. For each of our project subsidiaries that is a sino-foreign joint venture enterprise, it may not distribute its after-tax profits to us if it has not already made contributions to its reserve fund, staff and workers' bonus and welfare fund and enterprise development fund at percentages that are decided by its board of directors. For each of our project subsidiaries that is a wholly-foreign-owned enterprise, it may not distribute its after-tax profits to us if it has not already made contributions to its staff and workers' bonus and welfare fund at a percentage that is decided by its board of directors and to its reserve fund at a rate of no less than 10% of its net profit. A wholly-foreign-owned enterprise is required to continue making contributions to its reserve fund until such fund reaches 50% of its registered capital. Furthermore, restrictive covenants in bank credit facilities, joint venture agreements or other agreements that we may enter into in the future may also restrict the ability of our project subsidiaries to make contributions to us and our ability to receive distributions. These restrictions could reduce the amounts of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income and pay dividends.

We have a limited ability to maintain the quality and image of the properties that we have developed after they are sold, which could adversely affect our brand name and public image.

Our image and reputation for quality is crucial to our business. We currently sell substantially all of the properties that we develop, and thus have only a limited ability to control the maintenance and upkeep of properties after they are sold. Our reputation as a Commercial Property developer and the reputation of the properties that we have established may be damaged if third parties, including purchasers of our properties, tenants and property managers hired to manage such properties, fail to upkeep such properties. Furthermore, as our customers primarily consist of individual buyers purchasing a small number of units by way of strata title, our customers may not be willing or capable to maintain our properties compared to those properties with a single purchaser. These factors may in turn adversely affect our future sales and our competitiveness.

Our ability to sell our properties is partly affected by our customers' ability to procure bank mortgages.

A significant number of purchasers of our properties rely on mortgages to fund their purchases. Without mortgage financing, some of our prospective customers would not be able to purchase our properties. There are a number of factors affecting the market for and availability of mortgages in China which we cannot control, any one or a combination of which could make it more difficult for us to pre-sell or sell our properties. These factors include the following:

- Availability of mortgage funds to purchasers in a timely manner. In particular, a notice (中國人民銀行關於規範住房金融業務的通知) issued by the PBOC, China's central bank, on 19 June 2001, states that banks may not provide mortgages to purchasers entering into pre-sale agreements for properties under construction until substantial construction of the building in which such property is located is completed. Substantial construction work is defined to mean, for a non-high-rise building, completion of the general structure of the building and, for a high-rise building, two-thirds of the total investment having been made. This condition is more stringent than the condition for obtaining a pre-sale permit. Therefore, strict adherence by banks to this June 2001 notice would result in some of our customers not having access to funds to support their purchases until later than has historically been the case. As a result, our ability to obtain and use the pre-sale deposits to finance construction could be adversely affected;

- Increases in interest rates will increase the cost to our customers of funding property purchases through mortgages. As a result, demand for our properties may decline if interest rates rise; and

- Any disruption to, or change in, the banking sector in China that affects our customers' ability to obtain mortgages could have an adverse effect on our liquidity and results of operations.

Our project subsidiaries may be required to make payments under guarantees required to be provided to banks in respect of customer mortgages until our customers receive their ownership certificates.

Our project subsidiaries generally provide guarantees until the purchasers of our properties obtain the relevant ownership certificate and pledge it with the commercial banks, which generally takes place within two years after the property units are delivered to the buyers. The guarantees cover the full value of mortgages that purchasers of our properties obtained to finance their purchases. Our project subsidiaries deposit with the mortgage banks an amount which typically represents less than 10% of the mortgages to which the guarantees relate. If a customer defaults on payment of its mortgage, the bank holding the mortgage may deduct the payment due from the funds that have been deposited and require that the relevant project subsidiary immediately repay the entire outstanding balance pursuant to the guarantee. To the extent that our project subsidiary is unable to resell the properties with respect to which a customer has defaulted on the underlying mortgage in a timely basis, or that our project subsidiary is unable to sell the property at a price higher than the amount necessary to pay off the defaulting customer's mortgage loan and recover the costs of the property, our liquidity may be affected and we may suffer financial losses. In addition, if multiple customers default on their mortgage payments simultaneously or in close succession, our project subsidiaries may be required to make payments in material amounts to banks to satisfy the obligations under these guarantees, which could adversely affect our liquidity.

As of 31 December 2004, 2005 and 2006 and 31 March 2007, our project subsidiaries had guarantees in place on mortgages in an aggregate principal amount of approximately RMB3,263 million, RMB2,589 million, RMB2,823 million and RMB2,741 million, respectively.

We may not be able to complete successfully projects that we are currently developing or plan to develop.

We may not be able to complete successfully the projects that we are currently developing or plan to develop. At any point in the planning or development of a project we could face, among other things, regulatory changes, competitive pressures, an inability to procure required government approvals or required changes in our project development practice that could delay, increase the cost of, or prevent, the completion of any such projects. We may commit significant time and resources to a project before determining that we are unable to complete it successfully, which could result in a loss of some or all of our investment in that project. We may also be required to pay compensation to the purchasers who bought our properties at the pre-sale stage if we fail to complete our projects within the stipulated deadlines.

Failures of third parties to file asset appraisal reports and undergo open tender procedures may affect our business.

When we purchased our interest in Jianhua Real Estate on 30 July 2004, the third party transferors failed to file asset appraisal reports as required by PRC law. In addition, as regards our 95% equity interest in Jianhua Real Estate acquired through equity transfers, the third party transferors also failed to transfer through an open tender process as required by PRC law.

We have been advised by our PRC legal advisers that, under PRC law, the relevant state-owned asset administration authorities may seek redress against the transferors of state-owned assets, and may also seek nullification of the transfer. Our PRC legal advisers have consulted the relevant district state-owned asset administration office, which confirmed at the consultation that it does not have any intention to seek nullification of the two equity transfers made in 2004 with respect to Jianhua Real Estate. The confirmation from the administration office is made on the basis that (a) state-owned asset administrations generally do not seek nullification solely on the grounds of a lack of asset appraisal report filing or that the transaction did not go through open tender procedures, provided that the transaction did not result in a serious loss upon the disposal of the state-owned assets and (b) the two transfers of the 95% equity interests in Jianhua Real Estate were made to us in 2004 when the relevant rules on disposal of state-owned assets were not strictly enforced. Additionally, in connection with the two transfers of the 95% equity interests in Jianhua Real Estate which were made to us in 2004 and the proposed transfer of the remaining 5% of equity interest in Jianhua Real Estate, we made one lump sum payment for the entire 100% equity interest in Jianhua Real Estate at the time of the first transfer of 60% equity interest in Jianhua Real Estate. In effect, this means that we have made pre-payments for both the transfer of the 35% equity interest which took place in 2004 and the transfer of the remaining 5% equity interest which will take place in the future. Although according to an asset appraisal report dated 28 January 2007 prepared for Jianhua Real Estate the price we paid for the three transfers of an aggregate of 100% equity interest in Jianhua Real Estate represented the then fair market value of the entire equity interest in Jianhua Real Estate, our PRC legal advisers have advised us that the consideration for the transfer of these equity interests should be determined on the basis of the appraised value of the equity interests at the time of the actual transfers and therefore we may be required to pay additional consideration for these transfers. Our Controlling Shareholders, Ms. Zhang, Boyce, Capevale (BVI) and HSBC Trustee (in its capacity as the trustee of the Trust) have provided us with an indemnity in respect of all losses resulting from the failure by the third party transferor to file an asset appraisal report and to go through open tender procedures in relation to this project. However, in the event that a nullification is sought and an adverse determination is made by the relevant authorities, or we fail to be fully indemnified under the indemnity, our business and financial condition will be adversely affected.

Certain assets attributed to us in our consolidated financial statements are not under our management, but we may have residual liabilities from such assets.

In 2004, we purchased the entire equity interests in Jianhua Real Estate, which is the project company for our SOHO Shangdu project, from independent third parties. As part of the purchase, the sellers agreed to assume responsibility for the entire development activities of Shangdu Phase I, including all associated profits and losses as well as assets and liabilities; and we agreed to assume responsibility for the remaining two phases of the project.

In our consolidated financial statements, Jianhua Real Estate is accounted for as our subsidiary and profits and losses as well as assets and liabilities associated with Shangdu Phase I have been consolidated since 30 July 2004, the date of the acquisition of Jianhua Real Estate. This presentation has an impact on substantially all of the line items in our consolidated income statement, including turnover and cost of properties sold. However, our profit for the year attributable to our equity shareholders, dividends payable to our equity shareholders and earnings per share data are not impacted by such presentation. In addition, our consolidated balance sheet presents certain information related to Shangdu Phase I as if such information related to us. For example, of the RMB291 million in “amounts due to and advances from related parties” as of 31 December 2004, RMB258 million was attributable to Shangdu Phase I.

Accordingly, our consolidated financial statements may not clearly reflect the actual results of operations and financial condition of those businesses or projects that were actually under the management of our Company.

As of 31 March 2007, Shangdu Phase I had cumulative undistributed profit of approximately RMB32 million and RMB198 million in outstanding advances to one of Jianhua Real Estate’s original shareholders from whom we purchased interests in Jianhua Real Estate. If the borrower of such advances fails to repay the full amount in time, or if the financial condition of Shangdu Phase I deteriorates, our results of operations and financial condition may be adversely affected. In addition, although the previous shareholders of Jianhua have agreed to indemnify us for all damages and losses relating to Shangdu Phase I, we, as Jianhua Real Estate’s equity holder, will remain responsible for all damages and losses relating to Shangdu Phase I if the previous shareholders of Jianhua Real Estate breach their agreement with us.

We are subject to legal and business risks if we fail to obtain formal qualification certificates.

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development business in the PRC and also produce a valid qualification certificate when they apply for a pre-sale permit. Entities engaged in property management or interior decoration should also obtain qualification certifications before commencing their business. All qualification certificates are subject to renewal on an annual basis. In reviewing the renewal of a qualification certificate, the local authority considers the real estate developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the developer’s management, as well as whether the real estate developer has any illegal or improperly certified operations. Each of our project companies is responsible for, and monitors, the annual submission of its renewal application. See “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix VIII to this prospectus.

If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will be given a deadline within which it has to meet these requirements and it will also be subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business licence of the relevant project company. We cannot assure you that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business and financial condition.

We face uncertainties and risks if we expand outside Beijing.

We may consider new projects outside of Beijing if attractive opportunities arise. If we pursue such opportunities outside of Beijing, this may give rise to a range of uncertainties and risks relating to our unfamiliarity with local matters such as:

- Regulatory practices and customs;
- Customer preferences and behaviour;
- Reliability of contractors and other suppliers; and
- Business practices and environments.

In addition, expanding our business into new geographical areas would entail competing with developers that have a better established local presence, are more familiar with local regulatory and business practices and customs and have stronger ties with local contractors and purchasers. Even if we invest more time and resources, we cannot be certain that we will be able to successfully expand our operations outside Beijing or that our profitability, if any, resulting from projects in those new geographical areas will remain at our current level.

RISKS RELATING TO OUR INDUSTRY

PRC Government policies, regulations and measures, or rumours or threats of such policies, regulations and measures, intended to discourage speculation in the property market or limit foreign investment in China, may adversely affect our business.

The PRC Government issued a number of policies and incentives to encourage property development from 1999 to 2003. However, in light of increasing speculation and investment in the property market which resulted in rapid increases in property prices, the PRC Government has implemented a series of additional control measures to discourage speculation in the property market and to ensure the availability of affordable housing. These include:

- On 30 April 2005, the Opinion on Duly Stabilising the Prices of Residential Properties (關於做好穩定住房價格工作的意見), setting out guidelines for the relevant PRC authorities to stabilise rapid growth in the residential property market.
- On 6 July 2006, the Notice to Further Rationalise and Standardise Transactions in the Property Market (關於進一步整頓規範房地產交易秩序的通知), under which a property developer shall commence the sale of properties within 10 days of receipt of the pre-sale permit for the project.
- On 11 July 2006, the Opinion on Regulating the Access and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), or the "**171 Opinion**". The 171 Opinion aims to regulate the access by foreign investment to the

domestic property market and to strengthen management of property purchases by foreign invested enterprises. The 171 Opinion provides, among others, stricter standards for a foreign institution or an individual to purchase properties in the PRC which is not intended for personal use.

On 10 July 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知). The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained authorisation certificates from and registered with the MOFCOM on or after 1 June 2007 and (ii) that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from a local government's commerce department on or after 1 June 2007 but did not register with the MOFCOM. This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore for the purpose of funding such companies either through capital increase or by way of shareholder loans. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or have obtained or will obtain in a timely manner all necessary registration for all our operating subsidiaries in the PRC to comply with the new regulation. Therefore, we may not be able to use all or any of the capital that we may raise from this offering to finance our property acquisitions.

Although the various control measures are intended to promote more balanced property development in the long-term, we cannot assure you that these measures will not adversely affect sales of our units. In addition, we cannot assure you that the PRC Government will not introduce further measures to (1) regulate the rate of growth of the property market or (2) limit or even prohibit foreign investment in the PRC generally or the property sector in particular. The continuation of the existing measures and the introduction of any new measures, or even the rumours or threat of any new measures, may adversely affect our business, financial condition and results of operations.

The property market in the PRC is at an early stage of development and is volatile.

The property market in the PRC is still at an early stage of development, and social, political, economic, legal and other factors may affect its development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are and expect to continue to be dependent upon the growth of the urban middle and upper-middle classes in China. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by corporations and other institutional entities for our Commercial Properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in China. We cannot assure you that there will not be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could adversely affect our business, financial condition and results of operations.

We compete with other large Commercial Property developers in Beijing for, among other things, land and property buyers.

We primarily focus on developing Commercial Properties in central Beijing. Our competitors are primarily other large Commercial Property developers from the PRC and Hong Kong. We primarily compete with these developers for land and property buyers. Land prices in the centre of Beijing have increased significantly in recent years, and may continue to increase as a result of the increasing competition among property developers. A number of our competitors have greater financial resources than are available to us, as well as greater economies of scale and broader brand recognition. Accordingly, these competitors may be in a more favourable position to acquire land than us. In addition, we compete with other property developers for property buyers. If the supply of Commercial Properties in the centre of Beijing continues to increase, the competition for property buyers may increase, resulting in a lower rate of increase or a decrease, in Commercial Property prices in these areas. The level of competition may also intensify as other large property developers, including residential property developers in Beijing or Commercial Property developers which are currently focused on other cities, enter the market that we operate.

An inability to compete effectively could adversely affect our business, financial condition and results of operations.

Our property development activities are subject to risks associated with the property industry.

We intend to continue to develop large-scale Commercial Properties in central Beijing. Our property development activities involve acquiring development rights for large plots of land, many of which have existing structures, from municipal and provincial governments of the PRC. Acquiring these development rights, obtaining land use rights and committing the financial and managerial resources to develop the land involves significant risks. Before a property development generates any turnover, we must make a variety of material expenditures, including acquisition of the development rights and construction of the property development infrastructure. It generally takes several years for a planned development to generate turnover, and we cannot assure you that such development will achieve positive cash flow. As a result, our current and future property development activities have in the past been exposed to, and may continue to be exposed to, the following risks:

- We may incur construction and other development costs for a development project which exceed our original estimates due to increases in interest rates and increased material, labour or other costs, which could make completion of the project unprofitable because market sales prices may not increase sufficiently to compensate for the increase in construction and other development costs;

- We may delay, or change the structure of property developments after we begin to explore them and as a result we may lose deposits paid to participate in the land tender processes or fail to recover expenses and construction costs already incurred or may even be required to pay penalties and/or compensation to the government authorities and purchasers;

- We may be unable to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages of materials, equipments, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors and subcontractors, accidents, changes in PRC Government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other problems and circumstances, resulting in, among other things, increased debt service expense and construction costs;

- We may pre-sell and sell developed properties at below expected sales prices, and may experience delays in the sale of developed properties, including as a result of the supply and demand of comparable properties, and the cyclical nature of the property industry in the PRC;

- We incur extensive capital costs and expenditures several years in advance of related revenues from a project, and therefore our year-on-year cash flows and profitability may be adversely affected; and

- Occupancy rates for the hotels and pre-sales and sales prices at newly-completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

Any of these circumstances could adversely affect our business, financial condition and results of operations, which could cause the market value of our securities to decline.

The enforcement of regulations on LAT by the PRC tax authorities may adversely affect our cash flow position.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) dated 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) dated 27 January 1995, or the LAT Implementation Rules, all units and individuals receiving net profit from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT. LAT is levied at progressive rates from 30% to 60% on the appreciation value as described in more detail in Appendix VI to this prospectus. Please also see section entitled “Financial Information — Critical Accounting Policies — LAT”. If the taxpayer constructs ordinary residential properties and the amount of appreciation does not exceed certain thresholds set forth in the tax regulation, the taxpayer is exempt from payment of LAT. On 28 December 2006, the State Administration of Taxation issued the Notice in Relation to the Settlement of LAT levied on Real Estate Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題通知), or the LAT Notice, which became effective on 1 February 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and a time frame for settlement.

We believe we have made adequate provisions based on our estimate of the amount of applicable LAT payable in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but we have only prepaid a portion of such provisions each year as required by the local tax authorities. Historically, we have been required to prepay LAT equivalent to 1% (or 1-2%, in the cases of SOHO Newtown and Jianwai SOHO Phases I-III in accordance with the then applicable regulations, see the section entitled “Financial Information — LAT”) of the proceeds from sales and pre-sales of our properties in Beijing. We will make a final accounting of the appreciation values in connection with the sale of our properties of each of our projects according to the requirements of the LAT Notice and shall be prepared to settle the difference with the tax authorities if necessary.

For the years ended 31 December 2004, 2005 and 2006, we made provisions for LAT (including that related to Shangdu Phase I) in the amounts of RMB176.5 million, RMB362.8 million and RMB162.4 million, respectively. However, provisioning for LAT requires our management to use a significant amount of judgement with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the tax authorities in the future, our results of operations will be materially and adversely affected. In addition, our total LAT provision as at 31 March 2007, based on our estimate, was RMB736 million, whilst our cash and cash equivalents as at 31 March 2007 totalled RMB1,470 million. As a result, if we are required by the tax authorities to settle the full amount of LAT assessed within a short period of time, our liquidity and cash flow position may be materially and adversely affected. We may be required to obtain additional financing to pay for our land acquisition or other operating activities. If we are unable to obtain additional financing in a timely manner and on acceptable terms or at all, this will materially and adversely affect our business and results of our operations.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Compliance with environmental laws and conditions, and any change thereof, may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments on most of our construction projects and to date have not revealed any environmental liability. We cannot assure you that these investigations revealed all environmental liabilities or their extent. There may be material environmental liabilities which we are unaware of and may have a material adverse effect on our business, financial condition or results of operations.

We did not prepare environmental assessment reports for the development of blocks 1 to 6 of the residential buildings at SOHO Newtown and the conference centre at Boao Kempinski. We have not received any warning or notice issued by the relevant authorities about serious environmental pollution with respect to these projects. All other relevant approvals and permits have been obtained and most of the residential buildings have been sold to purchasers however our PRC legal advisers have advised us that PRC law could require that the developments be restored to their original state and a fine of up to RMB100,000 be imposed.

Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability.

We are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by the central, provincial or municipal government of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the environmental laws and regulations.

We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by companies in the industry. In particular, not all our completed projects have undergone environmental inspection, restoration and acceptance procedures by the government, which may result in fines of up to RMB100,000. In addition, there is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet the expectations of the society, our reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, operations, financial condition, profitability and results of operation.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our property interests as at 30 June 2007 prepared by CBRE are contained in Appendix IV. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ from actual results. Accordingly, these valuations are not a prediction of the actual value expected to be achieved by us from these properties. Unanticipated results of, or changes in, particular property developments, or changes in general or local economic conditions or other relevant factors, could affect such values.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Substantially all of our assets are located in China, and substantially all of our turnover is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China.

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- Structure;
- Level of government involvement;
- Level of development;
- Growth rate;
- Control of foreign exchange; and
- Allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Since the late 1970's, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries by imposing industrial policies.

We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

Our operations are subject to the uncertainties of the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Although legislation over the past 28 years has significantly enhanced the protections afforded to various forms of foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular, these laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us. We cannot predict the effect of future developments in the PRC legal system, particularly with regard to property rights. We may be required in the future to procure additional permits, authorisations and approvals for our existing and future projects, which it may not be possible to obtain in a timely fashion or at all.

A newly enacted PRC tax law could affect tax exemptions on dividends received by the Company and Shareholders and increase our enterprise income tax rate.

We are incorporated under the laws of the Cayman Islands and have numerous subsidiaries incorporated in the BVI. As a foreign legal person, dividends derived from our business operations in the PRC are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempt from PRC income tax. On 16 March 2007, the PRC Enterprise Income Tax Law was enacted, and will become effective on 1 January 2008. Under the PRC Enterprise Income Tax Law, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 20% will be applicable to any dividends paid by us, unless we are entitled to reduction or elimination of such tax, including by tax treaties between the PRC and the Cayman Islands or the BVI, as applicable. As of the date of this prospectus, the Cayman Islands and the BVI do not have such tax treaties with the PRC. It is also unclear as to how such tax reduction and elimination would be implemented.

In addition, the PRC Enterprise Income Tax Law provides that, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on their worldwide income. However, the PRC Enterprise Income Tax Law does not define the term “de facto management organisation”. Substantially all members of our management are located in the PRC. If substantially all members of our management continue to be located in the PRC after the effective date of the PRC Enterprise Income Tax Law, we may be deemed a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries). The PRC Enterprise Income Tax Law also provides that dividends received by a qualified PRC tax resident from another PRC tax resident are exempt from enterprise income tax. However, given the short history of this law, it remains unclear as to the detailed qualification requirements for such exemption and whether the dividends which our Company receives from our PRC subsidiaries will be exempt from enterprise income tax if it is recognised as a PRC tax resident.

Restrictions on currency exchange may limit our ability to utilise our turnover effectively.

Substantially all of our turnover and operating expenses are denominated in Renminbi, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current structure, our source of funds will primarily consist of dividend payments from our PRC subsidiaries, repayment of inter-company loans between shareholders and subsidiaries and other payments. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Government authorities is required where Renminbi are to be converted into foreign currency and remitted out of China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, our PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us, without the prior approval of the State Administration for Foreign Exchange. Our PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect our subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. We also cannot assure you that the PRC will not impose further restrictions on the convertibility of the Renminbi.

We are subject to risks presented by fluctuations in foreign currencies.

Most of our turnover is generated from our PRC operating subsidiaries and denominated in Renminbi. See the section entitled "Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign exchange". From 1994 until 2005, the conversion of Renminbi into US dollars was based on rates set by the PBOC, which were set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the US dollar. Since then and up to the Latest Practicable Date, the Renminbi has appreciated by approximately 7.26% against the US dollar. Any appreciation of the Renminbi against the US dollar or any other foreign currencies would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert foreign currencies into Renminbi for such purposes. Any significant depreciation in the exchange rates of the Renminbi against the US dollar or the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

On 21 October 2005, SAFE issued a new public notice (關於境內居民通過境外特殊目的公司融資及遠程投資外匯管理有關問題的通知) which became effective on 1 November 2005. The notice requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing, referred to in the notice as a "special purpose offshore company." PRC residents that are shareholders of special purpose offshore companies established before 1 November 2005 are required to register with the local SAFE branch before 31 March 2006. As all of the discretionary objects of the Trust are Hong Kong permanent residents and not PRC residents, the notice would not have a material and adverse effect on our business operations in general as well as the Global Offering. However, if the SAFE promulgates clarifications or regulations in the future requiring Hong Kong permanent residents to comply with the registration procedures and if such beneficial owners fail to comply with the requirements, such failure may subject the beneficial owners to fines and legal sanctions and may also adversely affect our business operations.

It may be difficult to enforce against us in the PRC any judgements obtained from non-PRC courts.

Substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom and most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgements obtained from non-PRC courts.

The national and regional economies in China may be adversely affected by an outbreak of epidemics such as avian flu and Severe Acute Respiratory Syndrome, thereby affecting our prospects.

China may be susceptible to epidemics such as avian-influenza and Severe Acute Respiratory Syndrome. If these or similar infections continue to escalate and in particular if the virus transforms to one capable of human-to-human transmission, or if there is an outbreak of any other disease in China, such outbreak could result in material disruptions to the construction schedule of our property developments and to our sale and pre-sale processes, and reduce the price and value of our commercial, retail and residential properties, which in turn would adversely affect our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Future sales of securities by our existing Shareholders or us may decrease the value of your investment.

Before the Global Offering, there has not been a public market for our Shares. Future sales by our existing Shareholders, or issuance by us of substantial amounts of our Shares after the Global Offering, could adversely affect market prices prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of substantial amounts of our Shares in the public market or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

There has been no prior market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price.

Before the Global Offering, there has not been a public market for our Shares. The Offer Price for our Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and us and the Selling Shareholders and it may differ significantly from the market price for the Shares following the Global Offering. Application has been made to list our Shares on the Hong Kong Stock Exchange but an active public market may not develop or be sustained after the Global Offering. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be materially adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

The Offer Price for the Offer Shares will be determined on the Price Determination Date by us, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters). Our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which we expect to occur on or before the fifth Business Day after the Price Determination Date. The Offer Price for the Offer Shares may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The financial markets in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution in book value.

The Offer Price is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in our pro forma consolidated net tangible book value of RMB4.39 (equivalent to HK$4.53) per Share assuming an Offer Price of HK$6.30 (being the bottom end of the indicative Offer Price range) or RMB5.86 (equivalent to HK$6.05) per Share assuming the Maximum Offer Price of HK$8.30 and based on the Share Capital Assumptions. If we issue additional Shares in the future, purchasers of the Offer Shares will experience further dilution.

The industry data and forecasts in this prospectus have not been independently verified.

This prospectus includes industry data and forecasts that we obtained from various government publications. There can be no assurance as to the accuracy or completeness of information obtained from such government publications. We have not independently verified any of the data from such sources, nor have we ascertained the underlying economic assumptions relied upon in those such sources. While we are not aware of any misstatements regarding our industry data presented in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed elsewhere in this "Risk Factors" section.

Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and the Global Offering.

Prior to publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, some of which may have included certain financial information, profit forecasts, operational projections, valuations, or other information about us. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of this information and that this information was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information in press articles or other media and the underlying assumptions. To the extent that any such information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions.

We are an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the rights of minority Shareholders may not enjoy the same level of protection as pursuant to the laws of Hong Kong or your own jurisdiction.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against us and/or our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities laws.

As a result of all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms contain all the terms and conditions of the Public Offer.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Public Offer to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, any of the Underwriters, any of our and their respective directors, officers, affiliates or advisers or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Public Offer is part of the Global Offering which comprises the Public Offer of initially 154,942,000 Public Offer Shares and the International Offer of initially 1,394,478,000 International Offer Shares.

The application for the listing of the Shares is sponsored by the Joint Sponsors. The Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company, the Selling Shareholders, and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price. The Global Offering is managed by the Joint Global Coordinators.

If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators, the Selling Shareholders, and us by 4 October 2007, the Global Offering will not become unconditional and will lapse immediately. Further information about the Underwriters and the underwriting arrangements is set out in the section entitled "Underwriting".

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities laws. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC.

LISTING

We have applied to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, any Shares which may be issued pursuant to the exercise of the options which were conditionally granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Schemes.

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

HONG KONG REGISTER

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by the Company's Principal Share Registrar in the Cayman Islands.

STAMP DUTY

No stamp duty is payable by applicants in the Global Offering. All Sale Shares sold by the Selling Shareholders in the Global Offering will be subject to stamp duty at the rate of 0.2% of the Offer Price, which will be paid by the Selling Shareholders.

Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. See the section entitled "Taxation — Stamp duty — Hong Kong" in Appendix VI to this prospectus.

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert. Our Company, the Joint Global Coordinators and the Underwriters, all of their respective directors, agents or advisers or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares, you should consult an expert.

We emphasise that none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters or us or the Selling Shareholders, any of our or their respective directors, officers, affiliates or advisers, nor any other person involved in the Global Offering accepts responsibility for your tax affairs or liability resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

CURRENCY TRANSLATION

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.00: RMB0.96985
HK$7.7968: US$1.00

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDINGS

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
PAN Shiyi (潘石屹)	Apartment 4108 Tower A SOHO Newtown No. 88 Jianguo Road Chaoyang District Beijing 100022 PRC	Chinese
PAN ZHANG Xin Marita (潘張欣)	Apartment 4108 Tower A SOHO Newtown No. 88 Jianguo Road Chaoyang District Beijing 100022 PRC	Chinese
YAN Yan (閻岩)	Apartment 1708 Building No.14 Fang Cheng Yuan Fang Zhuang Area Feng Tai District Beijing 100078 PRC	Chinese
SU Xin (蘇鑫)	Apartment 1206 Tower 4 Jianwai SOHO No.39 East 3rd Ring Road Chaoyang District Beijing 100022 PRC	Chinese
Independent Non-Executive Directors (in alphabetical order)		
CHA Mou Zing, Victor (查懋誠, 別名: 查懋成)	B1 Country Villa 28 Shouson Hill Road Hong Kong	Chinese
Ramin KHADEM	27 Hampstead Hill Gardens London, NW3 2PJ England	Canadian
YI Xiqun (衣錫群)	27/F, Flat B Valverde No. 11 May Road Hong Kong	Chinese

PARTIES INVOLVED

Joint Sponsors (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
	UBS AG 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Co-Managers (in alphabetical order)	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong
	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
	Dao Heng Securities Limited 12/F., The Center 99 Queen's Road Central Hong Kong
	KGI Capital Asia Limited 27/F, ICBC Tower Citibank Plaza 3 Garden Road Central Hong Kong

Legal advisers to the Company	*as to Hong Kong and US law:* Freshfields Bruckhaus Deringer 11th Floor Two Exchange Square Central Hong Kong *as to PRC law:* Haiwen & Partners 21/F, Beijing Silver Tower No. 2, Dong San Huan North Road Beijing 100027 PRC Zhong Lun Law Firm 13/F, Building 1, China Merchants Tower No. 118 Jianguo Road Chaoyang District Beijing 100022 PRC *as to Cayman Islands Law:* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Underwriters	*as to Hong Kong and US law:* Skadden, Arps, Slate, Meagher & Flom 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *as to PRC law:* Commerce & Finance Law Offices 6F NCI Tower A12, Jianguomenwai Avenue Beijing 100022 PRC
Auditors and Reporting Accountants	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

Property Valuer	CB Richard Ellis Limited 34/F., Central Plaza No. 18 Harbour Road Wanchai Hong Kong
Receiving Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	SOHO Newtown 18-20/F, Tower B No. 88 Jianguo Road Chaoyang District Beijing 100022 PRC
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Website address *(Note)*	www.sohochina.com
Company Secretary	NGAI Wai Fung
Qualified Accountant	ZHAO Guilin, CPA (Aust.), CPA (Hong Kong)
Authorised Representatives	PAN ZHANG Xin Marita Apartment 4108 Tower A SOHO Newtown No. 88 Jianguo Road Chaoyang District Beijing 100022 PRC NGAI Wai Fung 8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Members of the Audit Committee	Ramin KHADEM (Chairman) CHA Mou Zing, Victor YI Xiqun
Members of the Remuneration Committee	Ramin KHADEM (Chairman) CHA Mou Zing, Victor YI Xiqun

Note: The information contained on our website does not form part of this prospectus.

Members of the Compliance Committee	Ramin KHADEM (Chairman) PAN Shiyi PAN ZHANG Xin Marita YAN Yan SU Xin CHA Mou Zing, Victor YI Xiqun ZHAO Guilin NGAI Wai Fung
Members of the Risk Management Committee	TONG Ching Mau (Chairperson) LI Hong XU Yang XIA Guorong
Cayman Islands Principal Share Registrar and Transfer Office	Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	Platinum Securities Company Limited 22/F, Standard Chartered Bank Building 4 Des Voeux Road Central Hong Kong
Principal banker	China CITIC Bank Corporation Ltd. Block C Fuhua Mansion No. 8 Chaoyangmenbei Dajie Dongcheng District Beijing PRC

The information and statistics set out in this section and elsewhere in this prospectus relating to the real estate industry have been extracted from official government sources. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors in the exercise of extracting and repeating such information. None of our Company, the Joint Global Co-ordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with each other or with other information.

MACRO-ECONOMIC CONDITIONS IN CHINA

Since China's adoption of an open door policy in 1978, its economy has experienced significant growth which has been driven further by its accession to the World Trade Organisation in 2001. China's GDP increased from RMB9,921 billion in 2000 to approximately RMB18,232 billion in 2005, a compound annual growth rate of approximately 12.9%, making China one of the fastest growing economies in the world. Beijing, the capital city of China, has also experienced high GDP growth for the six years from 2000 to 2005. The tables below set out the GDP and per capita GDP data for China and certain major cities and regions for the years indicated:

	GDP					
	2000	2001	2002	2003	2004	2005
	(RMB billions)					
Restated China nominal GDP(1)	9,921	10,966	12,033	13,582	15,988	18,232
Beijing	**248**	**371**	**433**	**502**	**606**	**689**
Chongqing	159	177	199	227	270	307
Guangzhou	249	284	320	376	445	515
Hainan Province	52	56	62	69	80	89
Shanghai	455	521	574	669	807	915
Tianjin	164	192	215	258	311	370

	Per capita GDP					
	2000	2001	2002	2003	2004	2005
	(RMB)					
Restated China per capita GDP(1)	7,858	8,622	9,398	10,542	12,336	14,040
Beijing	**22,460**	**25,523**	**28,449**	**32,061**	**37,058**	**45,444**
Chongqing	5,157	5,654	6,347	7,209	9,608	10,982
Guangzhou	35,978	40,213	44,710	51,993	60,847	69,268
Hainan Province	6,894	7,135	7,803	8,316	9,450	10,871
Shanghai	34,547	37,382	40,646	46,718	55,307	51,474
Tianjin	17,993	20,154	22,380	26,532	31,550	35,783

Sources: China Statistical Yearbook; Beijing Statistical Yearbook; Chongqing Statistical Yearbook; Guangdong Province Statistical Yearbook; Hainan Province Statistical Yearbook; Shanghai Statistical Yearbook; Tianjin Statistical Yearbook.

(1) On January 9, 2006, the National Bureau of Statistics of China issued a set of revised GDP figures for the year 2005 based on the results of the First Economic Census, and GDP data for previous years were correspondingly revised by trend deviation. However, while the national level economic statistical figures have been revised, the economic statistical figures for cities and provinces are not based on revised GDP figures.

Disposable annual income per capita for urban households in China increased from RMB6,280 in 2000 to RMB10,493 in 2005, implying increased purchasing power for urban households throughout China. This trend is reflected in cities and regions including Beijing, Chongqing, Guangzhou, Hainan Province, Shanghai, Shenzhen and Tianjin. The following tables illustrate the per capita disposable annual income for urban households and the per capita savings for China and for the aforementioned cities and regions:

	Per capita disposable annual income for urban households					
	2000	2001	2002	2003	2004	2005
	(RMB)					
China	6,280	6,860	7,703	8,472	9,422	10,493
Beijing	**10,350**	**11,578**	**12,464**	**13,883**	**15,638**	**17,653**
Chongqing	6,276	6,721	7,238	8,094	9,221	10,243
Guangzhou	13,967	14,694	13,380	15,003	16,884	18,287
Hainan Province	5,358	5,839	6,823	7,259	7,736	8,124
Shanghai	11,718	12,883	13,250	14,867	16,683	18,645
Tianjin	8,140	8,959	9,338	10,313	11,467	12,639

	Per capita savings					
	2000	2001	2002	2003	2004	2005
	(RMB)					
China	5,077	5,780	6,766	8,018	9,197	10,787
Beijing	**26,395**	**31,510**	**38,631**	**46,079**	**52,647**	**49,341**
Chongqing	3,511	4,252	5,122	6,059	6,964	8,033
Guangzhou	31,967	36,492	43,473	51,398	57,706	66,948
Hainan Province	5,139	5,555	6,253	6,970	7,643	8,720
Shanghai	19,098	22,619	36,842	45,124	51,472	61,992
Tianjin	11,711	12,798	14,758	18,049	20,678	23,609

Sources: China Statistical Yearbook; Beijing Statistical Yearbook; Chongqing Statistical Yearbook; Guangdong Province Statistical Yearbook; Hainan Province Statistical Yearbook; Shanghai Statistical Yearbook; Tianjin Statistical Yearbook.

GROWTH OF THE PROPERTY MARKET IN CHINA

Economic growth coupled with an increase in disposable income and urbanisation rates are among the key factors contributing to the growth of China's property market. According to the National Statistics Bureau, a total of approximately 555 million sq.m. of GFA was sold in China in 2005, representing a 45.1% increase from 2004. The total GFA sold in 2005 in Beijing, Chongqing, Guangzhou, Hainan Province, Shenzhen and Tianjin all experienced an increasing trend as compared to 2004. However, the GFA sold in Shanghai decreased slightly during the same period. The following tables set forth figures showing the total GFA sold and completed in China as well as for the aforementioned cities and regions for the periods indicated:

	GFA sold					
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
	(sq.m. in millions)					
China	186.4	224.1	268.1	337.2	382.3	554.9
Beijing	**9.6**	**12.0**	**17.1**	**19.0**	**24.7**	**31.2**
Chongqing	5.8	7.5	10.2	13.2	13.2	20.2
Guangzhou	5.6	5.5	7.3	8.2	8.6	12.7
Hainan Province	0.4	0.6	0.8	1.1	1.3	2.5
Shanghai	15.6	18.0	19.7	23.8	33.0	31.6
Tianjin	3.9	5.4	5.6	7.9	8.5	14.1

	GFA completed					
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
	(sq.m. in millions)					
China	251.0	298.7	349.8	414.6	424.6	534.2
Beijing	**13.7**	**17.1**	**23.8**	**25.9**	**30.7**	**37.7**
Chongqing	8.5	10.2	13.9	16.8	15.3	22.1
Guangzhou	8.6	8.5	10.8	11.4	10.0	10.6
Hainan Province	0.4	0.6	0.5	1.2	1.1	1.9
Shanghai	16.4	17.9	19.8	24.9	34.4	31.0
Tianjin	5.8	6.9	7.5	9.1	11.1	14.8

Sources: China Statistical Yearbook; Beijing Statistical Yearbook; Chongqing Statistical Yearbook; Guangdong Province Statistical Yearbook; Hainan Province Statistical Yearbook; Shanghai Statistical Yearbook; Tianjin Statistical Yearbook.

The growth in China's property industry is also reflected in the growth of revenues from the sale of properties in China. Total revenue from real property sales in China increased from approximately RMB394 billion in 2000 to approximately RMB1,758 billion in 2005. The table below shows the total sales volume of real properties in China and in certain major cities and regions from 2000 to 2005:

	Total sales volume					
	2000	2001	2002	2003	2004	2005
	(RMB billions)					
China	394	486	603	796	1,038	1,758
Beijing	**48**	**61**	**81**	**90**	**125**	**212**
Chongqing	8	11	16	21	23	43
Guangzhou	24	24	31	34	40	68
Hainan Province	1	1	1	2	3	7
Shanghai	56	70	82	122	193	216
Tianjin	9	13	14	20	26	57

Sources: China Statistical Yearbook; Beijing Statistical Yearbook; Chongqing Statistical Yearbook; Guangdong Province Statistical Yearbook; Hainan Province Statistical Yearbook; Shanghai Statistical Yearbook; Tianjin Statistical Yearbook.

DEVELOPMENT OF THE PROPERTY MARKET IN CHINA

Reform of China's real estate sector did not take place until the late 1980s. Prior to that time, most of China's urban population relied on the State for housing. Ownership of real property rested with the State, and property development was the responsibility of the State. However, starting in the early 1990s, China's property system began a transition to a market-driven system. A summary timeline of key property reforms and policies in China is as follows:

Year	Event
1988	Amendment of constitution to permit transfer of land use rights
1991	Employer/employee-funded housing provident funds commenced
1994	Further implementation of reforms and establishment of an all-round employer/employee funded housing fund
1995	Regulations issued regarding sales and pre-sales of real estate, setting forth a framework for real estate sales
1998	Abolition of State-allocated housing
1999	Maximum mortgage terms extended to 30 years and maximum amount of purchase price that can be financed increased to 80%
	Issue of formalised procedures for the sale of real property in secondary market

Year	Event
2000	Regulations issued to standardise the quality of construction projects, setting forth a framework for the administration of construction quality
2001	Shanghai became the first city in China to eliminate dual pricing for domestic and overseas home buyers
	Regulations issued to strengthen the administration of demolition and relocation in urban areas
	Regulations issued relating to sales of commodity housing
2002	Rules regarding the grant of state-owned Land Use Rights by Way of Tender, Auction and Listing-for-sale issued requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity residential properties and other operational purposes can only be granted by the Government through public tender, auction or listing-for-sale; the dual system for domestic and overseas home buyers was eliminated in Beijing
2003	Regulations issued regarding property management, setting forth a framework for property management activities
	PRC Government introduced regulations designed to strengthen administration of real estate loans
	Notice issued by the State Council for sustained and healthy development of the property market
2004	Regulations revised to prevent transfer of apartment units in Shanghai before Shanghai real estate ownership certificates to such units are issued (to counteract property speculation)
	The CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen risk control of commercial banks on real estate loans
2005	Notice issued by the State Council requiring municipal governments and relevant authorities to curb the rapid growth in selling prices in an effort to sustain healthy development of the property market
	Additional measures implemented to discourage speculation in certain regional markets, including, among others, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, limiting monthly repayment amounts under individuals' mortgage loans, imposing a business tax for sales within two years of purchase, and prohibiting resale of properties before they are completed

Year	Event
2006	PRC Government announced measures designed to slow the rapid economic growth of the PRC's economy to a more balanced, sustainable level by controlling money supply, credit availability and fixed assets investments. In particular, the PRC Government focused on certain high growth sectors, including China's property market. The measures specific to the property market were designed to discourage speculation in the residential property market and limit the over-development in that market
	PRC Government announced a new round of macroeconomic policies to control fixed assets investment by means of imposing tighter reins on land and lending
	PBOC raised its benchmark one-year lending rate by 0.27% to 5.85% and the lending rates for other various terms accordingly to further tighten the country's credit policy with effect from 28 April 2006
	State Council and other related government agencies made a number of policy announcements aimed at (i) discouraging excessive growth of the China's high-end residential property sector, and (ii) stimulating the development of mass-market residential property projects with a higher degree of affordability in May 2006
	Nine PRC Government bodies including the Ministry of Construction, the State Administration of Taxation, the Ministry of State Land and Resources, the CBRC and the PBOC jointly announced a number of specific directives on 24 May 2006. Key among those relevant to us is that banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project.
	Ministry of State Land and Resources issued a detailed announcement on 30 May 2006 on guidelines regarding the restriction of overall land supply for high-end residential property developments, including the discontinuation of new land supply for house projects specifically
2007	Measures implemented by the State Administration of Taxation aimed at strengthening collection of Land Appreciation Tax took effect from 1 February 2007.
	Measures introduced to the effect that the establishment or the share capital increase of real estate enterprises with foreign investment, which are approved by local PRC commerce authorities after 1 June 2007, should be registered with the Ministry of Commerce. In the absence of such registration, the foreign real estate enterprise will not be permitted to take out overseas debts including both shareholder loans and foreign commercial loans and SAFE will not give effect to the foreign exchange registration or the foreign exchange alteration registration, as a result of which foreign currencies, which have been injected, will not be settled.

REGULATORY OVERVIEW

Summaries of certain aspects of PRC law and regulations which are relevant to our operations and business and the property industry in China are set out in Appendix VIII to this prospectus. Set out below is an overview of key recent regulatory developments relating to the property industry in China, many of which are directed at the residential property sector.

Government Policies

In recent times the PRC Government has introduced a series of macro control policies designed to stabilise the property market. In April and May 2005, the PRC Government brought forward a number of measures to strengthen macro control of the property market and to curb speculation in the property market. These included:

- An increase of 0.27% per annum in the mortgage interest rate; and

- The introduction of a business tax of 5.55% on the total proceeds from a sale of residential property in relation to the resale of residential property within two years after purchase.

China's State Council issued a circular (關於調整住房供應結構穩定住房價格意見的通知) on 24 May 2006 introducing additional measures aimed at curtailing speculative activity in the country's residential market and ensuring that affordable housing is provided. Some of the key provisions which took effect on 1 June 2006 are as follows:

- Mortgage lenders are required to increase the down payment requirement from at least 20% to at least 30% of the property's value for units larger than 90 square metres.

- The business tax of 5.55% on the total proceeds from the resale of residential property, which before 1 June 2006 was levied on resales within two years of purchase, has been extended to sales within five years of purchase for all units.

- In approving housing development after 1 June 2006, the relevant local authority must require units smaller than 90 square metres each to account for at least 70% of the annual supply of new residential developments, except where the relevant local authority has, based on the existence of special circumstances, obtained approval from the Ministry of Construction to depart from this requirement. This restriction was further refined on 6 July 2006 clarifying that the 70% minimum could be applied on a city-wide basis by local authorities, rather than on the basis of individual developments.

The PBOC increased interest rates twice in 2006 and five times so far in 2007: on 28 April 2006, 19 August 2006, 18 March 2007, 19 May 2007, 21 July 2007, 22 August 2007 and 15 September 2007. In the first instance, the mortgage rate was increased from 6.12% to 6.39%. On 19 August 2006, it was further increased to 6.84%. It was increased to 7.11% on 18 March 2007, to 7.20% on 19 May 2007 to 7.38% on 21 July 2007, to 7.56% on 22 August 2007 and to 7.83% on 15 September 2007. In all cases rates quoted are for terms of five years or more. However, some major banks in China currently offer discounts of 15% to these rates for homebuyers.

On 11 July 2006, the PRC Government announced a package of new regulations concerning foreign investment in real estate to further promote the sustainable development of the property market in China. Those measures applicable to foreign individuals include a requirement that buyers show that they have lived in China for a period of at least one year and that the property in question will be occupied by such individual. Residents of Hong Kong, Macau and Taiwan and overseas Chinese are partially exempted from the one-year minimum residency requirement.

Foreign institutions will need to establish a branch or representative office to purchase property for self-usage. Among key regulations applicable to foreign businesses is a minimum capital requirement of 50% on investments greater than US$10 million and a requirement for government approvals prior to any real estate investment.

Land acquisition

As all land in the PRC is either state-owned or collectively-owned, interests in land consist of land use rights, under which individuals and corporate entities may hold rights for investment or development purposes or transfer their interests to other parties. Individuals and corporate entities may acquire land use rights in a variety of ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights. See the section entitled “Summary of Principal PRC Legal and Regulatory Provisions — The Land System of the PRC” in Appendix VIII for a further discussion of the land system in the PRC.

Regulations issued by the PRC Ministry of Land and Resources in May 2002 provide that land use rights for property to be used for commercial purposes, including tourism, entertainment and residential properties, may be granted by the PRC Government only through public tender, auction or listing-for-sale. These regulations also govern the public tender, auction or listing-for-sale process. Regulations issued by the PRC Ministry of Land and Resources in June 2003 govern the granting of land use rights by the PRC Government by private agreement, where the designated use is other than for commercial purposes. See the section entitled “The Land System of the PRC — Land Grants” in Appendix VIII for further information on these regulations. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market provided that they have made some corresponding investment or exploration in accordance with the land grant agreement. Our ability to acquire land use rights and develop future projects may be adversely affected by present and future PRC laws and regulations. See the section entitled “Risk factors — Risks relating to our business”.

Recent measures on stabilisation of property prices

In light of increasing speculation and investment in the PRC property market, and resultant rapid increases in property prices, the PRC Government has since 1994 implemented a series of control measures aimed at discouraging speculation in the property market. These also have the wider purpose of reducing the growth rate of China’s economy and promoting balanced and sustainable economic growth. The PRC government has introduced austerity measures to reduce speculation in the PRC property market, including:

(i) limiting the monthly mortgage payment to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

(ii) increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;

(iii) increasing the required reserve ratio of funds that a commercial bank must hold on deposit progressively from 7% to 12.5%, effectively reducing the amount of money a bank is able to lend; and

(iv) tightening regulations governing mortgage lending and restricting approval of new development zones.

In particular, on 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC jointly promulgated the Opinion on Duly Stabilising the Prices of Residential Properties (關於做好穩定住房價格工作的意見), or the Opinion, setting out guidelines for the relevant PRC authorities to stabilise rapid growth in the residential property market. These guidelines were later reflected in a set of new measures which are aimed at directly controlling the growth of the real estate industry, including:

- commencing 1 June 2005, a business tax levy on the sales proceeds subject to the length of holding period and type of property;
- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required down payment to 30% of the total purchase price;
- elimination of the preferential mortgage interest rate for residential housing;
- the imposition of an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land-use right for land which remains idle for two years or more;
- a revocation of planning permits for projects which do not comply with the relevant planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In 2006, the PRC government implemented a series of new measures on land supply, bank mortgage finance, taxation and other aspects with an aim to slow down the increase in real property prices, to encourage development of more low- and middle-end properties and to promote a better environment for the growth and development of the PRC property industry. The new measures included:

- an increase in interest rates for mortgage loans;
- removal of the preferential mortgage rate for residential mortgages for commercial investments;
- a requirement that residential units with a floor area of less than 90 square metres shall account for over 70% of the total area of residential units which are approved and constructed in each city after 1 June 2006. Local governments will have authority to determine construction of new commercial buildings;
- a business tax to be levied on the total sale value of residential property sold within five years of its purchase, as well as a business tax to be levied on any gains from the sale of residential properties, which are not deemed to be ordinary residential properties, after five years of their purchase by an individual;
- that with effect from 1 June 2006 the minimum down payment for individual residential property mortgages shall be 30% of the total purchase price, except for low-income purchasers purchasing residential units with a floor area of less than 90 square metres; and

- with effect from 1 August 2006, definitions are set out on property values for different types of residential property for computing taxable gains for individual income tax on the transfer of residential property and reasonable deductible costs with a cap on each such allowable cost.

On 11 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the PBOC, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Property Market, (關於規範房地產市場外資准入和管理的意見) or the "**171 Opinion**". The 171 Opinion aims to regulate the access to the property market of foreign investors and to strengthen the management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others, that offshore entities without an onshore branch or representative agency, or foreign individuals who have studied or worked in the PRC for less than one year, are not allowed to purchase commercial properties and residential properties. See the section entitled "The Land System of the PRC — Recent macroeconomic control measures" in Appendix VIII to this prospectus.

On 23 May 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulatory the Approval and Administration of Foreign Direct Investment in the Real Estate Industry (關於進一步加強，規範外商直接投資房地產業審批和監管的通知). This notice requires that real estate enterprises with foreign investment are not permitted to bypass any approval or regulatory requirements in order to invest in real estate properties in the PRC; in particular, investment by way of changing the controlling shareholder of a local real estate is expressly prohibited.

On 10 July 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知). The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained authorisation certificates from and registered with the MOFCOM on or after 1 June 2007 and (ii) that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from a local government's commerce department on or after 1 June 2007 but did not register with the MOFCOM. This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore for the purpose of funding such companies either through capital increase or by way of shareholder loans.

BDRC Approval

Any investment or capital injection for "permitted items" of less than USD100 million may be approved by BDRC. However, if any such investment or capital injection is considered by NDRC to have been made in respect of a "restricted item", it shall then require NDRC approval.

According to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄), "high-class hotels, villas, high-class offices" are classified as restricted items. However, we have been advised by our PRC legal advisers that there is no definition or published guidance as to what constitute "high-class hotels, villas, high-class offices" for the purpose of the Catalogue for the Guidance of Foreign Investment Industries. Consistent with the market practice, we applied for an approval from BDRC in respect of our acquisitions of equity interests in Beijing SOHO, Redstone Jianwai and Shanshi Company. BDRC did not submit our application to NDRC and granted us the approvals. However, it remains open to NDRC to take a different view from the BDRC. If this occurs, the approvals granted by the BDRC may be reviewed by NDRC and, if we were unable to satisfy the enquiries from NDRC, NDRC may require us to make a resubmission. If approvals are not granted by NDRC, we have been advised by our PRC legal advisers that, even though there is no legal impediment to obtaining the approvals from NDRC under normal procedure, NDRC has the ultimate power not to recognise the relevant transactions and, in such case, it will affect our interests in Beijing SOHO, Redstone Jianwai and Shanshi Company.

For further details of the above acquisitions, please see "Our Restructuring — Acquisition of interests in subsidiaries".

Land Appreciation Tax

Land Appreciation Tax, or LAT, is levied on all entities receiving net profit from the sale or transfer of real estate, at progressive rates ranging from 30% to 60% of the appreciation value. On 1 February 2007, the Circular on Questions Concerning the Management of the Settlement of Land Appreciation Tax on Real Estate Developers (關於房地產開發企業土地增值稅清算管理有關問題的通知), or the LAT Circular, issued by the State Administration of Taxation took effect to strengthen the collection of LAT. It regulates (i) the conditions under which LAT must be settled; (ii) the methods in which taxable gains are computed; (iii) identifying items which are allowable deductible costs; (iv) time frame for settlement of the LAT; and (v) requirements for filing of documents. See the section headed "Taxation of Our Company — Taxation of Our Company in the PRC — LAT" in Appendix VI to this prospectus.

The LAT Circular provides for strengthened collection of LAT through final settlement of LAT being conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo a LAT clearance and settlement process.

According to the LAT Circular, property developers must conduct a final settlement of LAT if any one of the following conditions is satisfied:

- The project is completed and the development is sold;
- The project is transferred as a whole before the completion of the construction; or
- Any land use rights are transferred.

In addition, the PRC tax authorities may require a property developer to conduct final LAT settlement if any one of the following conditions is met:

- For completed projects, the area sold exceeds 85% of the total saleable area, or, where the area sold does not exceed 85% of the total saleable area, the remaining area available for sale has been either rented-out or put to self-use;
- The project has held a sale/pre-sale license for at least three years but has not completed the sale; or
- The taxpayer has applied for tax de-registration without conducting LAT settlement.

We estimate and make adequate provisions for the amount of LAT payable under the law and recognise these provisions in the income tax line item in our profit and loss accounts when we recognise revenue from the sale of our properties. We recognised LAT in 2004, 2005 and 2006 of RMB176.5 million, RMB362.8 million and RMB162.4 million, respectively. We believe we have been in compliance with the relevant LAT rules and regulations effective from time to time and are prepared to settle any additional LAT such as may be assessed by the PRC tax authorities at any time — we consider we have sufficient resources as our cash and cash equivalents as at 31 March

2007 totalled RMB1,470 million. We also maintain good credit records with banks and, in case of any cashflow problem, we believe we could obtain bank loans secured on our unsold properties. We believe that any additional administrative measures to be applied by the tax authorities for enforcing the LAT circular will have minimal impact on our operation of business.

For further details of the potential risks associated with LAT, please see "Risk Factors — Risks Relating to Our Industry — The enforcement of regulations on LAT by the PRC tax authorities may materially and adversely affect our profitability and cash flow position".

CORPORATE HISTORY

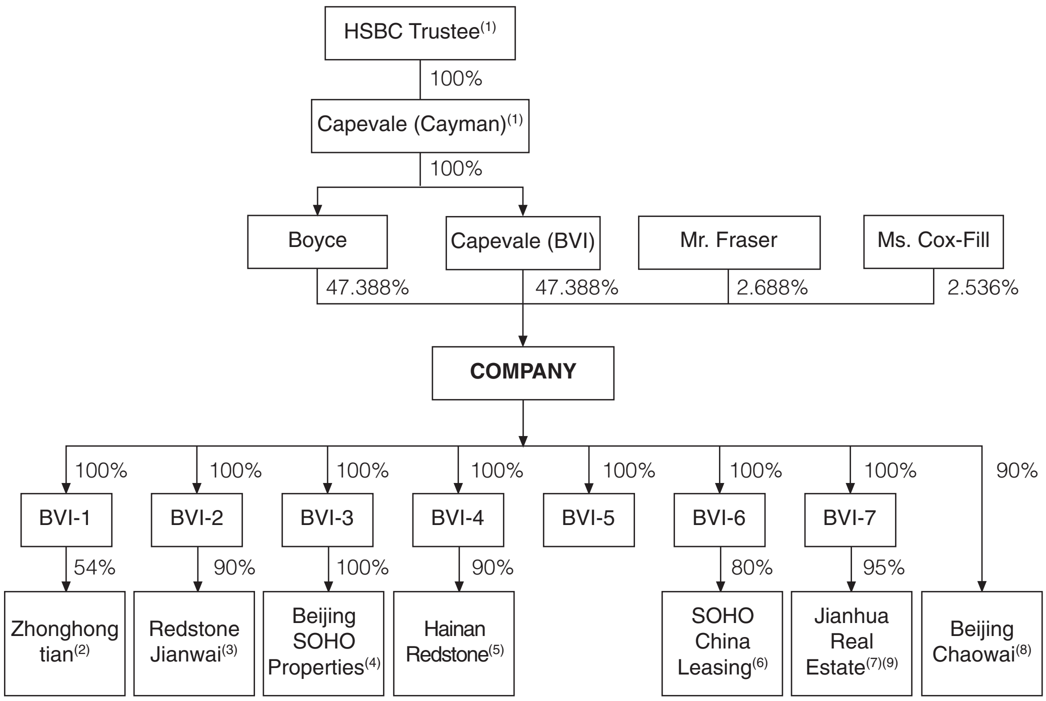
Mr. Pan and Ms. Zhang co-founded Redstone Industry, the predecessor of our Company, in 1995, focusing on property development in China. Historically, each of our projects was developed through a project company established in China which was controlled by Mr. Pan and Ms. Zhang. Our first major project, SOHO Newtown, was developed by Zhonghongtian, in which Mr. Pan and Ms. Zhang together controlled a 45% equity interest from May 1998 to August 1999 and have controlled a 54% equity interest from August 1999. Mr. Pan is also the chairman with full authority for the day-to-day management of Zhonghongtian. From October 2000 to January 2002, Mr. Pan and Ms. Zhang established Redstone Jianwai, Hainan Redstone and Redstone Newtown for the development of Jianwai SOHO, Boao Kempinski and Commune by the Great Wall respectively.

On 5 March 2002 Mr. Pan and Ms. Zhang incorporated our Company in the Cayman Islands with a view to transferring their equity interests in certain project companies to us. As part of such exercise in 2002, a number of wholly-owned intermediate holding companies were incorporated in the BVI. Other than equity interests in our project company subsidiaries in China, these BVI companies do not own any assets or conduct any operations. Minority equity interests in our project company subsidiaries not held by us are held, in many cases, by controlled entities of Mr. Pan or by Mr. Pan himself.

Subsequent to the incorporation of our Company, we have set up or acquired project companies such as Jianhua Real Estate, Beijing Chaowai, Beijing SOHO and Shanshi Company for each of the developments. For details of these developments, see the section entitled "Business — Our Projects".

CORPORATE STRUCTURE PRIOR TO RESTRUCTURING

The following diagram illustrates our corporate structure immediately prior to the restructuring in contemplation of the Global Offering.



Notes:

(1) Boyce was originally wholly owned by Mr. Pan and Capevale (BVI) was originally wholly owned by Ms. Zhang. For estate-planning purposes, on 14 November 2005, Mr. Pan transferred all his shares in Boyce to Ms. Zhang by way of gift. We have been advised by our PRC legal advisers that the Rules regarding Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) do not apply to Mr. Pan's transfer of his shares in Boyce since Boyce is a non-PRC entity. In turn, Ms. Zhang transferred all her shares in Boyce and Capevale (BVI) to Capevale (Cayman) which was incorporated in connection with the establishment of the Trust. On 25 November 2005, Ms. Zhang settled her shares in Capevale (Cayman) into the Trust and she is the sole beneficiary of the Trust. HSBC Trustee is the trustee of the Trust. Prior to that date, Capevale (Cayman) was wholly-owned by Ms. Zhang.

No.	Company	Project / Business	Shareholding
(2)	Zhonghongtian	SOHO Newtown	54% by BVI-1 18% by Metro City Development Pte. Ltd. 17% by Hongyun 11% by Zelihang
(3)	Beijing Redstone Jianwai Real Estate Development Co. Ltd ("**Redstone Jianwai**")	Jianwai SOHO	90% by BVI-2 10% by Redstone Industry
(4)	Beijing SOHO Properties Management Limited ("**Beijing SOHO Properties**")	real estate management	100% by BVI-3
(5)	Hainan Redstone	Boao Kempinski	90% by BVI-4 10% by Hainan Xiaoao Group Co., Ltd.
(6)	SOHO China Leasing Company Limited ("**SOHO China Leasing**")	property leasing	80% by BVI-6 20% by Beijing Liteng
(7)	Beijing Jianhua Real Estate Co. Ltd. ("**Jianhua Real Estate**")	SOHO Shangdu[9]	95% by BVI-7 5% by Beijing Huayuan Real Estate Co. Ltd.
(8)	Beijing Chaowai	Chaowai SOHO	90% by the Company 10% by Beijing SOHO

(9) Jianhua Real Estate is a cooperative joint venture under PRC law. Under the arrangement with Huayuan and Shangcheng we hold 100% of the economic interest with respect to phases II and III of the SOHO Shangdu project, whilst Huayuan and Shangcheng hold 100% of the economic interest related to Shangdu Phase I. For details on Shangdu Phase I, see "Financial Information — Results of Operations".

Please refer to "Statutory and General Information — Information about our Non-wholly Owned Subsidiaries, and Certain Connected Persons" in Appendix IX to this prospectus.

OUR RESTRUCTURING

As part of our restructuring in contemplation of the Global Offering, we (i) acquired additional equity interests in our existing PRC project company subsidiaries from other shareholders; (ii) acquired equity interests in the project companies of some of our other projects; (iii) increased total investments in each of the newly acquired project companies; and (iv) entered into agreements that contemplate Beijing Danshi transferring its 49% equity interest in Beijing Tianjie (the project company for the Tiananmen South (Qianmen) Project) to us. The equity transfer from Beijing Danshi to us is subject to PRC Government approvals. In the event that we do not obtain the necessary PRC Government approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project.

Acquisition of interests in existing subsidiaries

On 6 February 2007 we entered into an agreement to acquire a 5% equity interest in Redstone Jianwai from Redstone Industry, as a result of which and with effect from 15 February 2007 we hold a 95% equity interest in Redstone Jianwai. On the same date, we also entered into an agreement to acquire the remaining 20% equity interest in SOHO China Leasing from Liteng, as a result of which and with effect from 16 February 2007 we hold 100% of SOHO China Leasing.

Acquisition of interests in subsidiaries and increase of total investments and registered capital

On 23 January 2007 we, through an intermediate holding company incorporated in the BVI, entered into an agreement to acquire a 95% equity interest in Beijing Shanshi Real Estate Company Limited ("**Shanshi Company**") (project company for SOHO Guanghualu) for a total consideration of RMB10.25 million. On 27 March 2007, we, through a BVI intermediate holding company, entered into an agreement to acquire a 95% equity interest in Beijing SOHO Real Estate Co. Ltd. ("**Beijing SOHO**") (project company for Sanlitun SOHO)[(1)] for a total consideration of RMB19 million. Also on 27 March 2007, we, through a BVI intermediate holding company, entered into an agreement to acquire a 95% equity interest in Redstone Newtown (project company for Commune by the Great Wall) for a total consideration of RMB19 million. As part of each of these acquisitions, Mr. Pan transferred a 75% equity interest in the project companies to our BVI holding companies. In addition, Ms. Yan Yan, our chief financial officer, transferred a 20% equity interest in the project companies, which she held on behalf of Mr. Pan, to our BVI holding companies. Mr. Pan holds the remaining 5% in each of these PRC project companies. The foregoing transactions have been approved by Beijing Municipal Bureau of Commerce. The aggregate consideration for these three transfers was RMB48,250,000 (equivalent to approximately HK$49,749,961), payable in US dollars, and was fully settled on 17 September 2007.

Pursuant to the equity transfer agreements in respect of each of Shanshi Company, Beijing SOHO and Redstone Newtown, the registered capital in each of these companies were increased to US$38.7 million, US$49.5 million and US$10 million respectively. Approvals for the increase of the registered capital have been obtained and we made payment of 95% (representing our equity interest in each relevant PRC project company) of the first 20% increment in the registered capital of each of the three PRC project companies on 11 September 2007. The payment of 95% of the remaining 80% increment in the registered share capital of each of the three PRC project companies totalling US$68.7 million is expected to be made before the end of December 2007.

We have obtained the relevant amended business licences and our PRC legal advisers have advised that the restructuring process has been completed and that the Company has acquired the equity interest in and control of each of these PRC project companies.

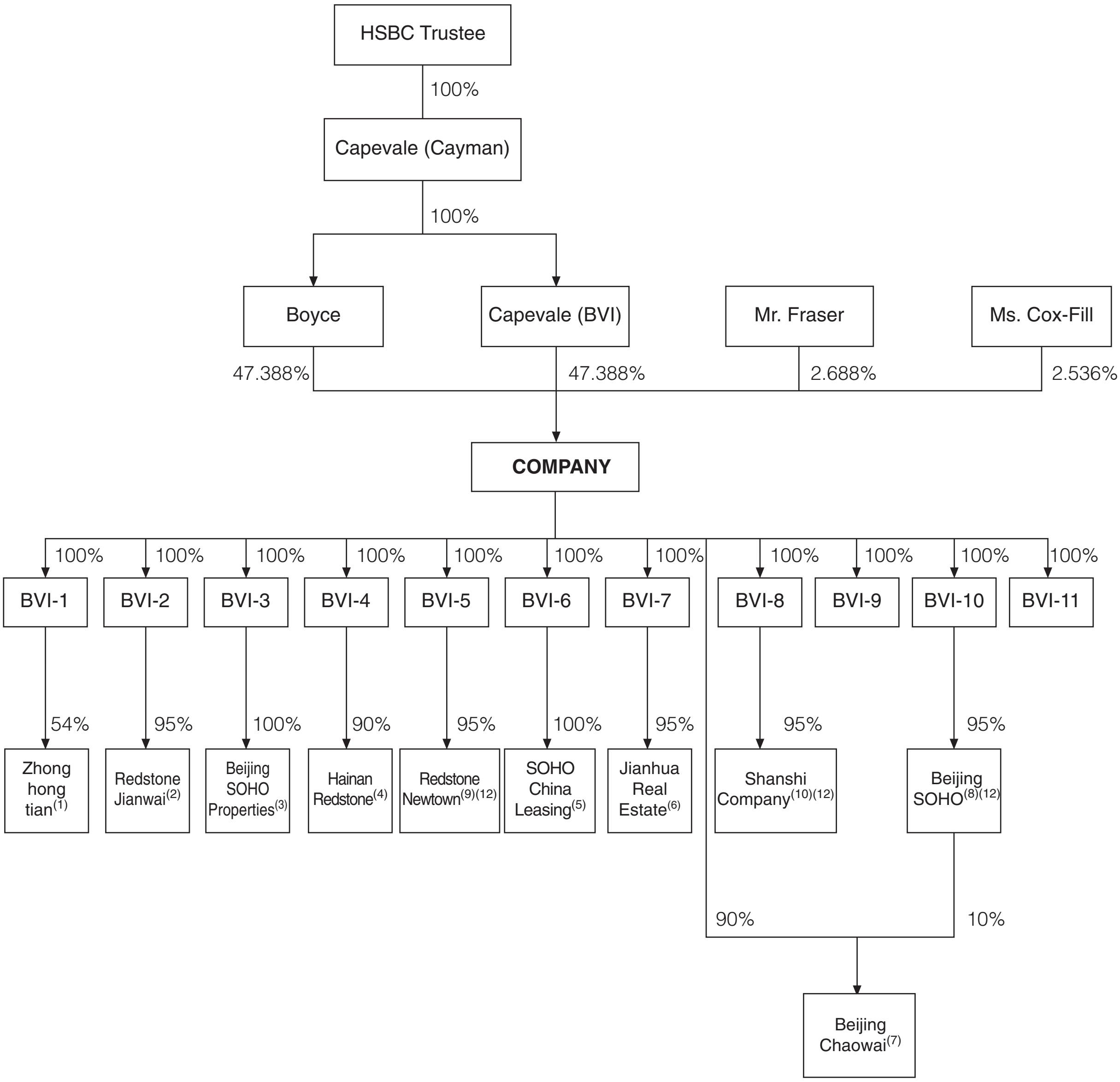
Government approvals

We have obtained all necessary government approvals for the above Restructuring-related transactions, including those required under the "Regulations regarding Acquisition of Domestic Enterprises by Foreign Investors" (關於外國投資者併購境內企業的規定).

(1) Please refer to the Accountants' Report in Appendix IA for details of the accounting treatment in respect of the SOHO Guanghualu project and the Sanlitun SOHO project.

OUR CORPORATE STRUCTURE

Immediately after the restructuring in contemplation of the Global Offering, our corporate structure is as follows:



Notes:

No.	Company	Project / Business	Shareholding
(1)	Zhonghongtian	SOHO Newtown	no change
(2)	Redstone Jianwai	Jianwai SOHO	95% by BVI-2 5% by Redstone Industry
(3)	Beijing SOHO Properties	Real estate management	no change
(4)	Hainan Redstone	Boao Kempinski	no change

No.	Company	Project / Business	Shareholding
(5)	SOHO China Leasing	property leasing	100% by BVI-6
(6)	Jianhua Real Estate	SOHO Shangdu(11)	no change
(7)	Beijing Chaowai.	Chaowai SOHO	no change
(8)	Beijing SOHO	Sanlitun SOHO	95% by BVI-10 5% by Mr. Pan
(9)	Redstone Newtown	Commune by the Great Wall	95% by BVI-5 5% by Mr. Pan
(10)	Shanshi Company	Guanghualu SOHO	95% by BVI-8 5% by Mr. Pan

(11) Jianhua Real Estate is a cooperative joint venture under PRC law. Under the arrangement with Huayuan and Shangcheng, we hold 100% of the economic interest with respect to phases II and III of the SOHO Shangdu project, whilst Huayuan and Shangcheng hold 100% of the economic interest related to Shangdu Phase I. For details on Shangdu Phase I, see “Financial Information — Results of Operations”.

(12) Each of Redstone Newtown, Beijing SOHO and Shanshi Company has entered into contractual arrangements with our Company:

Redstone Newtown

On 1 January 2003, Beijing SOHO Properties entered into a consulting service agreement with Redstone Newtown in connection with the development, construction, marketing, sale, management and funding of the Commune by the Great Wall project. The consulting service agreement effectively gives the Company the unilateral ability to direct the policies and management that guide the ongoing activities, obtain decision-making powers, receive majority benefits and bear substantive operating risks of Redstone Newtown. As a result, Redstone Newtown is effectively controlled by the Company and its financial statements have been consolidated with those of the Company since 1 January 2003. As part of the restructuring of the Group, the Company’s interest in Redstone Newtown was increased to 95% on 14 September 2007.

Shanshi Company

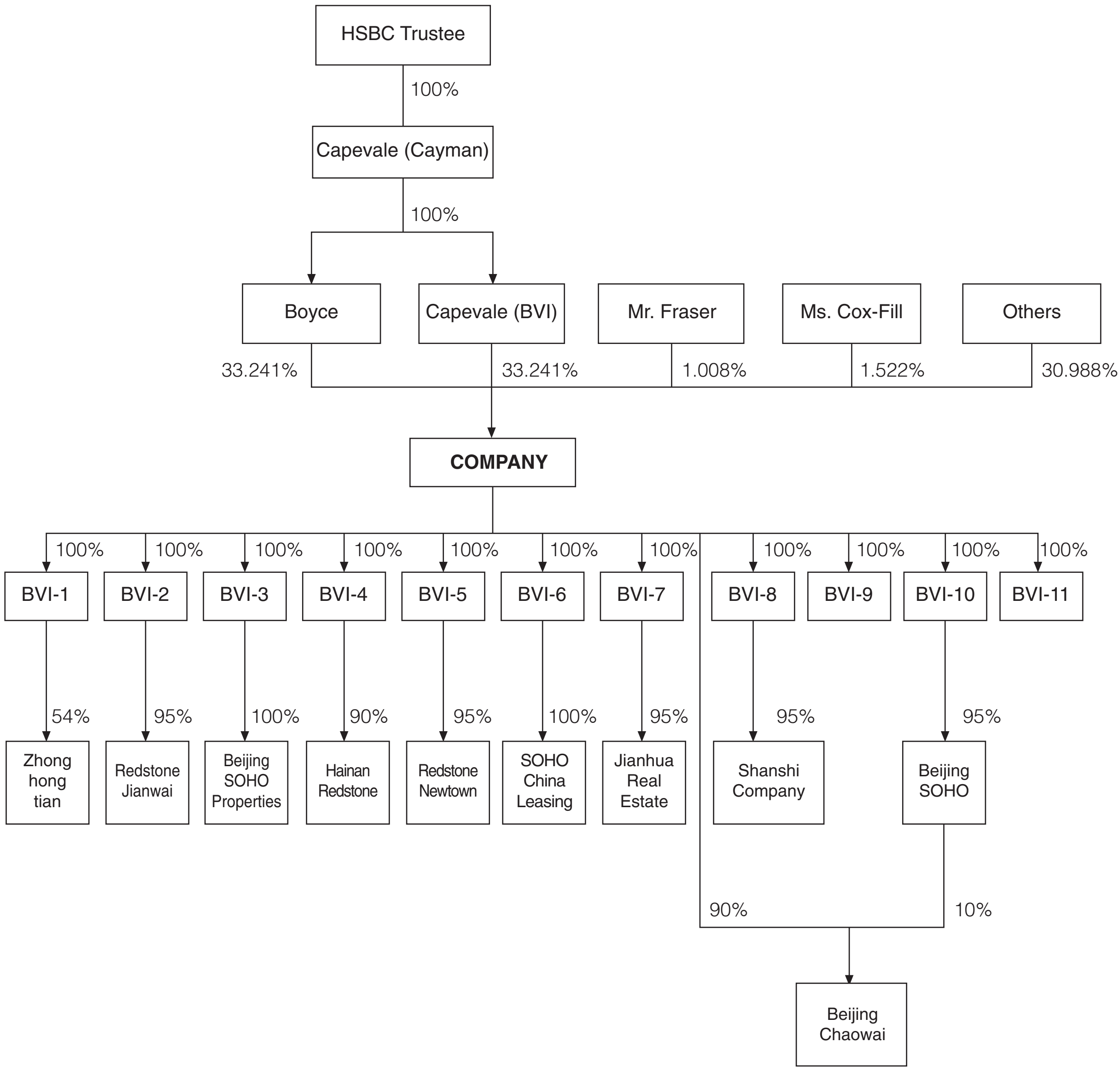
Shanshi Company, which was 80% owned by Mr. Pan, and 20% owned by Ms. Yan Yan, our executive Director and chief financial officer, was set up as a limited liability company in the PRC for property development purposes. Pursuant to an arrangement between the Company and Shanshi Company starting from 1 January 2005, which was subsequently confirmed in writing on 15 February 2007, the Company has effectively been managing and operating Shanshi Company and exercising the shareholders’ rights on behalf of Mr. Pan and Ms. Yan Yan, including instructing them on the voting at the shareholders’ meetings and receiving dividends through them. Accordingly, Shanshi Company’s financial statements have been consolidated with those of the Company since 1 January 2005. As part of the restructuring of the Group, the Company’s interest in Shanshi Company was changed to 95% on 14 September 2007.

Beijing SOHO

Beijing SOHO, which was 80% owned by Mr. Pan, and 20% owned by Ms. Yan Yan, our executive Director and chief financial officer, was set up as a limited liability company in the PRC for property development purposes. Pursuant to an arrangement between the Company and Beijing SOHO starting from 1 January 2005, which was subsequently confirmed in writing on 15 February 2007, the Company has effectively been managing and operating Beijing SOHO and exercising the shareholders’ rights on behalf of Mr. Pan and Ms. Yan Yan, including instructing them on the voting at the shareholders’ meetings and receiving dividends through them. Accordingly, Beijing SOHO’s financial statements have been consolidated with those of the Company since 1 January 2005. As part of the restructuring of the Group, the Company’s interest in Beijing SOHO was changed to 95% on 14 September 2007.

Please refer to "Statutory and General Information — Information About our Non-wholly Owned Subsidiaries, and Certain Connected Persons" in Appendix IX to this prospectus.

Immediately after the Global Offering and assuming the Over-allotment Option is not exercised, our corporate structure is as follows:



See also notes to the corporate structure diagram on page 73.

Following our restructuring, we hold our interests in each of our PRC subsidiaries through a separately wholly owned holding company incorporated in the BVI. The following table sets out some background information and business for each of these minority shareholders in our subsidiaries:

Minority Shareholder	Registered Capital	Place of Registration	Date of Incorporation	Nature of Business	Subsidiary with Interest
Beijing Huayuan Real Estate Co., Ltd. (北京市華遠地產股份有限公司)	RMB500.858 million	PRC	25 March 1993	real estate and others	Jianhua Real Estate
Beijing Redstone Industry Co., Ltd. (北京紅石實業有限責任公司)	RMB20 million	PRC	3 September 1995	real estate and others	Redstone Jianwai
Hainan Xiaoao Group Co., Ltd. (海南曉奧集團有限公司)	RMB50 million	PRC	26 November 1992	real estate and others	Hainan Redstone
Hongyun	RMB135 million	PRC	5 October 1993	real estate, property management and others	Zhonghongtian
Metro City Development Pte. Ltd. (新加坡現代城市發展股份有限公司)	S$22.269 million	Singapore	29 October 1996	real estate and investment	Zhonghongtian
Zelihang	RMB60 million	PRC	29 June 1999	investment consulting and others	Zhonghongtian

OUR BUSINESS

We are a commercial property developer with a strong track record of profitability. We are an industry leader focused on central Beijing and have won recognition and awards in China and internationally for our innovative designs. We were founded by our high profile directors, Mr. Pan and Ms. Zhang.

We primarily focus on the development and sale of Commercial Properties and seek to capitalise on the strength of the SOHO China brand to generate high returns on our developments. To date, we have completed the development of 1,208,594 sq.m. of GFA. By the end of 2009, we plan to complete the development of an additional 878,422 sq.m. of GFA when we will have completed the development of a total of 2,087,016 sq.m. of GFA.

For the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, we entered into sale contracts with aggregate contract values of RMB3,359.6 million, RMB3,277.9 million, RMB4,065.5 million and RMB3,284.7 million, respectively.

We believe that our strong track record of profitability and our industry leadership are demonstrated by the following:

- *Strong track record of profitability.* Our consolidated profits for 2004, 2005 and 2006 were RMB424,373,000, RMB865,048,000 and RMB409,730,000 respectively.[1]

- *Industry leadership.* We believe that we are the largest real estate developer in the Beijing CBD by sales revenue and developable area. According to a report by China Index Research Institute (中國指數研究院) prepared based on data from Beijing Real Estate Information Network (北京房地產信息網), as at 27 December 2006, sales revenue from our projects accounted for approximately 39% of the total property sales revenue in Beijing CBD from 2003 through a portion of 2006. According to the same report, more than 1,554,000 sq. m., or approximately 19% of total planned developable GFA of the Beijing CBD as set forth in the government plan of March 2004 for the Beijing CBD, has been or is being developed by us. Our pre-sale revenues were the highest in Beijing in 2005 and 2006 and the second highest in 2004, based on that report.[2] We were also the second highest taxpayer in China's real estate sector from 2003 to 2004, and were

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(1) See page 146 for details of the mismatch between recorded turnover in each of these years and the aggregate contract values of our sale contracts (which primarily consist of pre-sale contracts).

(2) We commissioned the report by China Index Research Institute (中國指數研究院) and paid a total of RMB 150,000 for its services. China Index Research Institute (中國指數研究院) derived these amounts based on data from Beijing Real Estate Information Network (北京房地產信息網), which is a government-sponsored organisation. Although Mr. Pan is one of the members of the team of research specialists in the institute (中國指數研究院權威專家團), the Company has confirmed that Mr. Pan's role in the institute is an honorary one and does not involve any substantive work by Mr. Pan. Mr. Pan has also confirmed that he was not in any way, directly or indirectly, involved in the research for and the preparation of the commissioned report.

In addition, the institute (中國指數研究院) derived the figures in the commissioned report based on data from Beijing Real Estate Information Network (北京房地產信息網), which is a government-sponsored organisation. As such, the underlying data used in the report are considered to be official statistics. A significant portion of the work performed by the institute involved aggregating amounts for different projects developed by the same property developer. Although this work may have been significant and time-consuming, it involved relatively little complex or subjective judgment. In addition, the institute is affiliated with www.soufun.com (搜房), which is a leading internet portal in China for various property-related news and information.

amongst the top 500 highest taxpayers in China from 2004 to 2005. We were named as one of the "Most Admired Companies" in China by Fortune Magazine (Chinese edition) 2006 and were the only real estate company among the top ten companies to receive such recognition.

- *Innovative designs.* Our Jianwai SOHO project received the 2006 Business Week / Architectural Record China Awards and the 2003 CIHAF Prize for Innovative Chinese Famous Development. Our Commune by the Great Wall project was named "*A New Architectural Wonder of China*" by Business Week in 2005 and was the only hotel in China listed on the Condé Nast Traveler's "100 Hot Hotels in the World" in 2004.

- *High profile directors.* Mr. Pan was honoured as one of the 25 most influential business leaders in China by *Fortune (China) Magazine* in 2005 and was named one of the "Top Ten Influential Figures in Real Estate Industry" by *sina.com* in 2004 and 2006 and one of the "Top Ten Influential Figures in Real Estate Industry" by *sohu.com* in 2005. As at 25 April 2007, the total number of visits to Mr. Pan's blog, had surpassed 33 million hits and ranked 6th amongst all blogs hosted on *sina.com.cn* and first amongst all entrepreneurs' blogs hosted on *sina.com.cn*. Ms. Zhang was selected by the World Economic Forum as a Young Global Leader in 2005. She also won Business Week's Stars of Asia Award for 2004 and received the 2004 Montblanc Arts Patronage Award given by Montblanc Cultural Foundation. In recognition of Ms. Zhang's efforts in promoting the development of architecture in Asia, Ms. Zhang was awarded a Special Prize to an Individual Patron of Architectural Award by La Biennale di Venezia in 2002. She has also spoken at various forums including the Fortune Global Forum 2005 and the China Business Summit 2003 & World Economic Development Declaration 2003.

We have entered into a series of agreements with Beijing Tianjie, among other parties, for the acquisition of an interest in the Tiananmen South (Qianmen) Project. Such acquisition is subject to PRC Government approvals. In the event that that we obtain the necessary approvals for the acquisition of such interest in the Tiananmen South (Qianmen) Project and Beijing Tianjie completes its acquisition of the 33 Parcels on the expected schedule, we would expect to be able to develop up to an additional 165,000 sq.m. of planned GFA. In the event that we do not obtain the necessary PRC Government approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project and will not have access to any of the associated GFA for development or sale. Further, if we are successful in bidding for the additional 11 Parcels, which form part of the Tiananmen South (Qianmen) Project, and which are expected to be put out for open tender in late 2007, then our total planned GFA may increase by another 195,000 sq.m.. In the event that we are able to acquire and develop the 33 Parcels and 11 Parcels, the total GFA that we have completed and that we plan to complete through 31 December 2009 will total 2,447,016 sq.m..

Details of our completed (including substantially completed), current, hotel operations and pending projects are as follows:

Current projects:

- Sanlitun SOHO, phase I of which we expect to complete in the fourth quarter of 2008 and phase II of which we expect to complete in the third quarter of 2009. We believe Sanlitun SOHO, with a total planned GFA of approximately 465,680 sq. m., will be one of the largest commercial and residential complexes available for sale in central Beijing upon completion. We plan to develop office and residential towers on top of shopping malls, which are linked by an outdoor piazza. Pre-sales of phase I are expected to commence in the fourth quarter of 2007.

- Guanghualu SOHO, which we expect to complete in the fourth quarter of 2008. Guanghualu SOHO is located in Beijing CBD with a total planned GFA of approximately 75,766 sq. m.. It will comprise four towers and is smaller in scale than our other current projects. As at 30 June 2007, approximately 86.3% of the total saleable GFA had been pre-sold.

- Chaowai SOHO, which we expect to complete in the fourth quarter of 2007. Chaowai SOHO, with a total planned GFA of 151,168 sq. m., is located in Beijing CBD. Chaowai SOHO seeks to integrate the outdoors with the indoors by having numerous green areas inside the buildings thereby allowing people to experience natural scenery when they are inside the development. As at 30 June 2007, approximately 99.4% of the GFA of Chaowai SOHO (excluding the office space which we intend to hold as our future headquarters) had already been pre-sold.

Completed and substantially completed projects:

- SOHO Shangdu, phase II (the west wing) of which was completed in 2006 and phase III (the east wing) which was completed in the third quarter of 2007. SOHO Shangdu, with a total planned GFA of approximately 172,176 sq. m., is located in Beijing CBD. It will comprise a low-rise "shopping street" and two high-rise office buildings. As at 30 June 2007, approximately 99.6% of the GFA of SOHO Shangdu had already been pre-sold or sold.

- Jianwai SOHO, which will comprise 24 buildings upon completion, has a total planned GFA of 683,821 sq. m. and is one of the largest developments in Beijing CBD. We expect the area to become one of the busiest commercial areas in central Beijing. As of 30 June 2007, construction of 22 of the 24 buildings had been completed and the remaining two buildings of 73,163 sq. m. GFA are expected to be completed by the end of October 2007. As at 30 June 2007, approximately 98.4% of the GFA of Jianwai SOHO had been pre-sold or sold.

- SOHO Newtown, our first project, was completed in 2001. SOHO Newtown, with a total planned GFA of approximately 471,300 sq. m., is located in Beijing CBD. SOHO Newtown was the first project to introduce the SOHO concept in the PRC. As at 30 June 2007, 99.1% of commercial and residential GFA of SOHO Newtown had been sold.

Hotels:

- Commune by the Great Wall, a boutique hotel which we consider to be a showcase project, is located beside the Great Wall. It has a total planned GFA of 30,544 sq.m. and comprises 11 unique houses, each of which was designed by a renowned Asian architect, 32 additional houses, a conference centre with two restaurants, a spa operated by Anantara and a children's club. Commune by the Great Wall was named "A New Architectural Wonder of China" by Business Week in 2005, and was the only hotel in Mainland China listed on the Condé Nast Traveler's "100 Hot Hotels in the World" in 2004. Commune by the Great Wall is managed by the Kempinski Group.

- Boao Kempinski, a resort community with a total planned GFA of 36,561 sq. m. and comprising 115 houses and one conference centre with two restaurants. The project is located within Boao Forum for Asia Special Planning District, which is the permanent venue of the Boao Forum for Asia. As at 30 June 2007, 59 of the 115 houses have been sold and the remaining 56 houses and the conference centre are expected to be put on sale over the medium term. Hainan Liteng, a company controlled by Mr. Pan, is the property manager of all 115 houses and the conference centre. We have further engaged the Kempinski Group to provide hotel management services to the conference centre, the 55 unsold houses and 56 of the houses sold where the owners wish to have the same services.

Pending projects:

- Tiananmen South (Qianmen), which, assuming we obtain the relevant PRC Government approvals, we expect to complete in phases by the third quarter of 2009, is located in the Qianmen area immediately south of Tiananmen Square within one of the largest hutong conservation areas in Beijing and has a total planned GFA of approximately 165,000 sq. m. In the event that we do not obtain the necessary PRC Government approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project and will not have access to any of the associated GFA for development or sale. We also intend to bid for the 11 Parcels which are part of the Tiananmen South (Qianmen) Project and which have a planned GFA of approximately 195,000 sq.m. and would result in us having a cumulative total of approximately 360,000 sq.m. if we are successful in bidding for these parcels which are expected to be put out for open tender in late 2007 and assuming we obtain the relevant PRC Government approvals for the acquisition of Beijing Danshi's interest in the Tiananmen South (Qianmen) Project. The new architecture in this project will be in the hutong style and the project contemplates an 845 metre long pedestrian shopping boulevard south of Tiananmen Square. We expect pre-sales of the project to begin in the first half of 2008. We currently plan to sell less than 50% of the saleable GFA and to retain the remaining properties for medium to long term investment. The acquisition of our interest in this project remains subject to PRC Government approvals.

The following table summarises our completed (including substantially completed) and current projects as well as information on the Tiananmen South (Qianmen) Project. Beijing Danshi, an entity controlled by Mr. Pan, has purchased a 49% equity interest in Beijing Tianjie (the project company for the Tiananmen South (Qianmen) Project) and we have entered into agreements for the acquisition of this interest. The proposed transfer to us remains subject to PRC Government approvals. In the event that we do not obtain the required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale. We also intend to bid for the 11 Parcels, which form part of the Tiananmen South (Qianmen) Project, which are expected to be put out for open tender in late 2007.

Project	Location	Use	Total planned GFA	Our attributable economic interest	Status[3]
			(sq.m.)	(%)	
Sanlitun SOHO	Central Beijing	Retail, office residential	465,680	95%	Under development
Guanghualu SOHO	Central Beijing (CBD)	Office, retail	75,766	95%	Under construction
SOHO Shangdu	Central Beijing (CBD)	Office, retail	172,176	100%	Phase II completed; Phase III Completed
Chaowai SOHO	Central Beijing (CBD)	Office, retail	151,168	99.5%	Under construction
Jianwai SOHO	Central Beijing (CBD)	Office, retail, residential	683,821	95%	Substantially completed
SOHO Newtown	Central Beijing (CBD)	Office, retail, residential	471,300	54%	Completed
Commune by the Great Wall, managed by Kempinski	Beijing Great Wall	Hotel, residential	30,544	95%	Phase I completed; Phase II under construction
Boao Kempinski	Hainan province	Hotel, residential	36,561	90%	Completed
Tiananmen South (Qianmen) — 33 Parcels	Central Beijing	Retail, office residential	165,000[4]	—[2]	—[2]
Tiananmen South (Qianmen) — 11 Parcels[1]	Central Beijing	Retail, office, residential	195,000[4]	—[1][2]	—
Total (excluding all 44 Parcels of Tiananmen South (Qianmen))			2,087,016		
Total (including 33 Parcels, but excluding 11 Parcels of Tiananmen South (Qianmen))			2,252,016		
Total (including all 44 Parcels of Tiananmen South (Qianmen))			2,447,016		

(1) These 11 Parcels are situated within the Tiananmen South (Qianmen) Project and are expected to be put out for open tender in late 2007. The inclusion of the GFA into this table is based on the assumption that we will be successful in a bid for all eleven of these parcels. For details, please see section entitled "Business — Our Projects — Tiananmen South (Qianmen) Project".

(2) We have recently entered into a series of agreements with Beijing Danshi and other shareholders of Beijing Tianjie to purchase Beijing Danshi's 49% equity interest in Beijing Tianjie. The acquisition is subject to PRC Government approvals. If we do not obtain the required approvals, we may not be entitled to any economic interest in this project. In the event that we do receive the requisite approvals, the Cooperation Agreement, as amended, generally provides that, excluding the 12 Heritage Sites, (1) we are entitled to develop, design, construct, sell, lease and operate all of the 44 Parcels that Beijing Tianjie may acquire and (2) we are entitled to all of the income generated by, less all costs and expenses incurred by, Beijing Tianjie that are related to any of the 44 Parcels that Beijing Tianjie may acquire. See "Business — Our Projects — Tiananmen South (Qianmen) Project" for further details.

(3) See "Business — Our Projects" for a description of these categories.

(4) These planned GFA amounts are approximate amounts and are subject to change based on the final architectural plans and PRC Government approvals.

OUR COMPETITIVE STRENGTHS

We consider our core competitive strengths to be as follows:

A strong track record of profitability based on a focus on Commercial Property development and sales in central Beijing

We have a strong track record of profitability. Historically, we have sought to maximise the return on our investment by selling a substantial majority of our Commercial Properties. We believe that this has enabled us to derive higher returns compared to leasing a portfolio of investment properties and has provided us with strong liquidity and cash proceeds from sales. We also focus on the development of Commercial Properties, which as a sector has not been the focus of recent austerity measures to the same extent as residential properties

A prestigious brand name in China which provides us with competitive advantages

Our co-founders Mr. Pan and Ms. Zhang have established themselves as high-profile style trendsetters among our target customer base of property buyers in China. We believe that the SOHO China brand is a dynamic lifestyle brand and that our Company is an industry leader in developing Commercial Properties with innovative designs. As a recognition of the strength of our brand in the property development sector we were named as one of the "Most Admired Companies" in China by *Fortune Magazine* (Chinese edition) in 2006 and were the only real estate company named among the top ten companies to receive such recognition.

We believe that our prestigious brand distinguishes us from our competitors and has provided us with the following competitive advantages:

- **Our brand name attracts a nationwide and loyal customer base.** Approximately two-thirds of our customers as at 31 December 2006 were resident outside of Beijing, and approximately half of our pre-sales over the past three years are from repeat purchasers or recommendations of our customers.

- **Our brand name increases our opportunity to secure land in prime locations in central Beijing.** Our reputation for commercial development expertise has led other developers with land in prime locations in central Beijing to approach and sell land to us or to collaborate with us to develop selected commercial parts of their developments.

- **Our brand name helps drive sales prices for our products.** Of our current projects, Chaowai SOHO had an average selling price of RMB30,432 per sq. m. in 2006 and SOHO Shangdu had an average selling price of RMB24,033 per sq. m. in 2005. We believe that our brand name is a positive factor which our purchasers take into account in making a decision to purchase our properties.

By maintaining a high profile in the market place, we believe we will be able to continue to leverage on the value of our brand.

A visionary management team with a disciplined focus on delivering profit

Our management team, led by our founders Mr. Pan and Ms. Zhang, has a strong track record of delivering profitability. The objective of our management team in site selection, design and development financing is to optimise the return on investment. Through the vision of our management team, we introduced the "SOHO" concept to China and successfully applied it to development in central Beijing, leading to our focus on Commercial Property development and sales.

We believe that we are the largest property developer in Beijing CBD in terms of sales revenue and developable area. Given that belief and given our experience in property development in central Beijing, we are of the view that we have the platform for our management team to continue to help us to take advantage of the significant growth opportunities available in Commercial Property development in central Beijing.

An ability to translate innovative designs into marketable products within cost targets

We collaborate with internationally recognised avant-garde architects and believe we are differentiated from our competitors by our superior capability to translate innovative designs into trend-setting marketable products that appeal to local tastes and which can be developed within our strict cost targets. We have introduced a number of design innovations in many of our projects including introducing the concept of "SOHO" in China for SOHO Newtown, while at the same time meeting the functional requirements of our customers.

The design of Jianwai SOHO won the 2003 CIHAF Prize for Innovative Chinese Famous Development and was named the 2006 Business Week/Architectural Record China Awards winner for its innovative architecture. Our Chaowai SOHO and SOHO Shangdu projects have office spaces that have been designed by professional interior designers, thereby saving our customers time and expense on renovation, allowing quicker return on their investments as the office spaces can be leased out more rapidly.

We have consistently completed and delivered properties to our customers on or before the deadlines in the pre-sale contracts while maintaining the quality of the developments and keeping our construction costs within our budget by strictly complying with our project development procedures. See the section entitled "Business — Project Development".

Financial discipline resulting in a strong balance sheet with low gearing ratio

We seek to maintain strict financial discipline in our operations, from land acquisition to construction. As a result, our debt level is low, and our strong pre-sales provide strong cash flow and liquidity. Our Gearing Ratio as at 31 December 2004, 31 December 2005, 31 December 2006 and 31 March 2007 was approximately 4.29%, 0%, 9.49% and 19.06%, respectively.

We believe in maintaining sufficient land reserves for development over the short to medium term enabling us to minimise the time period between acquisition and development of the acquired land, thus assuring our capital will be more efficiently deployed and enhancing returns.

We focus on the development of Commercial Properties in central Beijing. Accordingly, we seek land acquisition opportunities in our target areas of Beijing that are zoned for commercial use. With RMB1,470 million in cash and cash equivalents as at 31 March 2007 we believe that our liquidity has and will continue to enable us to take advantage quickly of such opportunities as they arise.

OUR STRATEGIES

We aim to continue to grow as an industry leading property developer, focused primarily on premium Retail Commercial Properties utilising innovative designs in prime locations of Beijing:

Continue to emphasise high profitability through selection and development of high return projects

We intend to continue our business strategy of evaluating land acquisition opportunities in central Beijing. We also intend to expand our team of professional staff to enhance our ability to evaluate effectively such opportunities. Whilst we are not currently pursuing new investments outside of Beijing, we may consider opportunistic investments outside Beijing if we believe that such investments will produce attractive returns.

Continue to focus on the development and sale of large-scale Commercial Properties with innovative designs in central Beijing

We intend to continue to focus primarily on the development and sale of large-scale, Commercial Property developments with innovative designs in central Beijing. Our Commercial Property developments have generally generated higher returns than our residential property developments and larger scale developments allow for more efficient cost control and increased profitability. In particular, we intend to increase our focus on retail property development, which has represented a higher segment of our property development value chain as it has generally generated higher margins than our office and residential property developments. We will continue to seek further development opportunities in prime locations in central Beijing to leverage on our significant expertise in Commercial Property development. We also believe that there are further growth opportunities particularly with the infrastructure and other developments being built for the 2008 Olympic Games.

We may consider retaining certain completed properties with the intention to sell at a later time to enhance returns.

Continue to capitalise on and enhance our brand name and customer loyalty by developing high profile and innovative projects

We believe that we have a prestigious brand name in China and intend to continue to capitalise on our brand name in order to maintain our customer base in China, to enhance our ability to secure land in prime locations in central Beijing and to achieve higher sales prices.

We believe our brand name and reputation in the market depend on the distinctiveness and quality of our products, our ability to identify lifestyle trends and innovative design concepts by working together with nationally and internationally recognised avant-garde architects, and our ability to translate such trends and concepts into commercially successful property development projects. We will continue to collaborate with architects on developing high profile and innovative projects focusing on market segmentation and product differentiation that will be attractive to our customers.

We consider each customer a potential repeat customer and a source of introducing future business, rather than a party to a single transaction. By selling distinctive products, and offering post-sale leasing and re-sale services, we create more opportunities to strengthen our relationship with our customers and increase the likelihood of repeat sales and referrals. Specifically, we have taken, and will continue to take, the following steps:

- Bring to market distinctive, innovative designs to appeal to both existing and prospective customers;

- Facilitate the leasing and sale of the properties purchased from us by our customers; and

- Host regular social events throughout China for our nationwide customer base and their guests to maintain contact with our customers and for them to introduce potential new customers to us.

Continue to exercise financial discipline in the operation of our business

We aim to maintain an effective and efficient management structure and continue to exercise fiscal prudence in the operation of our business, including continuing our measures to control construction costs. In order to enhance returns and to deploy our capital efficiently while still maintaining a sufficient quality of future projects for development, we aim to continue our strategy of acquiring land only if the project development can commence within a short period of time. We expect to retain certain completed properties and may consider retaining more with the intention to sell at a later time to enhance returns.

OUR PROJECTS

The following table summarises our completed (including substantially completed) and current projects as well as information on the Tiananmen South (Qianmen) Project. We have entered into a series of agreements to acquire an interest in this project, which is subject to PRC Government approvals. If we do not obtain such approval we may not be entitled to any economic interest in the project and will not have access to any of the associated GFA for development or sale. All amounts calculated based on GFA are as at 30 June 2007. Amounts under "development cost" are as at 31 March 2007.

Project	Total planned GFA	Total saleable GFA[1]	Saleable GFA by use — Commercial properties — Office[2]	Saleable GFA by use — Commercial properties — Retail	Saleable GFA by use — Residential	Saleable GFA by use — Hotel	Saleable GFA sold and pre-sold	GFA sold and pre-sold %	Total GFA completed[3]	Total planned GFA under development[4]	Actual/expected construction commencement	Actual/expected construction completion	Development cost[12] — Actually incurred	Development cost[12] — Additional cost to be incurred	Our attributable economic interest
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)	(sq.m.)	(sq.m.)			(RMB'000)	(RMB'000)	(%)
Sanlitun SOHO	465,680	360,000	114,000	125,000	121,000	—	—	—	—	465,680	Q4 2007	Q4 2008; Q3 2009	3,230,187	2,118,818	95.0%
Guanghualu SOHO	75,766	58,861	38,321	20,540	—	—	50,786	86.3	—	75,766	Q1 2007	Q4 2008	603,482	352,004	95.0%
SOHO Shangdu	172,176	121,332	59,232	62,100	—	—	120,797	99.6	80,013	92,163	Q1 2005	Q4 2006; Q3 2007[6]	1,378,003	85,489	100.0%
Chaowai SOHO	151,168	120,563[10]	56,245	64,318	—	—	108,118	99.4[11]	—	151,168	Q4 2005	Q4 2007	967,403	376,752	99.5%
Jianwai SOHO P1-6	610,658	476,038	388,704	87,334	—	—	469,114	98.5	610,658	—	Q2 2002	Q4 2005	4,338,270	—	95.0%
Jianwai SOHO P7	73,163	56,483	49,529	6,954	—	—	54,684	96.8	—	73,163	Q3 2005	Q3 2007	421,008	146,516	95.0%
SOHO Newtown	471,300	379,608	161,258	17,052	201,298	—	376,260	99.1	471,300	—	Q4 1998	Q4 2001	2,932,684	—	54.0%
Commune by the Great Wall, Managed by Kempinski	30,544	30,544	—	—	—	30,544	—	—	10,062	20,482	Q3 2001; Q3 2005[7]	Q1 2003; Q3 2007[7]	293,167	38,059	95.0%
Boao Kempinski	36,561	36,561	—	—	16,245	20,316	16,245	44.4	36,561	—	Q4 2001	Q2 2002[8]	221,717	—	90.0%
Tiananmen South (Qianmen) — 33 Parcels	165,000[14]	140,000[14]	not available	not available	not available	—	—	—	—	165,000[14]	Q3 2007	Q4 2008; Q3 2009	3,575,238[13]	3,987,376[13]	—[9]
Tiananmen South (Qianmen) — 11 Parcels[5]	195,000[14]	120,000[14]	not available	not available	not available	—	—	—	—	195,000[14]		—			
Total (excluding all 44 Parcels of Tiananmen South (Qianmen))	2,087,016	1,639,990	867,289	383,298	338,543	50,860	1,196,004		1,208,594	878,422					
Total (including 33 Parcels, but excluding 11 Parcels of Tiananmen South (Qianmen)	2,252,016	1,779,990	not available	not available	not available	50,860	1,196,004		1,208,594	1,043,422					
Total (including all 44 Parcels of Tiananmen South (Qianmen))	2,447,016	1,899,990	not available	not available	not available	50,860	1,196,004		1,208,594	1,238,422			17,961,159	7,105,514	

Notes:

(1) Total saleable GFA includes GFA that has already been sold or contracted to be sold. Total saleable GFA excludes carparks and areas not available for sale such as machinery rooms, schools and kindergartens.

(2) SOHOs may be used as offices or residential homes. From our experience, our SOHO properties are generally used as offices. Accordingly, we classify SOHOs as offices.

(3) Amounts for "total GFA completed" are based on completion and acceptance certificates (竣工驗收証明), except the amount for Commune by the Great Wall, which is based on the realty title certificate (房地產權證), and the amount for Boao Kempinski, which is based on the building ownership certificates.

(4) Amount for "total planned GFA under development" is based on the work commencement permit (建設工程施工許可證), except the amounts for (i) Sanlitun SOHO, which is based on the supplemental agreement to the State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), and (ii) Tiananmen South (Qianmen), which is based on internal estimates.

(5) Assuming that we are successful in our bid for the 11 Parcels which are situated within the Tiananmen South (Qianmen) Project which are expected to be put out for open tender in late 2007. For details, please see section entitled "Business — Our Projects — Tiananmen South (Qianmen) Project".

(6) Phase II of SOHO Shangdu was completed in the fourth quarter of 2006, and Phase III was completed in the third quarter of 2007.

(7) Phase I of Commune by the Great Wall commenced construction in the third quarter of 2001 and was completed in the first quarter of 2003, and phase II commenced construction in the third quarter of 2005 and is expected to be completed by the end of September 2007.

(8) The conference centre for Boao Kempinski was completed in the second quarter of 2006.

(9) We have entered into agreements with Beijing Danshi and other shareholders of Beijing Tianjie for the equity interest that Beijing Danshi holds in Beijing Tianjie to be transferred to us. Such transfer is subject to government approvals. In the event that we do not obtain the required approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project and will not have access to any of the associated GFA for development or sale. In the event that we do receive the requisite approvals, the Cooperation Agreement, as amended, generally provides that, excluding the 12 Heritage Sites, (1) we are entitled to develop, design, construct, sell, lease and operate all of the 44 Parcels that Beijing Tianjie may acquire and (2) we are entitled to all of the income generated by, less all costs and expenses incurred by, Beijing Tianjie that are related to any of these 44 Parcels. See "Business — Our Projects — Tiananmen South (Qianmen) Project" for further details.

(10) Including the 11,784 sq.m. which we intend to hold as our future headquarters.

(11) Calculated by dividing (i) 108,118 sq.m. (saleable GFA sold and pre-sold as at 30 June 2007) by (ii) 108,779 sq.m. (the difference between 120,563 sq.m. and 11,784 sq.m.). See note 10 above.

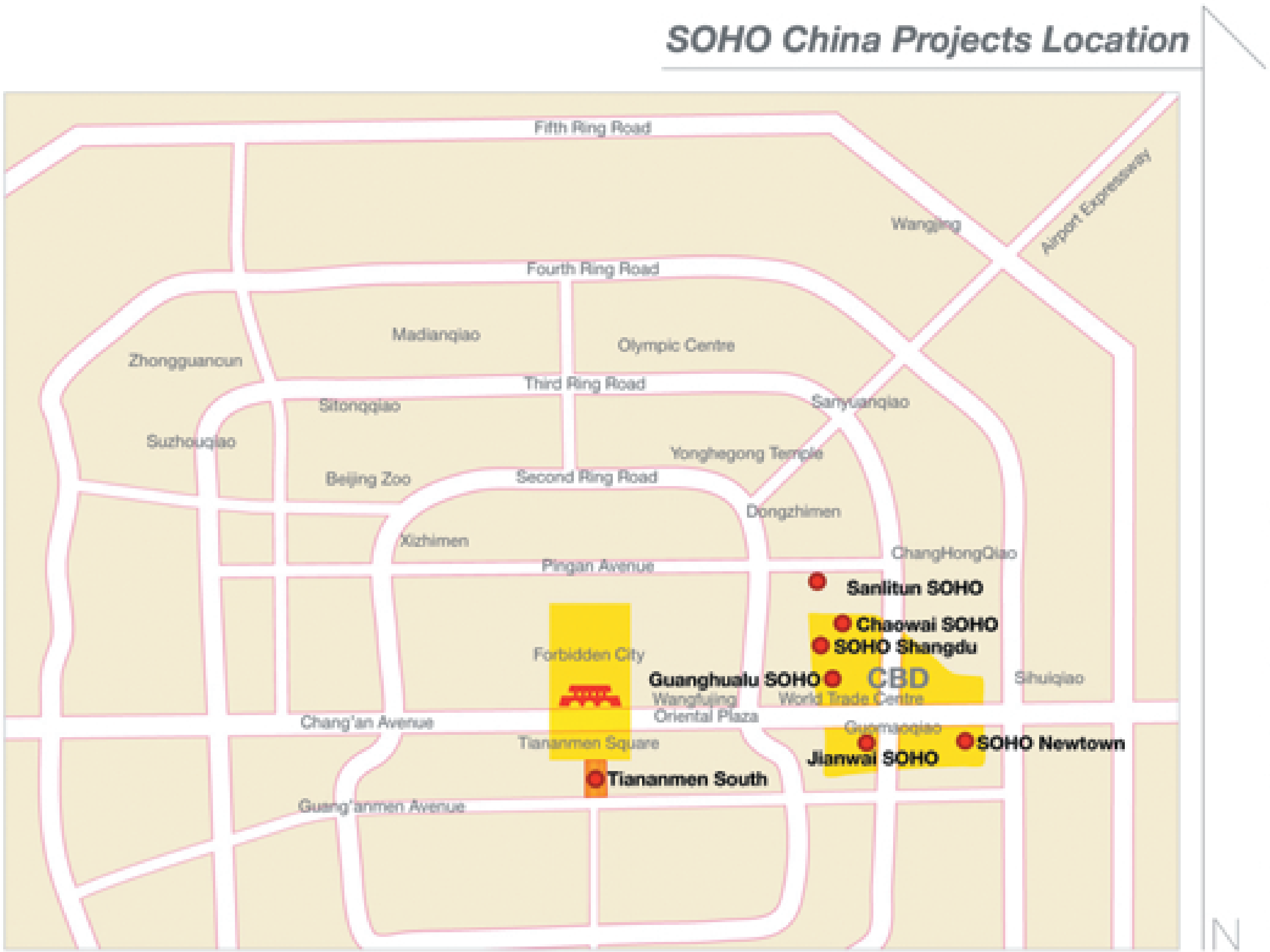
(12) Development cost consists of costs of land and costs of construction. For detailed information on the components of these costs, see "Financial Information — Description of Certain Financial Statement Items — Cost of Properties Sold".

(13) Development costs for Tiananmen South (Qianmen) have been calculated on the basis of the 33 Parcels and the 11 Parcels as a whole and a breakdown is not available for the 33 Parcels or the 11 Parcels.

(14) These planned GFA and saleable GFA amounts are approximate amounts and are subject to change based on the final architectural plans and PRC Government approvals.

For a discussion of the steps involved in the development of our projects, see the section headed "Business — Project Development" below.

We focus on developing large-scale Commercial Properties in central Beijing. The map below shows the location of the CBD and each of our property development projects in Beijing and the Tiananmen South (Qianmen) Project which we have entered into agreements for the acquisition of which remains subject to PRC Government approvals:



Our Projects

We classify our projects into four categories:

- Completed projects, which are projects for which construction of all constituent buildings has been completed;
- Substantially completed projects, which are projects with respect to which at least 90% of their constituent buildings have been fully constructed;
- Projects under construction, which are projects with respect to which less than 90% of their constituent buildings have been fully constructed; and
- Projects under development, which are incomplete property projects where land grant contracts have been signed and preparatory work has begun.

In addition we have included information about the Tiananmen South (Qianmen) Project which we have entered into certain agreements to acquire an interest in but the acquisition of which remains subject to the receipt of PRC Government approvals.

Set forth below are more detailed descriptions of each of our projects.

Sanlitun SOHO

Above is a picture of a model of the Sanlitun SOHO project after completion, which may not represent the eventual state of the property development.

Sanlitun SOHO is located close to the second embassy district and the Workers' Stadium in Beijing. The site for Sanlitun SOHO is close to a well-known entertainment district, known as the Sanlitun Bar District.

We acquired the site of Sanlitun SOHO with an area of approximately 51,245 sq.m. through a land transfer by private negotiation in 2006. The land is zoned for both residential and commercial uses. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of Sanlitun SOHO project to date have been obtained except for the Construction Land Planning Permit, the Construction Works Planning Permit and the Work Commencement Permit. We can only commence construction after obtaining such permits and we currently expect to obtain the permits and commence construction in the fourth quarter of 2007. The use of the land for Sanlitun SOHO complies with the condition specified in the Land Use Right Certificate.

We believe that Sanlitun SOHO, with a total planned GFA of approximately 465,680 sq. m., will be one of the largest commercial and residential complexes available for sale in central Beijing upon completion. We plan to develop office and residential towers on top of shopping malls, which are linked by an outdoor piazza. The project will be built in two phases. Phase I is expected to be completed in the fourth quarter of 2008 and phase II in the third quarter of 2009. Pre-sale of Phase I is expected to commence in the fourth quarter of 2007.

Guanghualu SOHO

A mock-up office of Guanghualu SOHO

Guanghualu SOHO is located in Beijing CBD and close to the China World Trade Centre and the Silk Market. We acquired the site for Guanghualu SOHO, with a total area of approximately 10,189 sq.m., through a land transfer through private negotiation in 2006. The land is zoned for commercial use. We have been advised by our PRC legal advisers that all the material certificates, permits, approvals and rights for the development of Guanghualu SOHO project to date have been obtained. The use of land for Guanghualu SOHO complies with the condition specified in its Land Use Right Certificate.

Upon completion, Guanghualu SOHO will comprise four commercial towers with a total planned GFA of approximately 75,766 sq.m. The basement and the first to the fourth floor of the four towers will be connected and will be occupied by retail units. The floors above will be offices.

Although smaller in scale compared to our other CBD projects in Beijing, Guanghualu SOHO will have strong architectural features and outstanding avant-garde façades.

We commenced construction of the project in the first quarter of 2007 and expect to complete the project in the fourth quarter of 2008. By 30 June 2007, 126 out of the 142 retail units as well as 142 out of the 165 office units, have been pre-sold, representing 86.3% of the total saleable GFA of Guanghualu SOHO.

SOHO Shangdu

An office in SOHO Shangdu

The shopping mall of SOHO Shangdu

In 2004, we entered into a cooperation framework agreement ("**Shangdu Cooperation Agreement**"), a financial cooperation management agreement and related supplementary agreements with Beijing Huayuan Real Estate Co. Ltd. (北京市華遠地產股份有限公司) ("**Huayuan**") and Beijing Shangcheng Investment Management Co. Ltd. (北京尚城投資管理有限公司) (formerly known as Beijing Shangcheng Real Estate Development Co. Ltd. (北京尚城地產開發有限公司)) ("**Shangcheng**") to acquire their equity interests in Beijing Jianhua Real Estate Co. Ltd. (北京建華置地有限公司) ("**Jianhua Real Estate**"). Jianhua Real Estate was engaged in the development of Shangdu Phase I, which is the construction of the Shangdu International Centre, before we acquired the equity interests from Huayuan and Shangcheng. Both Huayuan and Shangcheng are independent third parties, unconnected with the Group prior to the time that the Shangdu Cooperation Agreement was entered into.

The entire Shangdu project comprises three phases. Phase I is Shangdu International Centre and phases II and III constitute SOHO Shangdu ("**SOHO Shangdu**"). The principal terms of the arrangement amongst Huayuan, Shangcheng and us are as follows:

(i) We acquired 60% of the paid-in capital of Jianhua Real Estate in July 2004. Our equity holding was further increased to 95% in January 2005 in accordance with the Shangdu Cooperation Agreement. Huayuan holds the remaining 5% of Jianhua Real Estate. Huayuan, however, has agreed not to exercise its rights in relation to its 5% equity holding unless all the other parties to the Shangdu Cooperation Agreement agree. Huayuan has further agreed to transfer its remaining 5% equity interest to us for no additional consideration, to the extent permitted under PRC law, when Huayuan receives from Jianhua Real Estate more than 95% of certain local authority incentives in respect of the entire Shangdu project. Construction of the phase III of the Shangdu project was recently completed in the third quarter of 2007 and we expect that substantially all the local authority incentives will be made available following such completion.

(ii) Huayuan and Shangcheng will continue to be responsible for all the liabilities resulting from the development (if any), including liabilities resulting from the construction (including subcontracting) and marketing and sales of the Shangdu International Centre.

(iii) We will be responsible for the development and operation of SOHO Shangdu, including the design, construction (including subcontracting), marketing and sales and property management of SOHO Shangdu.

(iv) When we acquired a 60% equity interest in Jianhua Real Estate, the board consisted of seven directors. Three of them were appointed by Huayuan who decide on all matters in relation to Shangdu Phase I, and the other four directors were appointed by us and decide on all matters in relation to SOHO Shangdu. In November 2004, two of the directors appointed by Huayuan resigned from the board when our equity interest in Jianhua Real Estate increased from 60% to 95%. The board currently consists of five directors, of which one is appointed by Huayuan and four are appointed by us.

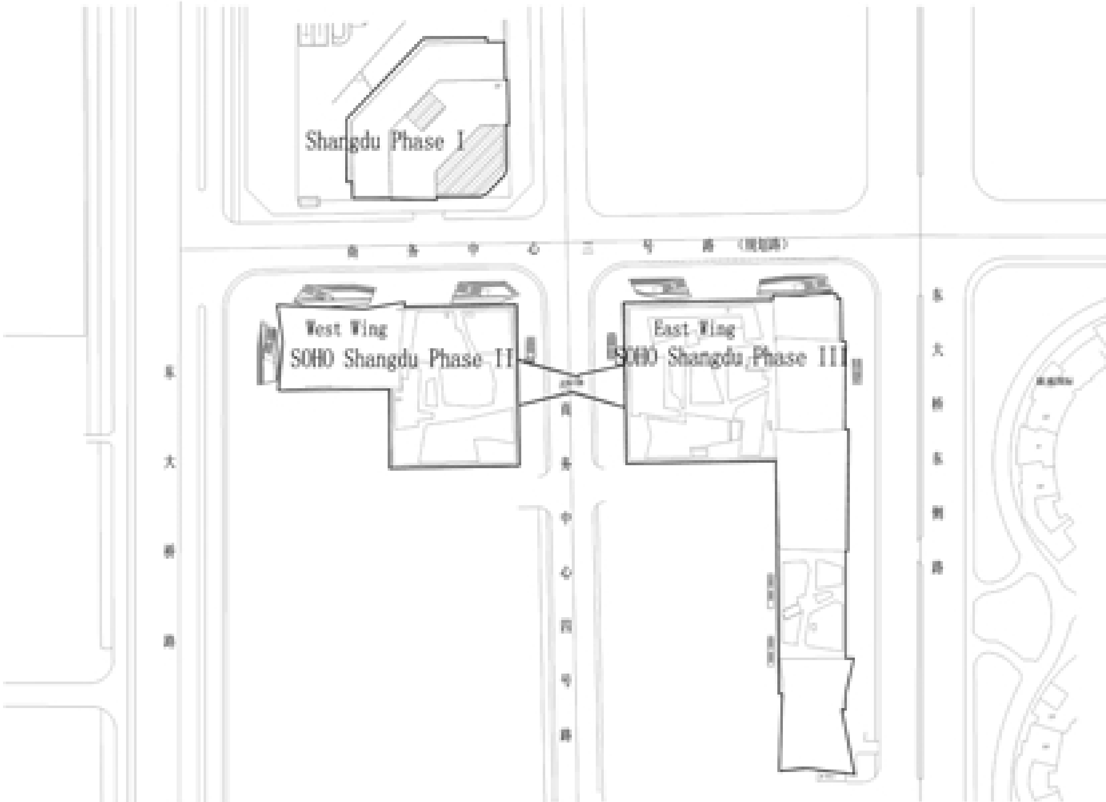
(v) Huayuan is responsible for managing and preparing the financial information of Shangdu Phase I, whilst we are responsible for managing and preparing the financial information of SOHO Shangdu. The preliminary infrastructure costs of SOHO Shangdu were paid by Huayuan and were subsumed as part of the consideration paid by us under the Shangdu Cooperation Agreement. Such preliminary infrastructure costs have been reflected in the total development costs of SOHO Shangdu and have been included in our consolidated financial statements. Huayuan and ourselves keep separate bank accounts for Shangdu Phase I and SOHO Shangdu.

(vi) We have been granted the right to access all the financial information of Jianhua Real Estate and thus we have access to all the books and accounts of Shangdu Phase I. No reciprocal right of information in relation to SOHO Shangdu has been granted to Huayuan.

The Shangdu Cooperation Agreement does not have any specific provision to terminate the above arrangement. All the risks, responsibilities, liabilities and profits associated with Shangdu Phase I will be borne and enjoyed solely by Huayuan and Shangcheng, whilst those associated with SOHO Shangdu will be borne and enjoyed solely by the Company. This arrangement will continue and our PRC legal advisers have advised us that this arrangement will remain the same regardless of whether or not the remaining 5% equity interest is to be transferred from Huayuan to us in the future. Our PRC legal advisers have further advised us that even though we have made a pre-payment of the 5% equity interest which is to be transferred to us in the future, we may be required to pay consideration equivalent to the full value of that equity interest according to its appraised value at the time of transfer.

Huayuan and Shangcheng had commenced development of Shangdu Phase I at the time of our acquisition of the 60% equity interest in Jianhua Real Estate. The parties therefore agreed that Shangdu Phase I would continue to be developed by Huayuan and Shangcheng, and we would only be responsible for the development of SOHO Shangdu. This arrangement was adopted for greater tax efficiency and in order to lighten the administrative burden in obtaining the approval necessary for an equity transfer, compared to the approval necessary for a land transfer. Our PRC legal advisers have confirmed that the arrangement is in compliance with applicable PRC tax laws and regulations. Under the Shangdu Cooperation Agreement, even though Huayuan and Shangcheng have agreed to indemnify us for all damages and losses relating to Shangdu Phase I, we, as Jianhua Real Estate's 95% equity holder, remain ultimately responsible for 95% of all damages and losses relating to Shangdu Phase I, and there is no assurance that Huayuan and Shangcheng will comply with their contractual obligations and be responsible for all the damages and losses relating to Shangdu Phase I. However, in view of the provisions in the Shangdu Cooperation Agreement which provide for all the risks, responsibilities and liabilities to be borne solely by Huayuan and Shangcheng and that such arrangements are of an unlimited period under the contract, we believe that our risk exposure in relation to Shangdu Phase I would not be material in any event. For details on risks related to Shangdu Phase I, see "Risk Factors — Risk relating to our business — Certain assets attributed to us in our consolidated financial statements are not under our management but we may have residual liabilities from such assets" and "Risk Factors — Risk relating to our business — Failures of third parties to file asset appraisal reports and undergo open tender procedures in two of our projects may affect our business".

The site map below identifies the location of phase I, phase II and phase III of the Shangdu project:



Phases II and III of Shangdu project, which constitute SOHO Shangdu, comprise a site area of approximately 21,785 sq.m. The land is zoned for both residential and commercial use. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of SOHO Shangdu project to date have been obtained. The use of land for SOHO Shangdu complies with the condition specified in the Land Use Right Certificate.

SOHO Shangdu comprises a west wing (phase II) and an east wing (phase III) which are linked by a skybridge. With a total planned GFA of 172,176 sq. m., SOHO Shangdu is located in the prime shopping area in Beijing CBD and is close to the China World Trade Centre. It will comprise of a low-rise "shopping street" and two high-rise office buildings. The exterior of the building has the appearance of crystal achieved by the use of fractals of different scales.

The west wing of SOHO Shangdu was completed in 2006 and the east wing was completed in the third quarter of 2007. As of 30 June 2007, 230 out of the 232 offices and all 437 retail units which constitute approximately 99.6% of the total saleable GFA of SOHO Shangdu, had been sold or pre-sold.

Shangdu Phase I has a site area of approximately 9,994 sq.m. and a total saleable GFA of approximately 86,458 sq.m. excluding car parks. The development of the entire Shangdu Phase I has been completed. As at the Latest Practicable Date, all the offices and retail units in Shangdu Phase 1 have been sold, and only one out of the 333 residential units remained unsold. We have been informed by Huayuan and Shangcheng that there will not be further property development in relation to Shangdu Phase I. Shangdu Phase I and SOHO Shangdu do not share any common area or facilities. As advised by our PRC legal advisers, all the material certificates, permits and approvals required for the development of Shangdu Phase I to-date have been obtained. Since substantially all the properties in Shangdu Phase I have been sold, Jianhua Real Estate is no longer responsible for the current use of the land.

The only remaining responsibility to be fulfilled by Huayuan and Shangcheng in relation to Shangdu Phase I is to honour Jianhua Real Estate's obligation to render after-sale services to its customers. In this connection, they have agreed to honour Jianhua Real Estate's obligations to its customers or their mortgagee banks which arise from any of the following: (i) warranty on quality of the relevant properties, (ii) undertaking to repair where there are structural defects and (iii) guarantees on mortgages taken by customers on the relevant properties. The warranties on quality and undertaking to repair generally expire in two to five years after delivery of properties. Such warranties and undertakings, however, will only expire after 50 years in relation to the main structure of the building. In relation to guarantees on mortgages, the guarantees will be terminated upon the customers receiving the individual Building Ownership Certificates which will then be pledged to the banks instead. It usually takes one to two years after delivery of properties for the customers to obtain the individual Building Ownership Certificates. Jianhua Real Estate has retained 5% of the fees under various contracts with the contractors to cover the warranty on quality and the undertaking to repair. Our controlling shareholders, Ms. Zhang, Boyce and Capevale (BVI) have also provided an indemnity for all liabilities failed to be covered by Huayuan and Shangcheng in relation to Shangdu Phase I. We do not expect to receive any income from Shangdu Phase I and do not expect to engage in further business with Huayuan and Shangcheng in relation to this project. For details on the financial impact on the Company in relation to Shangdu Phase I, see "Financial Information — Results of Operations," and "Risk Factors — Risks relating to our business — Certain assets attributed to us in our consolidated financial statements are not under our management but we may have residual liabilities from such assets."

Chaowai SOHO

A mock-up office in Chaowai SOHO

A mock-up café in Chaowai SOHO

Chaowai SOHO is in Beijing CBD and is located close to SOHO Shangdu. We acquired the site of Chaowai SOHO with a total area of approximately 19,975 sq.m. through public tender in 2004. The land is zoned for commercial use. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of Chaowai SOHO to date have been obtained. The use of land for Chaowai SOHO complies with the condition specified in its Land Use Right Certificate. Chaowai SOHO has a total planned GFA of 151,168 sq.m. Upon completion, it will consist of a 25-storey building situated in the middle, surrounded by two 11-storey buildings. The two 11-storey buildings are designed to have 18-metre wide corridors that run across the buildings.

The design of Chaowai SOHO has a distinctive Asian element. It provides an experience of a "city within a city". Chaowai SOHO seeks to integrate the outdoors with the indoors by having numerous green areas inside the buildings thereby allowing visitors to experience natural scenery when they are inside the development.

We commenced construction of the project in the fourth quarter of 2005. As at 30 June 2007, we had completed the structure of all the buildings and expect to complete the rest of the project in the fourth quarter of 2007. We intend to hold approximately 11,784 sq.m. as our future headquarters. Excluding the area which we intend to hold for future use, as at 30 June 2007, all 196 offices and 472 out of the 477 retail units, which represent approximately 99.4% of the total saleable GFA of Chaowai SOHO, have been sold or pre-sold.

Jianwai SOHO

Retail shops in Jianwai SOHO

A mock-up of an office in Jianwai SOHO

Jianwai SOHO is located in Beijing CBD and is opposite China World Trade Centre and next to Yintai Centre. We acquired the site of Jianwai SOHO with a total area of approximately 99,305 sq.m. through entering into land use right grant contracts with the government through private negotiation. The land is zoned for both residential and commercial uses. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of Jianwai SOHO project to date have been obtained. We confirm that the use of land for Jianwai SOHO also complies with the condition specified in its Land Use Right Certificate.

Jianwai SOHO has a total planned GFA of approximately 683,821 sq. m.. Upon completion, Jianwai SOHO will comprise 24 buildings and will be one of the largest developments in Beijing CBD. We expect the area to become one of the busiest commercial areas in central Beijing. We have completed 22 of the 24 buildings and expect to complete construction of the remaining two buildings and have them ready for use by the end of October 2007. As at 30 June 2007, 2,409 out of the 2,410 offices and 431 out of the 479 retail units, which represent approximately 98.4% of the total saleable GFA of Jianwai SOHO, have been sold or pre-sold.

Jianwai SOHO won the 2003 CIHAF Prize for Innovative Chinese Famous Development for its design. Jianwai SOHO received the 2006 Business Week/Architectural Record China Awards for its innovative architecture, and it is one of the first Chinese architectures to have received such awards.

SOHO Newtown

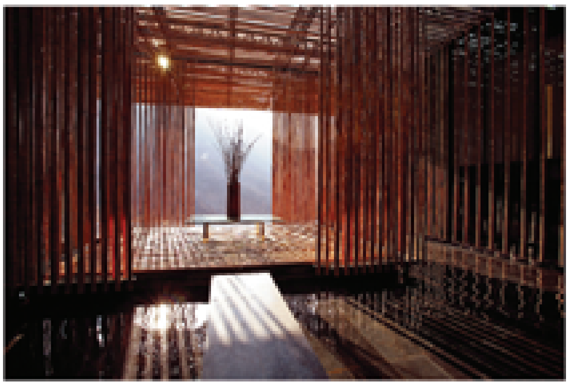
View of SOHO Newtown

An office tower lobby in SOHO Newtown

SOHO Newtown is located in Beijing CBD close to the China World Trade Centre. We acquired the site of SOHO Newtown with a total area of approximately 60,547 sq.m. through entering into land use right grant contracts with the government through private negotiation. The land is zoned for both residential and commercial uses. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of SOHO Newtown to date have been obtained. We confirm that the use of the land for SOHO Newtown also complies with the condition specified in its Land Use Right Certificate.

SOHO Newtown was our first project and was completed in the fourth quarter of 2001. It was the first property development to introduce the "SOHO" concept to China. The project consists of two adjacent high-rise developments — Newtown Apartments and SOHO with ten buildings in total. The buildings are decorated with different colours. Close attention has been paid to the layout and functions of the individual units. SOHO Newtown has a total GFA of 471,300 sq.m. As at 30 June 2007, all the 48 retail units of SOHO Newtown have been sold and only 5 out of the 799 offices and 1 out of the 1,385 residential units remain unsold. Long-term loan financing arrangements were provided by Zhonghongtian to certain property unit buyers to fund a portion of the initial down payment of the purchase price of the property units in SOHO Newtown. We have been advised by our PRC legal advisers that these arrangements were in compliance with the applicable PRC laws and regulations. The total GFA sold represents approximately 99.1% of the total saleable GFA of SOHO Newtown.

Commune by the Great Wall, Managed by Kempinski



"Bamboo House", one of the houses in Commune by the Great Wall Kempinski Hotel

"Distorted Courtyard", one of the houses in Commune by the Great Wall Kempinski Hotel

Commune by the Great Wall is located close to the Great Wall in the Yanqing county of Beijing. We acquired the site with a total area of approximately 20,824 sq.m. through entering into land use right grant contracts with the government through private negotiation in 2001 and 2002. Phase I of the project is zoned for mixed use and phase II is zoned for residential use.

As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of this project to date have been obtained.

Commune by the Great Wall, with a total planned GFA of 30,544 sq.m., is a boutique hotel located beside the Great Wall and is a showcase project. Phase I comprises 11 unique houses and a conference centre with two restaurants. Each of the houses and the conference centre was designed by a renowned architect in Asia. Phase II comprises 32 houses, a spa operated by Anantara and a children's club. Unlike the 11 houses in Phase I, the 32 houses in Phase II have been designed to accommodate the needs of hotel guests and other visitors. Each of the 32 houses has four to six self-contained rooms with en-suite bathrooms. In addition, customers will be allowed to reserve a room in the 32 houses instead of having to reserve the entire house, which we believe will increase the number of our customers and help broaden our customer base.

We consider Commune by the Great Wall to be an icon of contemporary modern architecture. It was named "A New Architectural Wonder of China" by Business Week in 2005 and was the only hotel in China listed on the Condé Nast Traveler's "100 Hot Hotels in the World" in 2004. Ms. Zhang was awarded the 2002 la Biennale di Venezia Special Prize to an Individual Patron of Architectural Works and the 2004 Montblanc Arts Patronage Award for Commune by the Great Wall in recognition of her efforts to promote the development of contemporary architecture in Asia.

Commune by the Great Wall is managed by Key International Hotels Management Co. Ltd. ("**Key Management**"), a member of the Kempinski Hotels Group. The management agreement dated 8 July 2005 provides that, among other things:

- Key Management shall be the exclusive operator and manager of the hotel for a period of 10 fiscal years;

- Key Management shall have the right to determine all charges and room rates for the hotel;

- The hotel shall be operated and managed in accordance with standards applicable to other hotels managed by the Kempinski Hotel Group;

- Key Management may appoint the general manager, finance director and sales and marketing director for the hotel;

- Key Management shall provide administration and management services to the hotel, with support from Kempinski Hotels S.A. ("**KISA**");

- KISA shall ensure that the hotel's reservations system is inter-connected with global reservations systems; and

- The hotel shall pay a management fee calculated as a percentage of total hotel revenues and a bonus fee calculated as a percentage of the hotel's net operating profit to Key Management. In addition, the hotel shall pay a sales and marketing service fee calculated as a percentage of the hotel's room charges revenue to Key Management.

The project has two phases. Phase I of the hotel was officially open in January 2003. We currently expect to complete the construction of phase II by the end of September 2007 and expect full launch of phase II at the same time.

Boao Kempinski

River-view villas of Boao Kempinski

Terrace outside the Chinese restaurant in Boao Kempinski

Boao Kempinski is located in Boao, a coastal town in the eastern part of Hainan province. We acquired the site which has a total area of approximately 157,668 sq.m., through private negotiation in 2001. The land is zoned for residential use. As advised by our PRC legal advisers, all the material certificates, permits, approvals and rights for the development of Boao Kempinski project to date have been obtained.

Boao Kempinski is a resort community comprising 115 houses, one conference centre with two restaurants with a total GFA of 36,561 sq.m.. The project is located within Boao Forum for Asia Special Planning District, which is the permanent venue of the Boao Forum for Asia, a conference held annually to bring together political and business leaders and scholars from around Asia to discuss economics, social and environmental issues.

Boao Kempinski was awarded the Award for HKIA Members' Work "Outside of Hong Kong" prize in 2002 by the Hong Kong Institute of Architects. We have engaged Key Management, a member of the Kempinski Hotels Group, to provide hotel management services to the conference center, the 55 unsold houses and 56 of the houses sold where the owners wish to have the same services. The management agreement dated 26 August 2005 provides that, among other things:

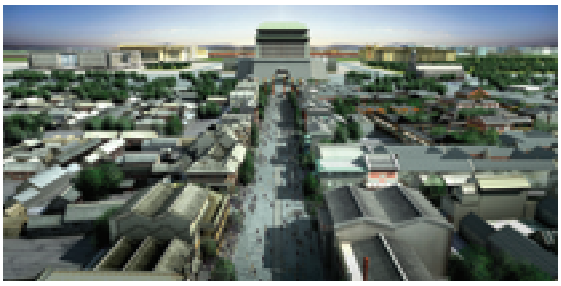
- Key Management shall be the exclusive operator and manager of the hotel for a period of 10 fiscal years;
- Key Management shall have the right to determine all charges and room rates for the hotel;
- The hotel shall be operated and managed in accordance with standards applicable to other hotels managed by the Kempinski Hotel Group;
- Key Management may appoint the general manager, finance director and sales and marketing director for the hotel;
- Key Management shall provide administration and management services to the hotel, with support from KISA;
- KISA shall ensure that the hotel's reservations is inter-connected with global reservations systems;

- We shall pay for our houses a management fee calculated as the sum of a percentage of total revenues of the houses and a percentage of the gross operating profit of the houses to Key Management; and

- We shall also pay on behalf of Key Management to KISA a trademark licence fee for the "Kempinski" mark based on a percentage of the total revenues of Boao Kempinski, which can be deducted from the management fee payable to Key Management.

Construction of the Boao Kempinski project commenced in October 2001. The project was substantially completed in the second quarter of 2002, other than its conference centre which was completed in the second quarter of 2006. As at 30 June 2007, 59 of the 115 houses have been sold. Timing for the sale of the remaining 56 houses and the conference centre is subject to market conditions and we currently plan to put the remaining developments on sale over the medium term.

Tiananmen South (Qianmen) Project



Bird's-eye-view of Tiananmen South (Qianmen)

Imperial Walk towards Tiananmen Square

Overview

Although we do not currently hold any interest in the Tiananmen South (Qianmen) Project, we have recently entered into a series of agreements with a view to acquiring from Beijing Danshi, which is a PRC entity controlled by Mr. Pan, a 49% equity interest in a company called Beijing Tianjie and thereby its interest in the Tiananmen South (Qianmen) Project. Beijing Tianjie has received the Construction Land Planning Permit and Construction Planning Opinion for the Tiananmen South (Qianmen) Project. It also received Work Commencement Permits to enable it to commence development of ten projects within the Tiananmen South (Qianmen) Project area. Such acquisition is subject to PRC Government approvals. Although we expect approval to be given for the transfer of the 49% equity interest in Beijing Tianjie, the approval process can be time consuming, and we cannot guarantee that we will receive the requisite approvals. Assuming that we receive all approvals for and complete our acquisition of the 49% equity interest in Beijing Tianjie, and except as set out in Appendix 1C with respect to the 12 Heritage Sites, the Cooperation Agreement, as amended, generally provides that (1) we will develop, design, construct, sell, lease and operate all of the 44 Parcels of land that Beijing Tianjie may acquire and (2) we will be entitled, as referred to in more detail in Appendix 1C, to all of the income generated by, less all the costs and expenses incurred by, Beijing Tianjie that are related to any of the 44 Parcels. In the event that we do not obtain these required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings. In the meantime, prior to our obtaining the requisite approvals, Beijing Danshi, District SASAC and Chongyuan will be responsible for and will continue the development of the Tiananmen South (Qianmen) Project. The agreements in place seek to ensure that the project will be developed according to schedule prior to our receiving the requisite approvals. Beijing Tianjie has currently acquired the land use rights to 27 of the 33 Parcels and is awaiting execution of the land grant contracts for the remaining 6 land parcels. We also intend to bid for an additional 11 land parcels, being the 11 Parcels, which are expected to be put out for open tender in late 2007. Other than with respect to any of the 11 Parcels acquired pursuant to the open tender, we are not required to make future payments with respect to the transfer or the development of the Tiananmen South (Qianmen) Project until the requisite PRC Government approvals are received.

Tiananmen South (Qianmen) Project is located in the Qianmen area lying immediately south of Tiananmen Square in Beijing. A portion of this area has been set aside by the Beijing municipal government for preservation and redevelopment in a traditional style that preserves the architectural integrity of the traditional Beijing shops, hutongs (traditional Beijing lanes), and courtyard homes for which the area is famous. The government approved master plan for this project contemplates the creation of an 845 meter long pedestrian shopping boulevard with shops on both sides of Qianmen Avenue and a large area east of it. The project is expected to be comprised of fashionable and traditional shops, cafes, restaurants, residential courtyards, commercial office space and numerous underground parking facilities. Qianmen Avenue lies on the main axis that runs through the Forbidden City and Tiananmen Square. The entire project covers an area of 201,832 square meters and consists of many distinct parcels of land and hutongs. We intend to develop this site as commercial and residential areas, whilst the remaining land within the project will be developed as municipal infrastructure, green spaces and heritage sites that consist of special buildings important to Beijing's cultural heritage. The project will consist both of areas where new buildings may be constructed and of conservation areas where existing buildings must be preserved through careful renovation.

For more details of the Tiananmen South (Qianmen) Project, including a history of the project, the nature of Beijing Tianjie's interest in the project and the agreements entered into with respect to our proposed acquisition, see "Appendix 1C — Tiananmen South (Qianmen) Project". For more details on the financial impact of the Tiananmen South (Qianmen) Project on us, see "Financial Information — Overview — Recent Development — Acquisition of Beijing Tianjie"; and "Accountants' Report on Beijing Tianjie" in Appendix IB to this prospectus. For certain risks relating to the Tiananmen South (Qianmen) Project, see "Risk Factors — Risks Relating to Our Business — Although we have entered into a series of agreements to acquire an interest in the Tiananmen South (Qianmen) Project and intend to bid in an open tender process to acquire other properties, we do not currently hold any interest in such project or properties. Our proposed acquisition of an interest in the Tiananmen South (Qianmen) Project is subject to PRC Government approval processes that may be time consuming and uncertain. In the event that we do not obtain the requisite approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings. See the section entitled "Business — Our Projects" and "Appendix IC — Tiananmen South (Qianmen) Project". Even assuming that we receive the necessary approvals to acquire the interests and/or are successful in the open tender for the properties, because this project is a large-scale and high profile project in its preliminary stage of development, we may have to enter into further agreements and apply for further approvals and "Risk Factors — Risk Relating to Our Business — Our business financial condition and results of operations may be adversely affected if we fail or are considered by relevant government authorities to have failed, to obtain or there are material delays in obtaining, requisite PRC Government approvals for our property developments."

PROJECT DEVELOPMENT

In developing a project, we follow a process of planning and execution that is systematic in approach while being flexible enough to accommodate new developments in the fast-evolving business and regulatory environments of China's property market. Although the nature and sequence of specific planning and execution activities will vary among projects, we summarise below the core elements of our project development process.

Site Assessment

In conjunction with our ongoing market and design research, we identify and evaluate possible sites for new projects. We assess land parcels for use in possible projects based on, amongst other indicators, our analysis of their potential returns. We focus on the development of large-scale Commercial Properties in central Beijing. Accordingly, the factors we take into account in our site assessment primarily include:

- Size and location of the parcel;
- Transportation access and infrastructural support;
- Applicable zoning regulations; and
- Existing and future surrounding developments.

Land Acquisition

We intend to acquire vacated land only and have arranged to have the other party, which granted or transferred the land to us, to be responsible for resettlement in relation to most of our projects. We generally acquire land through the following means:

- Participating in public tender, auction and listing for sale;
- Partnership with predominantly residential focused developers to develop the section of their government-granted land zoned for commercial use;
- Purchasing government-granted land from developers who may be less experienced than us in developing Commercial Properties;
- Purchasing projects under development from developers with less experience than us in marketing and sales; and
- Purchasing distressed projects which have not been completed.

Permits and Certificates

Once we have obtained the development rights to a parcel of land, we are required to pay land premium in accordance with relevant laws and regulations, in particular The Notice Concerning the Further Strengthening of the Administration on Levy of Land Premium for Granted Land Use Right to State-Owned Land issued collectively by the Beijing Municipal Planning Committee, Beijing Municipal Finance Bureau, Beijing Municipal Land Bureau, and Beijing Municipal Land Resources and Buildings Administration Bureau in 1994. As part of the development process, a number of certificates, permits and licences will be required to be granted by the PRC Government, including:

- Land Use Right Certificate (國有土地使用證), which is a transferable certification of the right of a party to use a parcel of land;
- Construction Land Planning Permit (建設用地規劃許可證), which is a permit authorising a developer to begin the survey, planning and design of a parcel of land;
- Construction Works Planning Permit (建設工程規劃許可證), which is a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a Work Commencement Permit;

- Work Commencement Permit (施工許可證), which is a permit required for commencement of construction; and

- Pre-Sale Permit (預售許可證), which is a permit authorising a developer to start the pre-sale of property still under construction.

Regulations issued by the Beijing government on 26 June 2002 generally prohibit the grant of land use rights with respect to state-owned land via negotiation and require such transfers to occur through public tender, auction or listing-for-sale. See the section headed "Summary of PRC Legal and Regulatory Provisions — Land Use Rights" in Appendix VIII to this prospectus.

Design

We continually monitor and participate in dialogues on trends in architecture and real estate development, both in China and abroad. We regard our participation in discussions on the direction and prospects of our industry as critical for project planning purposes.

With a view to bringing innovative design perspectives to our projects and increasing our company's profile generally, after we purchase a parcel of land for development we typically invite three to five architects (depending on the size of development) to tender via a concept-design competition. We analyse architectural concepts and ideas with a view to determining whether they can be translated into commercially viable projects. We will set out the design criteria in light of the market demand and the functional requirements such as the ratio of office and retail space in order to maximise return.

The winner of the tender will work closely with our in-house design team to translate the overall design concept into detailed design and engineering maps. At the same time, we will select a domestic design institute which will work with the outside architects and our in-house design team to produce the documentation for implementing the design and engineering maps, which will form a basis for bidding by contractors.

At the construction stage, our outside architects and in-house design team will work closely to assist our project engineers to provide continuous on-site supervision and project management. Our goal is to ensure that construction progresses according to the design and remains on schedule, within budget and at a satisfactory level of quality.

Subcontracting

For each phase of a project we seek to encourage fair competition via a transparent bidding process where we invite contractors to tender bids according to their reputation for quality, track record and references in order to ensure both high quality and cost competitiveness. We pre-select a number of general contractors to bid for our contracts based on the quality of their bids. Subsequently, the winning bidder is selected based on a pre-determined formula that takes into account both the quality and price quoted by the bidder. Upon selection, a general contractor enters into a construction contract with us. Our construction contracts are typically fixed-price contracts that provide for periodic payments during construction. We generally retain a small portion of the contract price for up to 24 months after completion of work. A total of RMB28,082,000, RMB66,287,000 and RMB67,501,000 was held by us as retention monies as at 31 December 2004, 2005 and 2006, respectively. The construction contracts typically include terms relating to the construction schedule and construction quality.

In our standard subcontracts, we will make a prepayment of between 10% to 30% of the contract sum before the commencement of construction work. Subsequent payments will be made on a monthly basis. The amount to be paid will be 90% of the value of the work carried out in that month (subject to minor adjustment). When the total amount paid, including the prepayment, reaches 90% of the contract sum, further payments will be suspended until completion of the subcontract. We will retain 5% of the total contract sum for approximately 2 years after completion of the subcontract as security for the correction of snaggings. For other suppliers, the normal credit terms are generally between two to three months.

Monitoring and Supervision

Time control. To monitor progress of the construction, we will compile a master plan which sets out the scope and timing of each construction contract. A weekly meeting is held during the construction period, in which all our main contractors and their subcontractors participate. The master plan is adjusted in light of any delay reported by the contractors with a view to ensuring the overall project can still be finished on time. We have consistently completed and delivered properties to our customers on or before the deadlines set out in the pre-sale contracts while maintaining the quality of the developments and keeping our construction costs within our budget by strictly complying with our project development procedures.

Quality control. We exercise on-site inspection and supervision on a day-to-day basis to ensure quality of materials and workmanship. We are also typically responsible for procuring specialised building materials, such as windows, doors and interior fixtures, whilst the general contractors are responsible for procuring most basic building materials, such as cement and steel. The general contractors procure all equipment necessary for each project in accordance with specifications provided by us. We do not own construction equipment and do not maintain any inventory of building materials. The general contractors are required by law to provide us with warranties for any losses we incur as a result of construction not being completed on schedule or not meeting contractually or statutorily specified quality standards.

In addition, we seek to ensure that our projects meet our design specifications. As a result of our efforts, none of our completed property developments has been found to have exceeded the amount of GFA originally authorised in the relevant land grant contracts or construction permit or to contain built-up areas that are not in conformity with the plan authorised by the construction permit.

Cost control. For each project we prepare a master budget which requires approval by our chairman. We have built in a working platform in our computer system which gives a detailed analysis of the costs incurred including comparison with the master budget. If the master budget is likely to exceed the initial approved budget, prior approval from senior management must be obtained.

Our cost control mechanism in selecting our general contractors is described above in the paragraph headed "— Project Development — Subcontracting".

Marketing

Our promotional and sales activities are conducted through the coordinated efforts of our public relations and marketing, sales marketing and sales departments. We have a dedicated team in the sales marketing department who conduct detailed analysis of market conditions, formulate unit prices and pricing-related policies for our projects. In addition, as part of our efforts to manage our public profile, our public relations and marketing department oversees our communications to the media and produces specialised promotional materials. Our approach to marketing consists of two aspects: brand-name marketing and products marketing. We recognise the importance of brand name promotion in delivering higher sales volume and profit margin. Accordingly, we actively promote the brand of "SOHO China" by seeking to capitalise on the personal profiles of Mr. Pan and Ms. Zhang. For example, Mr. Pan, as a frequent commentator on the real estate industry in China, has created a blog which has become the most frequently visited blog of a PRC entrepreneur hosted on *sina.com.cn*. As at 25 April 2007, Mr. Pan's blog had surpassed 33 million hits.

In terms of product marketing, we organise advertising activities in order to attract media attention. For each new project, in addition to setting up mock-up offices and retail shops and giving out free gifts to potential customers, we typically organise a major launch party attended by celebrities and the local media in Beijing, followed by a large number of launch parties and roadshows at our targeted cities in China.

From time to time we also organise auctions for selling our properties which serve two purposes. First, the auctions form part of our marketing campaign for the relevant project. Secondly, and more importantly, the auction outcome is an indicator of the prices of our properties, which helps us determine whether any adjustment to our asking prices is necessary and gives confidence to purchasers and potential customers as to the value of our products.

Our marketing efforts have established us as a preferred partner in collaborative lifestyle marketing in China for prestigious international brands. Jianwai SOHO and the Commune by the Great Wall have been used as venues for concerts, product launches, photographic shoots and other corporate events by a number of such brands and other corporates. In turn, we believe our collaboration with prestigious international brands further enhances our image among our target customers.

SALES

Our sales process typically occurs phase by phase within a project. The sales process generally commences with pre-sales. Pre-sales are required to commence after we obtain the pre-sale permit, which can occur as early as one year or more before completion. The deposits and proceeds received from the pre-sale will be used to fund the construction of the relevant project. However, proceeds from pre-sale of our properties are an important source of financing for our property developments. On 5 August 2005, the PROC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. These recommendations have no mandatory effect and we believe that they have not been adopted by any PRC Governmental authority. See "Risk Factors — We face risks related to the funding of the property developments as these are partly dependent on pre-sales". Even if any restriction was to be imposed in the future on pre-sales policy in China, it is unlikely to have any material impact on our financial status and the operation of the Group as a whole as such change would only cause a delay in the sale of properties and thus defer the inflow of proceeds from property sales to the Company. With our credit history with various banks in the PRC, we believe that we are able to borrow funds from these banks and use our unsold properties as security for such purpose.

Regulations issued by the PRC real estate authorities require proceeds received from pre-sales of properties to be used to fund the construction of the same project only. Historically and in line with what we believe to be industry practice, we have used some of the proceeds from pre-sales of properties from one development to fund our other projects. We have now discontinued this practice and will not apply such proceeds in any way in violation of applicable laws and regulations in the PRC. As advised by our PRC legal advisers, if any developer fails to use the pre-sale proceeds properly in accordance with the regulations, the PRC authorities may order the developer to rectify the situation within a specified time limit and, in addition, impose a fine up to three times its illegal gains but in any event not more than RMB30,000. The relevant regulations do not specifically state whether the penalty is to be imposed on a project basis, unit basis, or otherwise. However, our PRC legal advisers have advised that the likelihood of such penalty being imposed on a per unit basis is remote. As at the Latest Practicable Date, we have not been subject to any penalties arising from our use of such funds.

Our sales teams are currently organised into three levels — sales agents, assistant directors, and directors. The assistant directors and the sales agents are consultants without a direct employment relationship with us. Sales agents are assigned to different teams, each of which is led by an assistant director who, in turn, will be supervised by a director. Additionally we have a sales marketing department, which is responsible for providing our properties' information and other sales support to the directors, assistant directors and sale agents.

The performance of the assistant directors and sales agents is assessed each quarter. Those sales agents who have met their pre-determined sales targets have the opportunity to be promoted to the next level. Conversely, their engagement may be terminated if they fail to meet their targets and those assistant directors who fail to meet their targets may be demoted.

From time to time, we also conduct sales of properties of third parties and receive commissions for our services. In 2006, we provided such services to Sunshine 100 City Plaza project in Yantai city of Shandong Province.

LEASING AND RE-SALE SERVICES

We provide a range of post-sales services to our customers, including services to help our customers sell or rent out the units they have purchased from us. A subsidiary of ours, SOHO China Leasing Co. Ltd, was formed to offer re-sale and leasing services. We provide such services to our customers to help improve liquidity and returns of customers, therefore encouraging repeat purchases from our customers.

We generally receive lease commissions equivalent to one-month's rent at the commencement of a lease which are not contingent upon the tenant fulfilling the terms of the lease.

SUPPLIERS AND CUSTOMERS

Our five largest customers accounted for 6.8%, 4.5% and 11.9% of our total sales in the years 2004, 2005 and 2006, respectively and thus accounted for less than 30% of our total sales in aggregate in each of these years.

Generally, all payments for the purchase of our units are made in full by the customers prior to the time of delivery of the property. The customers may choose to make one-off payment or to pay by way of instalments. Some customers pay their purchase price by obtaining mortgage financing. For details of the credit terms provided to our customers, see the section entitled "Financial Information — Factors affecting results of operations and financial condition — Availability of funds".

Our principal suppliers are contractors. Our five largest suppliers accounted for approximately 43.3%, 78.3% and 62.6% of our total purchases, excluding land costs, in 2004, 2005 and 2006, respectively. Our single largest supplier in 2006 accounted for 25.1% of our purchases, excluding land costs, compared to 19.7% of our purchases in 2004 and 66.1% in 2005. For details on our subcontract terms, see "Business — Project Development — Subcontracting."

None of our Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital) has any interest in any of the above mentioned suppliers and customers.

COMPETITION

We believe that the property market in the PRC is highly fragmented and we compete with PRC state owned, privately owned and international developers, including many leading property developers from or listed in Hong Kong, for land and customers. Nonetheless, we believe that we are one of the few property developers focused on large-scale premium Commercial Properties within prime locations of Beijing. Our ability to attract customers nationwide also differentiates us from our competitors. We believe that the market for the development of Commercial Property in China has a high barrier to entry with success requiring not only sufficient capital, but also the necessary marketing strategies and skills. See, however, the section headed "Risk Factors — Risks Relating to Our Industry — We compete with other large Commercial Property Developers in Beijing for among other things, land and property buyers" in relation to our competition with other large Commercial Property developers in Beijing for land and property buyers.

INSURANCE

We maintain insurance policies with insurance companies in the PRC which cover property damage due to natural hazards, including lightning, typhoons, tornadoes, floods, landslides and other natural phenomena, and accidents, including fire and explosion and general liability. As at the Latest Practicable Date, we have not experienced any significant loss or damage to our properties.

We maintain all risk insurance coverage for our properties under construction, including those that have been completed and are pending delivery. Such all risk liabilities insurance covers any material losses or damages caused by accident or natural hazard, which includes earthquake, tsunami, lightning, hurricane, typhoons, tornado, storm, rainstorm, floods, hailstones, landslide, snowslide, volcanic eruptions, submergence of ground or any other irresistible natural phenomena with destructive power. There are no mandatory requirements to main insurance coverage in the PRC in respect of our property development operations. Since our incorporation, we have not suffered any losses or damages or incurred any liabilities relating to our properties that had a material adverse effect on our business.

We believe that our insurance coverage is sufficient for our present purposes and is consistent with coverage for other companies in our industry in China. See, however, "Risk Factors — Risks Relating to Our Business — We do not have insurance to cover certain potential losses and claims"

PROPERTIES OCCUPIED BY THE GROUP FOR ITS OWN USE AND VALUATION OF PROPERTIES

Our headquarters are in Block B of our SOHO Newtown complex in the Chaoyang district of Beijing and are approximately 4,560 sq.m. in size. Our project company, Zhonghongtian, has obtained the land use right in respect of the land on which Block B of SOHO Newtown is situated and the Building Ownership Certificate for Block B. It has therefore now obtained all the necessary approvals and permits for the construction and sale of the units in Block B of SOHO Newtown. The individual owner of each unit is required to obtain a separate Building Ownership Certificate and we are in the process of preparing our application for such Building Ownership Certificate for our headquarters. As advised by our PRC legal advisers, there is no material legal impediment to our obtaining the Building Ownership Certificate. We expect the application will be processed within four to six months. Our headquarters constitute an insignificant portion of our property assets in terms of their asset value and do not contribute to our profits. Our PRC legal advisers have confirmed that we are allowed to use our headquarters without incurring any penalties or losses, even though it may not be sold, transferred, leased or mortgaged.

CBRE, an independent property valuer, valued the real estate interests held by us, which for valuation purposes includes certain properties in addition to those described above, at RMB 17.53 billion, as of 30 June 2007. The property valuation has been prepared on the basis of a number of assumptions and should not be considered to be an indication of the actual value to be realised by us upon any eventual sale of our properties.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities, including the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Please refer to the section headed "Summary of Principal PRC Legal and Regulatory Provisions — Environmental Protection" in Appendix VIII for details of these environmental laws and regulations.

Each of our property development projects is required under PRC law to undergo environmental assessments. We submit the relevant environmental impact study, report or environmental impact analysis table to the environmental authorities before approval is granted for commencement of construction of our projects, save and except for the development of blocks 1 to 6 of the residential buildings at SOHO Newtown and the conference centre at Boao Kempinski. The approval from the relevant government authorities specifies the standards applicable to the implementation of the construction works as regards air pollution, noise emissions and water and waster discharge and we enforce these conditions whilst the construction project is in progress. Such measures are required to be incorporated into the design, construction and operation of the general constructions. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records. Our internal legal department is responsible for overseeing our compliance with the environmental requirements mentioned above. When we applied to the relevant government agency for the approvals for the development of blocks 1 to 6 of the residential buildings at SOHO Newtown and the conference centre at Boao Kempinski, the government agency did not require us to submit the relevant environmental assessment reports. Accordingly, we did not prepare such reports. We have subsequently made enquiries with the relevant government agency and understand that no remedial action is available to us. Our PRC legal advisers have advised us that, although PRC law could require that the developments be restored to their original state and a fine of up to RMB 100,000 be imposed, the possibility of being ordered to restore the developments to their original state is highly remote because (i) these projects are not responsible for any serious environmental pollution either now or during their construction, (ii) all other relevant approvals and permits have been obtained and (iii) most of the residential buildings have been sold to purchasers.

Similar to other property developers, we subcontract our construction works to third parties. Pursuant to the terms of the construction subcontracts, the subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority.

During the construction phase, a project team is organised for each development project. The project team is under the direction of our project director appointed to supervise the project, including the implementation of the environmental protection measures. The project team is supported by external supervisory consultants specialised in supervising construction quality to ensure that it meets the requirements of the PRC government, including as regards environmental protection measures.

We encourage our contractors and subcontractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly.

We have incurred substantial costs in connection with compliance with environmental laws and regulations. The annual expenditure on environmental compliance was approximately RMB14,940,000, RMB15,988,000 and RMB6,726,000 for 2004, 2005 and 2006 respectively.

We are required to undergo inspection and acceptance procedures by the government. See "Risk Factors — Risks Relating to Our Industry — Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability". Other than as set out above during the track record period we have not breached any environmental law or regulation nor subject to any penalties for environment breaches. We have not experienced any difficulties in obtaining the relevant environmental approvals in the past, although we cannot be certain that we will not experience any difficulties going forward.

HEALTH AND SAFETY MATTERS

Under PRC laws and regulations, we, as a property developer, have very limited potential liabilities to the workers on and visitors to our construction sites, most of which rest with our contractors.

Under the *Construction Law of the People's Republic of China* (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the *Environmental and Hygienic Standards of Construction Work Site* (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our main contractors or subcontractors during the course of their business dealings with the Group.

Our primary obligation as a property developer is, under the *Measures on Implementation of Insurance for Accidental Injuries of Construction Workers in Beijing Municipality (for Trial Implementation)* (北京市實施建設工程施工人員意外傷害保險辦法(試行)), to include insurance costs for construction workers into the construction budget. Within seven days after execution of the construction contract, we will make full payment to the contractors of the costs of insuring against accidental injuries to the construction workers. The contractors should in turn take out such insurance in a timely manner.

Our project cost control department examines and verifies all our construction budgets in order to ensure that the insurance costs have been taken into account.

PRC laws and regulations do not require property developers such as us to obtain insurance in respect of the construction project. We have, however, of our own initiative, incorporated into our standard construction contract that we will obtain insurance to cover the lives and properties of our own staff and third parties who are visiting our construction sites.

REGULATORY MATTERS

We believe that we are in compliance in all material respects with all applicable national and local laws and regulations that impact our business. However, during the development and sale of Commune by the Great Wall and Boao Kempinski, two of our smaller projects, we had certain instances of non-compliance. See "Risk Factors — Risks Relating to Our Business — Our hotel operations may be affected if we fail to obtain government approval to change current land use". For a discussion of the applicable laws and regulations, see the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix VIII to this prospectus.

Inconsistent land use

The actual use of the land on which Phase II of Commune by the Great Wall and Boao Kempinski are situated is inconsistent with the condition specified in their Land Use Right Certificates. The Law of Land Administration of the People's Republic of China 《中華人民共和國土地管理法》 provides for a penalty for inconsistent land use. Pursuant to the Implementation Regulations for the Law of Land Administration of the People's Republic of China 《中華人民共和國土地管理法實施條例》, such penalty will be not less than RMB10 per sq.m. and not more than RMB30 per sq.m. of the land used for inconsistent purposes. Whilst the Law of Land Administration of the People's Republic of China 《中華人民共和國土地管理法》 also provides as a technical matter that the authority in charge of land administration may issue an order to revoke the grant of the land parcels, our PRC legal advisers have advised us that, as a practical matter, the current risk of revocation as a result of such inconsistency is minimal. Their view is based on their understanding of the practical application of the relevant regulations and following consultation with the relevant land administration department which has confirmed that given that the development has now been completed, it is unlikely that the department would apply the relevant regulation to revoke the grant of the land parcels.

The Directors are aware of the foregoing issues with the use of land specified in the Land Use Right Certificate for phase II of Commune by the Great Wall and Boao Kempinski. The intention of the Company was always to construct residential units in compliance with the use of land set out in Land Use Right Certificate. In fact, residential units were built and in the case of Boao Kempinski, approximately 59 of them were initially sold. However, at a later stage of each of the projects, the Directors believed that the units of the two projects would provide better economic value if they were held as hotels for investment purposes. We later obtained the approval from the relevant administration for industry and commerce (工商管理局) to expand the business scope of the relevant project companies to cover hotel administration. The Directors decided to proceed with hotel administration on the understanding that this is allowed pursuant to approval being given by the relevant administration for industry and commerce although they understood that as a technical matter, an approved business scope might not rectify the problem of inconsistent land use and their interpretation of the rules on land use was not free from doubt. Having considered the Group's economic interests and the likelihood and impact of having to cease the hotel operations at a later stage if ordered by the relevant government authority, the Directors have decided to continue the hotel operations in the meantime.

We will comply with the relevant regulations on land use as requested by the land administration authorities and the urban planning authorities. In such circumstances, our PRC legal advisers confirm that it is unlikely that our land use rights will be revoked due to inconsistent land use and, thus our title status to such properties would not be affected. There will, however, be contractual consequences should we have to terminate the hotel operations. Pursuant to the management agreement with Key Management if we cease operation of the hotels, we may be required to pay liquidated damages based on (i) the average of the monthly fees received by Key Management in the 12 months immediately prior to the termination times (ii) the number of months remaining under the management contracts divided by two. Assuming we had ceased the hotel operations in May 2007, we would have been required to pay Key Management liquidated damages of RMB2.4 million for Commune by the Great Wall and RMB1.2 million for Boao Kempinski. The timetable for the sale of our properties is subject to market conditions. We believe in the long-term value of the properties under the two hotels and are therefore retaining the ownership of the properties, to the economic interests of our Group, for future sale. In the event that the hotels are required to be changed back to residential units, we do not expect significant additional cost (except for the potential liquidated damages to Key Management) or interruption of business since the units were initially constructed as residential units. Since the income from Commune by the Great Wall for the year ended 31 December 2006 was RMB18.2 million, or 1.05% of our total turnover, and there was no profit from Boao Kempinski for the year ended 31 December 2006, we do not expect the cessation of the hotel operations will have a significant adverse impact on our results of operation. Our independent property valuer, CB Richard Ellis, has also confirmed that there will not be a substantial change in the valuation of the units in the event that the units are held by us as residential units.

We have made an application to the relevant department to change the land use condition in the Land Use Right Certificates from residential to residential and commercial. We will make an announcement within three months of Listing to report on the status of our application.

Outstanding Permits and Certificates

With respect to phase II of the Commune by the Great Wall project, we had obtained a Construction Land Planning Permit (建設用地規劃許可證) from the Yanqing County Planning Bureau. However, we understand that the Beijing Municipality Planning Commission later determined that the permit from the Yanqing County Planning Bureau was not valid and a fine of RMB 6.168 million has been imposed on us.

Originally, we planned to build 37 houses in phase II of Commune by the Great Wall and had obtained a Construction Works Planning Permit in relation to all of them and a Work Commencement Permit in relation to 21 of them. Due to the geological landscape, we later changed the plan, reducing the number of houses from 37 to 34. We were therefore required to apply for an amended Construction Works Planning Permit for 16 houses and a Work Commencement Permit for 13 houses. We have obtained the amended Construction Works Planning Permit in relation to the 16 houses. Because of the geological landscape of the project and the difficulty in constructing only a portion of the houses under the project at the same time, we commenced construction of all 34 houses despite only having a Construction Works Planning Permit in relation to 21 of the houses. Under the relevant provisions, if construction commences without a Construction Works Commencement Permit, the construction works may be ordered to stop, and the land owners may be required to rectify the non-compliance within a prescribed period and pay a penalty of an amount not less than 1% and not more than 2% of the contractual price of the construction works. We have been required to pay and have paid a penalty of RMB104,714.02 and have obtained the Work Commencement Permit for the remaining 13 houses in May 2007. Our PRC legal advisers have advised us that, as a practical matter, it is unlikely that any further penalty will be imposed since we have obtained the permit.

CORPORATE GOVERNANCE MEASURES

We have implemented a series of measures in an effort to enhance the effectiveness of our corporate governance:

- Internal control

  We engaged an international accounting firm to assist us in strengthening our internal control and to address certain issues identified by another international accounting firm before Listing. Please see "Regulatory Matters" for further details of the issues identified and how we are dealing with the issues. Going forward, we have engaged the international accounting firm which assisted us before Listing to act as our internal controls adviser with the principal objective of assisting us in performing risk assessment, development of an internal audit plan and conducting internal audits with a view to enhance our internal control systems, including accounting, information and operational systems. They will also provide observations and recommendations to further strengthen our internal control systems.

We have adopted an internal control framework which covers our risk assessment, ongoing monitory, communications and reporting procedures so as to ensure compliance with the Listing Rules.

We have also hired Mr. Zhao Jun as our internal control manager who is responsible for the self-assessment programme for our business processes and will focus on the effectiveness of our internal controls. Mr. Zhao has over 7 years' experience in KPMG, providing audit services to large domestic and multi-national enterprises. Mr. Zhao holds Bachelor degrees in Engineering and Economics from Beijing University of Technology and has obtained the necessary qualification for registration as a member of the Chinese Institute of Certified Public Accountants (CICPA). He began his empolyment with us on 21 May 2007.

- Compliance Committee

We have set up a compliance committee which is chaired by Dr. Ramin Khadem, one of our independent non-executive Directors. The compliance committee comprises all our Directors, including our independent non-executive Directors, chief financial controller, chief operating officer, qualified accountant, and company secretary. The compliance committee will continue to be chaired by an independent non-executive Director. Representatives from our internal legal department and our external legal advisers will be invited to attend the meetings to ensure that we will be in full compliance with all applicable laws and regulations upon Listing. We will have our first compliance committee meeting within one month after Listing and will hold meetings subsequently on a quarterly basis.

- Management reporting system

We are formulating a policy to require the head of each department to provide a management reporting package for the Board to review on a quarterly basis. The management reporting package will include management analysis on financial information, budget variance analysis, internal audit issues summary and risk assessment analysis.

- Risk management committee

We have established a risk management committee consisting of senior management of the Company and an in-house lawyer. The committee will be responsible for coordinating and overseeing the risk management process of the Company. External PRC legal advisers will also be invited to attend the meetings.

- Ongoing PRC legal advisers

We will continue to retain Zhonglun as our ongoing PRC legal advisers and will continue to communicate with them on various PRC compliance issues. Zhonglun will review and approve contracts of significant value and advise on compliance with legal, regulatory and other requirements.

- Internal legal support

Our legal department has two members, Mr. Xia Guorong and Ms. Wang Nan. Mr. Xia is a qualified PRC lawyer and has over 12 years' legal experience in property-related areas. He joined us in June 2000 and is currently the head of the legal department. Mr. Xia was working in the legal department of China Grand Enterprises before joining us. Ms. Wang is a qualified PRC lawyer since 2005 and has a masters degree in law. She joined the team in April 2006. Before joining us, Ms. Wang worked at Beijing T&C Law Firm.

LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These comprise five main types:

- *Claims by customers.* The claims arise from or in connection with the quality of the property, delay in delivery and transfer of Building Ownership Certificates (房屋所有權證). As at the Latest Practicable Date, there were 3 cases in this category and the total outstanding amount claimed was RMB13,107,000.

- *Claims by construction contractors or suppliers.* These claims arise from or in connection with the quality, timing or costs of the subcontracted works or supplied materials. As at the Latest Practicable Date, there was no outstanding case in this category.

- *Claims by banks.* These claims arise from or in connection with the failure of our customers to make mortgage payments and the relevant bank requires the Company to pay on behalf of the customers. In such a case, we may seek indemnification from the defaulting customer. As at the Latest Practicable Date, there were 14 cases in this category and the total outstanding amount claimed was RMB15,158,000.

- *Commercial disputes*. These claims arise from or in connection with our general commercial transactions. As at the Latest Practicable Date, there were two outstanding cases and the total outstanding amount claimed was RMB4,987,000.

- *Administration proceedings.* These claims arise from or in connection with our failure to comply with the legal requirements or procedure regarding the approval of construction works. As at the Latest Practicable Date, there was no outstanding case in this category.

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of our Group. As advised by our PRC legal advisers, the current outstanding legal and administrative proceedings are unlikely to have any material and adverse impact on the business, operation and financial results of the Group.

Our controlling shareholders and founders

Mr. Pan and Ms. Zhang co-founded Redstone Industry, the predecessor of our Company. Our Controlling Shareholders, Boyce and Capevale (BVI), were originally wholly-owned by Mr. Pan and Ms. Zhang, respectively. On 14 November 2005, Mr. Pan transferred all his shares in Boyce to Ms. Zhang by way of gift. We have been advised by our PRC legal advisers that the Rules Regarding Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) do not apply to the transfer of Mr. Pan's shares in Boyce since Boyce is a non-PRC entity. In turn, Ms. Zhang transferred all her shares in Boyce and Capevale (BVI) to Capevale (Cayman), a company incorporated in connection with the establishment of the Trust. Then, on 25 November 2005, Ms. Zhang settled all her shares in Capevale (Cayman) into the Trust, which is an irrevocable discretionary trust. HSBC Trustee is the trustee of the Trust. Ms. Zhang is the settlor, protector and a discretionary beneficiary of the Trust, as well as the sole director of Boyce and Capevale (BVI).

Mr. Pan does not have any economic interest in our Shares (even though he still holds a minority interest in some of our PRC subsidiaries i.e. Beijing SOHO, Redstone Newtown and Shanshi Company), and Ms. Zhang is no longer a Shareholder of our Company. Our Controlling Shareholders, Capevale (Cayman), Ms. Zhang and Mr. Pan do not have any other business interests that compete directly or indirectly with our business. A summary of their business interests outside the Group is as follows:

(i) *Mr. Pan's interests outside the Group*

	Company	Percentage of Interest	Nature of Business
1.	Hainan Liteng	50%	Property management, real estate agency services and hotel management[(1)]
2.	Beijing Liteng Property Consultants Company Limited (北京利騰房地產諮詢有限公司)	80%	Dormant
3.	Beijing Danshi	90%	Holding 49% equity interest in Beijing Tianjie
4.	China Link Capital Limited	44%	General Purpose
5.	Beijing Redstone Industry Company Limited (北京紅石實業有限責任公司)	85%	Holding 5% equity interest in Redstone Jianwai
6.	Beijing Qingshi Technology Qingshi Development Company Limited (北京青石科技發展有限公司)	59.5%[(2)]	Dormant
7.	Beijing Zhongtian Investment Management Company Limited (北京中天投資管理有限公司)	20.4%[(2)]	Dormant

(1) Hainan Liteng is the property manager of all our 115 houses and the conference centre in Boao Kempinski. We have further engaged the Kempinski Group to provide hotel management services to the conference centre and the 55 unsold houses and 56 of the houses sold where the owners wish to have the same services.

(2) indirect interest

(ii) *Ms. Zhang's interest outside the Group:*

	Company	Percentage of Interest	Nature of Business
1.	SOHO Property Limited	100%(1)	Holding an apartment
2.	Little Brothers Limited	100%(1)	Holding non-property related financial assets
3.	Upper Will Holdings Limited	100%(1)	Holding an apartment
4.	SOHO Villa Limited	100%(1)	Holding a retail unit
5.	China Link Group Limited	100%	General purpose
6.	China Link Capital Limited	56%	General purpose
7.	Crystal Smart International Limited	100%	Holding non-property related financial assets

(1) indirect interest

The properties held by SOHO Property Limited and Upper Will Holdings Limited are for the personal use of Mr. Pan and Ms. Zhang. The retail unit held by SOHO Villa Limited is currently rented to an independent third party.

Both Mr. Pan and Ms. Zhang, as our co-founders and executive Directors, have significant influence on our Company. Our identity and image are closely associated with them. Mr. Pan, who is also our Chairman and Ms. Zhang, who is also our chief executive officer, are married to each other and are central to our project development efforts and management. We depend heavily on Mr. Pan's more than decade-long experience and relationships within China's real estate industry to provide us with critical know-how throughout the development process, and on Ms. Zhang's relationships within the international architectural community to develop the design innovations that are fundamental to our business.

Immediately following the Global Offering, HSBC Trustee (in its capacity as the trustee of the Trust) will indirectly own and hold on trust for Ms. Zhang approximately 66.48% of our Shares, assuming the Over-allotment Option is not exercised.

Independence from our Controlling Shareholders and founders

We believe our Group is capable of carrying on its business independently of our Controlling Shareholders, founders and their associates after the Listing Date for the following reasons:

- There is no competing business between our Controlling Shareholders and our Group and each of our Controlling Shareholders, Mr. Pan, Ms. Zhang and HSBC Trustee (in its capacity as the trustee of the Trust) has entered into a non-competition deed in favour of our Company. For details, please refer to the paragraph headed "Non-competition Deed";

- There are no connected transactions between our Controlling Shareholders, our founders and our Group; and

- Boyce, Capevale (BVI) and Capevale (Cayman), the corporate controlling Shareholders of our Company, are only holding companies and do not carry on any operating businesses.

During the three years ended 31 December 2006, we received advances made by Mr. Pan and Ms. Zhang for the funding of some of our projects and sums were due by the Group to Mr. Pan and Ms. Zhang and companies controlled by them. On 14 December 2006 and 31 January 2007, Mr. Pan and Ms. Zhang entered into three guarantees in respect of three loans provided by China CITIC Bank in the total sum of RMB2 billion. These guarantees were subsequently released on 21 June 2007. See the section headed "Financial Information — Indebtedness and Contingent Liabilities" and note 26 to the Accountants' Report set out in Appendix IA to this prospectus. All such advances to our Group will be settled on or before Listing.

NON-COMPETITION DEED

We have entered into the Non-competition Deed with our Controlling Shareholders, Mr. Pan, Beijing Danshi, Ms. Zhang and HSBC Trustee (in its capacity as the trustee of the Trust) on 18 September 2007 pursuant to which our Controlling Shareholders, Mr. Pan, Beijing Danshi, Ms. Zhang and HSBC Trustee (in its capacity as the trustee of the Trust) have severally undertaken not to compete with the business of our Company.

Mr. Pan has undertaken that he shall not, and shall use his best endeavours to procure that any associates (as defined in the Listing Rules but for the purpose of the Non-competition Deed excluding any member of the Group) (the "**Affiliate**") shall not, engage, invest, participate (as defined below) or be interested (economically or otherwise) in any of the following businesses in the PRC (the "**Property Business**"):

(a) acquiring, holding, developing, transferring, disposing, leasing or otherwise dealing in, whether directly or indirectly, land, real estate properties or any property-related investments;

(b) engaging, having a right or in any way having an economic interest in the promotion or development of or investment in land or real estate properties;

(c) acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in paragraphs (a) or (b) above; or

(d) acquiring, holding, transferring, disposing of or otherwise dealing in, directly or indirectly, any interest in (including, without limitation, shares of) any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (a) to (c) above,

during the period commencing on the date of the listing of the Shares on the Hong Kong Stock Exchange and ending on the earlier of:

(a) the date when Ms. Zhang, Mr. Pan, the Trust, HSBC Trustee (or its successor or any other trustee as appointed to administer the Trust from time to time), Boyce, Capevale (BVI) and, as the case may be, any of their Affiliates, cease to hold, or otherwise be interested in, beneficially in aggregate, whether, directly or indirectly, 30% or more of the issued ordinary share capital of the Company; or

(b) the date when the Shares cease to be listed on any internationally recognised stock exchange (provided that such delisting is voluntary and at the instigation of the Company),

(the "**Non-competition Period**") (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) except:

(a) through his interests in the Company or its subsidiaries from time to time;

(b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any of the Property Business (a "**Competing Entity**") where such investment or interest does not exceed 5% of the outstanding voting stock of such Competing Entity provided such investment or interest does not grant, nor does the relevant party and/or his Affiliates otherwise hold any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate (as defined below), directly or indirectly, in such Competing Entity ("**Passive Investments**");

(c) through his interests in Beijing Danshi and its interest in Beijing Tianjie, the project company for Tiananmen South (Qianmen) Project, provided that such interest is held strictly and solely in accordance with the terms of the Interim Agreement, or any subsequent agreement entered into between the parties to the Interim Agreement which amends the terms of the Interim Agreement;

(d) interests in properties in the PRC acquired and held solely for his own residential use including the residential use of his family, or for investment purposes, provided that such acquisition (i) does not involve any Commercial Property development in the PRC or any activity which is in competition with the business of the Group from time to time; and (ii) shall have been subject to the prior written approval of a majority of our independent non-executive Directors for the time being; or

(e) interests in properties situated outside of the PRC.

Beijing Danshi has undertaken that it shall not, and shall use its best endeavours to procure that its Affiliates shall not, engage, invest, participate or be interested (economically or otherwise) in any Property Business during the Non-competition Period (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person) except:

(a) through acquiring or holding any Passive Investments;

(b) through its interest in Beijing Tianjie, the project company for the Tiananmen South (Qianmen) Project, provided that such interest is held strictly and solely in accordance with the terms of the Interim Agreement, or any subsequent agreement entered into between the parties to the Interim Agreement which amends the terms of the Interim Agreement; or

(c) interests in properties situated outside of the PRC.

Each of Ms. Zhang, Boyce and Capevale (BVI) has undertaken that she/it shall not, and shall use its best endeavours to procure that her/its Affiliates shall not engage, invest, participate (as defined below) or be interested (economically or otherwise) in any Property Business during the Non-competition Period (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) except:

(a) through her/its interests in the Company or its subsidiaries from time to time;

(b) through acquiring or holding any Passive Investments;

(c) interests in properties in the PRC acquired and held solely for Ms. Zhang's own residential use, including the residential use of her family, or for investment purposes, provided that such acquisition (i) does not involve any Commercial Property development in the PRC or any activity which is in competition with the business of the Group from time to time; and (ii) shall have been subject to the prior written approval of a majority of our independent non-executive Directors for the time being; or

(d) interests in properties situated outside of the PRC.

The obligations of Ms. Zhang, Boyce and Capevale (BVI) pursuant to the Non-competition Deed are several and not joint.

HSBC Trustee has undertaken that it shall not in its capacity as trustee of the Trust, nor in its capacity as shareholder of any of its underlying companies under the Trust approve such companies to, directly engage, invest, participate or be interested (economically or otherwise) in any Property Business during the Non-competition Period (whether alone or jointly with another person whether directly or indirectly or on behalf of or to assist any other person) except:

(a) through its interests in the Company or its subsidiaries from time to time;

(b) through acquiring or holding any Passive Investments;

(c) interests in properties in the PRC currently held by its underlying companies under the Trust, being for the time being:

  (i) Little Brothers Ltd., a company incorporated in the BVI;

  (ii) SOHO Villa Limited, a company incorporated in the BVI;

  (iii) SOHO Property Limited, a company incorporated in the BVI; and

  (iv) Upper Will Holdings Limited, a company incorporated in the BVI.

(d) interests in properties in the PRC acquired and held solely for Ms. Zhang's own residential use, including the residential use of her family, or for investment purposes provided that such acquisition (i) does not involve any Commercial Property development in the PRC or any activity which is in competition with the business of the Group from time to time; and (ii) shall have been subject to prior written approval by a majority of the independent non-executive directors of the Company for the time being; or

(e) interests in properties situated outside of the PRC.

The parties to the Non-competition Deed have jointly and severally acknowledged that the Trustee is entering into the Non-competition Deed in its capacity as trustee of the Trust and its liability thereunder is at all times restricted to those monies being the net realised value of its indirect interest in the Company through its holding in Boyce and Capevale BVI from time to time.

For purposes of the Non-competition Deed, a person is deemed to "participate" in a Property Business in situations, including but not limited to, where (i) such person provides to that Property Business any service which may be provided by a manager, an adviser, an employee or an agent of that Property Business, whether such service is paid or unpaid; or (ii) such person permits, either expressly or implicitly, the use of either or both of Mr. Pan's and Ms. Zhang's names, images, photographs, voice recordings, or any of the trade marks, domain names and other intellectual property rights either registered or in application for registration, to be associated with that Property Business.

Each of Mr. Pan, Beijing Danshi, Ms. Zhang, the Controlling Shareholders and HSBC Trustee (in its capacity as the trustee of the Trust) has also undertaken to procure that any business investment or other commercial opportunity relating to any Property Business that in the case of Mr. Pan, Beijing Danshi, Ms. Zhang and the Controlling Shareholders, he/she/it or any of his/her/its Affiliates identifies or proposes or that is offered or presented to him/her/it or any of his/her/its Affiliates by a third party or, in the case of HSBC Trustee (in its capacity as the trustee of the Trust), that is offered or presented to it by Mr. Pan, Beijing Danshi, Ms. Zhang, the Controlling Shareholders or any of their respective Affiliates, be first referred to the Company in accordance with the Non-competition Deed. The transfer of 95% equity interests in each of Shanshi Company, Beijing SOHO and Redstone Newtown held by Mr. Pan to us has been completed and the Company has obtained the amended business licences from Beijing Administration for Industry and Commerce. Also, Beijing Danshi, a company controlled by Mr. Pan, has entered into the Equity Transfer Agreement to transfer its equity interest in Beijing Tianjie to us which is subject to obtaining PRC Government approvals. For more details on such transfers, see "Our restructuring — Acquisition of interest in Subsidiaries" and "Appendix IC — Tiananmen South (Qianmen) Project".

No consideration is payable in respect of the Non-competition Deed.

CONNECTED TRANSACTIONS

After Listing, the following transactions will be regarded as our connected transactions within the meaning of the Hong Kong Listing Rules.

1. Exempted continuing connected transactions under Rule 14A.33(3) of the Hong Kong Listing Rules

(a) Deed of trademark assignment between Mr. Pan and our Company

Mr. Pan and our Company entered into a deed of trademark assignment dated 14 August 2007, pursuant to which Mr. Pan assigned all the rights and interest in all his trademarks set out in paragraph (iii) of Section B of Appendix IX of this prospectus to our Company for nil consideration. The term of this deed of trademark assignment is the same as the Non-competition Period.

(b) Deed of trademark assignment between Redstone Industry and our Company

Redstone Industry, a company controlled by Mr. Pan, and our Company entered into a deed of trademark assignment dated 14 August 2007, pursuant to which Redstone Industry assigned all the rights and interest in all its trademarks set out in paragraph (iii) of Section B of Appendix IX of this prospectus to our Company for nil consideration. The term of this deed of trademark assignment is the same as the Non-competition Period.

(c) Deed of domain name transfer between Redstone Industry and our Company

Redstone Industry, a company controlled by Mr. Pan, and our Company entered into a deed of domain name transfer dated 14 August 2007, pursuant to which Redstone Industry assigned all the rights and interest in all its domain names set out in paragraph (v) of Section B of Appendix IX of this prospectus to our Company for nil consideration. The term of this deed of domain name transfer is the same as the Non-competition Period.

Since there is no consideration for the transactions set out in paragraphs 1(a) to 1(c) above, the transactions will fall under Rule 14A.33(3)(b) of the Hong Kong Listing Rules. They will be exempted from the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Hong Kong Listing Rules.

(d) Two connected transactions between Hainan Redstone and Hainan Liteng

Hainan Redstone, our project company, and Hainan Liteng, a company 50% owned by Mr. Pan, entered into a property management agreement and a leasing agency contract, the details of which are as follows:

(i) Hainan Redstone and Hainan Liteng entered into a property management agreement on 15 January 2005, pursuant to which Hainan Liteng agreed to manage the properties under Boao Kempinski for a consideration of RMB4 per sq.m. per month for any occupied units held by Hainan Redstone. Hainan Liteng will charge management fees to our customers once the properties are sold. The term of the agreement will expire on 14 January 2008. Hainan Redstone paid Hainan Liteng approximately RMB808,708 and RMB785,661 (equivalent to approximately HK$833,849 and HK$810,085) for the years 2005 and 2006. Based on the formula for calculating the management fee, the estimated management fee for year 2007 and from 1 January 2008 to 14 January 2008 when the agreement expires will not exceed approximately RMB785,661 (equivalent to approximately HK$810,085) since we expect there to be more units sold of Boao Kempinski.

(ii) Hainan Redstone and Hainan Liteng entered into a leasing agency contract on 1 January 2005 a supplemental agreement on 10 September 2007, pursuant to which Hainan Liteng agreed to provide hotel-style leasing, management and operation services for the unsold units and the conference centre in Boao Kempinski managed by Hainan Redstone pursuant to the property management agreement described above. The term of the agreement will expire on 31 December 2007. Hainan Redstone pays a fee equivalent to 8% of the total revenue from such units and paid Hainan Liteng approximately RMB72,264 and RMB76,060 (equivalent to approximately HK$74,510 and HK$78,424) for the years 2005 and 2006. The estimated fee for the year 2007 is not expected to exceed RMB78,000 (equivalent to approximately HK$80,425) since we expect there to be more units sold of Boao Kempinski.

The property management agreement and the leasing agency contract will be aggregated for the purpose of Rule 14A of the Hong Kong Listing Rules. Therefore, the estimated fees payable by Hainan Redstone to Hainan Liteng for the years 2007 and 2008 will be approximately RMB863,661 and nil (equivalent to approximately HK$890,510 and nil) respectively.

Each of the percentage ratios under Chapter 14 of the Hong Kong Listing Rules (other than the profits ratios) where applicable, in respect of the continuing connected transactions to be conducted under paragraphs 1(d), is expected to be less than 0.1% on an annual basis. Accordingly, each of these transactions qualifies under Rule 14A.33(3) of the Hong Kong Listing Rules as a de minimis transaction and is exempt from the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Hong Kong Listing Rules.

(e) Mortgage guarantees provided by Redstone Jianwai to SOHO Villa Limited

SOHO Villa Limited, a company owned by HSBC Trustee (in its capacity as the trustee of the Trust of which Ms. Zhang is a discretionary beneficiary), Bank of East Asia, Beijing Branch and Redstone Jianwai entered into a property mortgage agreement (No. 861169960) on 13 August 2004, pursuant to which Redstone Jianwai agreed to provide a guarantee in relation to the US$800,000 (equivalent to approximately HK$6,237,440) mortgage provided by Bank of East Asia to SOHO Villa Limited. The term of the guarantee is 20 years or until such time when the relevant land use rights certificate, the building ownership certificate and the security registration document has been obtained, whichever is earlier. As at 31 May 2007, approximately US$737,855 (equivalent to approximately HK$5,752,908) was outstanding under the guarantee.

(f) Mortgage guarantee provided by Redstone Jianwai to Mr. Lin Song with respect to the purchase of a unit in Jianwai SOHO

Mr. Lin Song, the brother of Ms. Zhang, who is our Director, and our project company, Redstone Jianwai, entered into a property purchase contract on 6 July 2002, pursuant to which Mr. Lin Song agreed to purchase a unit in Jianwai SOHO for a consideration of RMB 1,496,880 (equivalent to approximately HK$1,543,414). Mr. Lin Song settled part of the purchase price by way of mortgage. Pursuant to the loan agreement (02) No. 6050 entered into between Mr. Lin Song and

CITIC Bank, Beijing Xidan branch and the relevant irrevocable guarantee provided by Redstone Jianwai to CITIC bank, the outstanding amount owed by Mr. Lin Song under the mortgage is guaranteed by Redstone Jianwai. The term of the guarantee is up to 20 years. As at 31 May 2007, approximately RMB894,218 (equivalent to approximately HK$922,017) was outstanding under the mortgage.

We provide mortgage guarantees on similar and comparable terms, including but not limited to the length of the guarantee, for all customers who have purchased our properties in the same project and have applied for mortgages in relation to the properties, no matter whether they are connected persons or independent third parties. Since the guarantees, including those provided by Redstone Jianwai and to our Directors and their associates described under paragraph 1(e) to (f) above, are provided on normal commercial terms Since each of the percentage ratios under Chapter 14 of the Hong Kong Listing Rules, where applicable, in respect of the continuing connected transactions set out in paragraphs 1(e) and 1(f) above is expected to be less than 0.1%, qualify the transactions under Rule 14A.33(3) of the Hong Kong Listing Rules as de minimus transactions. They will be exempted from the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Hong Kong Listing Rules.

2. **Continuing connected transactions for which waiver are sought by us from strict compliance with the announcement requirements under Rule 14A.47 of the Hong Kong Listing Rules**

(a) Property purchase contracts between Beijing Zeli and Zhonghongtian

Beijing Zeli Investment Co. Ltd. (北京澤利投資有限公司) (**"Beijing Zeli"**) and Zhonghongtian, our project company, entered into five property purchase contracts on 28 September 2002 and 16 June 2004 and a purchase contract for six car-parks in 2002. Our understanding is that Beijing Zeli, Zuo Jun and Li Qi are holding 35%, 40% and 25% (together 100%) equity interests on behalf of Wong Sow Voon (黃紹文) respectively in Zelihang, an 11% shareholder of Zhonghongtian. As Wong Sow Voon is a director of Zhonghongtian and therefore a connected person of the Group and it is our understanding that Beijing Zeli is controlled by Wong Sow Voon, the purchase contracts between Beijing Zeli and Zhonghongtian are connected transactions. Pursuant to the property purchase contracts, Beijing Zeli agreed to purchase five units and six carparks in SOHO Newtown for a total consideration of RMB22,246,009 (equivalent to approximately HK$22,937,577). According to the third supplemental agreement dated 23 July 2007 and entered into subsequent to the property purchase contracts, RMB15,572,207 (equivalent to approximately HK$16,056,305) remained outstanding as at 23 July 2007. Pursuant to the same supplemental agreement, Beijing Zeli shall pay 50% of the outstanding amount on 30 June 2008 and the remaining 50% on 31 December 2008. Interest at the prevailing PBOC's lending rate (being 6.12% as at the date of the third supplemental agreement), will be payable in respect of the outstanding amount from 1 April 2007 until the respective dates of repayment. Any outstanding sum which remains unpaid by the dates of repayment may be set off by the dividends or distributions declared in the future.

(b) Property purchase contracts between Hongyun and Zhonghongtian

Hongyun and Zhonghongtian, our project company, entered into two property purchase contracts on 28 August 2002. Hongyun is a 17% shareholder of Zhonghongtian and accordingly is a connected person of the Group. Pursuant to the property purchase contracts, Hongyun agreed to purchase two units in SOHO Newtown for a total consideration of RMB6,914,469 (equivalent to approximately HK$7,129,421). According to the third supplemental agreement dated 24 July 2007, approximately RMB3,916,128 (equivalent to approximately HK$4,037,870) remained outstanding as at 24 July 2007. Pursuant to the same supplemental agreement, Hongyun shall pay 50% of the outstanding amount on 30 June 2008 and the remaining 50% on 31 December 2008. Interest at the prevailing PBOC's lending rate (being 6.12% as at the date of the third supplemental agreement), will be payable in respect of the outstanding amount from 1 April 2007 until the respective dates of repayment. Any outstanding sum which remains unpaid by the dates of repayment may be set off by the dividends or distributions declared in the future.

Since each of the percentage ratios under Chapter 14 of the Hong Kong Listing Rules, where applicable, in respect of the continuing connected transactions set out in paragraphs 2(a) and 2(b) above is expected to be less than 2.5% on an annual basis, the transactions will constitute continuing connected transactions for us and fall under Rule 14A.34(1) of the Hong Kong Listing Rules. They will be exempted from the independent shareholders approval requirement and are subject to the reporting and announcement requirements.

As the terms of property purchase contracts set out in 2(a) to 2(b) above are similar and comparable to those offered to other independent customers who have purchased our properties in SOHO Newtown, the Directors (including independent non-executive Directors) are of the view that these transactions were entered into in the ordinary course of business of the Group and on normal commercial terms. We confirm that this is common business practice for sellers to charge interest for late payments while taking steps to negotiate and try to reach settlement with purchasers. We further confirm that Zhonghongtian has taken steps to negotiate settlement with Beijing Zeli and Hongyun and that Beijing Zeli and Hongyun have agreed to pay interest for delayed payments in the interim. Therefore, the Directors (including the independent non-executive Directors) maintain the view that these transactions are fair and reasonable and in the interests of the Group and its shareholders as a whole.

(c) Four connected transactions between the Group and Ms. Yan Yan and her associates

We have identified four connected transactions between the Group and Ms. Yan Yan, our Director, or her associates:

(i) Property purchase contract between Ms. Yan Yan and Beijing Chaowai

Ms. Yan Yan, her immediate family and our project company, Beijing Chaowai, entered into a property purchase contract on 25 April 2007, pursuant to which Ms. Yan Yan and her family agreed to purchase a unit in Chaowai SOHO for a consideration of RMB2,815,864 (equivalent to approximately HK$2,903,402). Ms. Yan Yan and her family paid RMB1,415,864 (equivalent to approximately HK$1,459,879) according to the contract. The remaining RMB1,400,000 (equivalent to approximately HK$1,443,522) shall be settled by mortgage. Certain requisite formalities and procedures are currently being undertaken prior to a mortgage application being made. According to a supplement agreement among the same parties dated 18 May 2007, Ms. Yan Yan and her family are under an obligation to pay Beijing Chaowai upon receipt of the mortgage.

(ii) Mortgage guarantee provided by Redstone Jianwai for Zen Investment Company Limited with respect to the purchase of a unit in Jianwai SOHO

Zen Investment Company Limited, a company owned by Ms. Yan Yan and her husband, and our project company, Redstone Jianwai, entered into a property purchase contract on 16 October 2003, pursuant to which Zen Investment Company Limited agreed to purchase a unit in Jianwai SOHO for a consideration of RMB4,081,302 (equivalent to approximately HK$4,208,179). Zen Investment Company Limited settled part of the purchase price by way of mortgage. Pursuant to a mortgage agreement No. 861164838 the outstanding amount under the mortgage is guaranteed by Redstone Jianwai. The term of the guarantee is 15 years or until such time when the relevant land use rights certificate, the building ownership certificate and the security registration documents have been obtained, whichever is earlier. As at 31 May 2007, approximately US$357,092 (equivalent to approximately HK$2,784,175) was outstanding under the mortgage.

(iii) Two mortgage guarantees provided by Jianhua Real Estate for Ms. Yan Yan and her family with respect to the purchase of two units in SOHO Shangdu

Ms. Yan Yan, her family and our project company, Jianhua Real Estate, entered into two property purchase contracts on 25 January 2005, pursuant to which Ms. Yan Yan and her family agreed to purchase two units in SOHO Shangdu for a consideration of RMB1,209,492 (equivalent to approximately HK$1,247,092) and RMB 1,027,291 (equivalent to approximately HK$1,059,227). Ms. Yan Yan and her family settled part of the purchase price by way of mortgage. Pursuant to mortgage agreements No. YYB25P10220060059 and No. YYB25P10220060058 outstanding amounts under the mortgage are guaranteed by Jianhua Real Estate. The term of each guarantee is up to 10 years. As at 31 May 2007, approximately RMB636,000 (equivalent to approximately HK$655,772) and approximately RMB538,833 (equivalent to approximately HK$555,584) were outstanding under the respective mortgages.

The four connected transactions between the Group and Ms. Yan Yan and her associates will be aggregated for the purpose of Rule 14A of the Hong Kong Listing Rules and, as at 31 May 2007, an aggregate amount of approximately HK$5,413,517 remained outstanding.

(d) Three connected transactions between the Group and Mr. Su Xin

We have identified three connected transactions between the Group and Mr. Su Xin, our Director, the details of which are as follows:

(i) Mortgage guarantee provided by Redstone Jianwai for Mr. Su Xin with respect to the purchase of a unit in Jianwai SOHO

Mr. Su Xin and our project company, Redstone Jianwai, entered into a property purchase contract on 21 June 2002 pursuant to which Mr. Su Xin agreed to purchase a unit in Jianwai SOHO for a consideration of RMB885,537 (equivalent to approximately HK$913,066). Mr. Su Xin settled part of the purchase price by way of mortgage. Pursuant to the loan agreement (02) No.6046, entered into between Mr. Su Xin and CITIC Bank and the relevant irrevocable guarantee provided by Redstone Jianwai to CITIC Bank, the outstanding amount owed by Mr. Su Xin under the mortgage is guaranteed by Redstone Jianwai. The term of the guarantee is up to 20 years. As at 31 May 2007, approximately RMB379,619 (equivalent to approximately HK$391,420) was outstanding under the mortgage.

(ii) Mortgage guarantee provided by Jianhua Real Estate for Mr. Su Xin with respect to the purchase of a unit in SOHO Shangdu

Mr. Su Xin and our project company, Jianhua Real Estate, entered into a property purchase contract on 25 January 2005, pursuant to which Mr. Su Xin agreed to purchase a unit in SOHO Shangdu for a consideration of RMB2,498,950 (equivalent to approximately HK$2,576,636). Mr. Su Xin settled part of the purchase price by way of mortgage. Pursuant to a mortgage agreement No. 35050616000142 the outstanding amount under the mortgage is guaranteed by Jianhua Real Estate. The term of the guarantee is up to 10 years or until such time when the security registration is completed and the certificate of incumbency and other relevant documents have been delivered to Everbright Bank of China, whichever is earlier. As at 31 May 2007, approximately RMB1,172,762 (equivalent to approximately HK$1,209,220) was outstanding under the mortgage.

(iii) Mortgage guarantee provided by Zhonghongtian for Mr. Su Xin with respect to the purchase of a unit in SOHO Newtown

Mr. Su Xin and our project company, Zhonghongtian, entered into a property purchase contract on 8 February 2004, pursuant to which Mr. Su Xin agreed to purchase a unit in SOHO Newtown for a consideration of RMB1,737,550 (equivalent to approximately HK$1,791,566). Mr. Su Xin settled part of the purchase price by way of mortgage. Pursuant to a mortgage agreement No. 10001C040017 dated 28 May 2004 the outstanding amount under the mortgage is guaranteed by Zhonghongtian. The term of the guarantee is up to 10 years or until such time when the security registration is completed and the certificate of incumbency and other relevant documents have been delivered to the Beijing Commercial Bank, whichever is earlier. As at 31 May 2007, approximately RMB700,000 (equivalent to approximately HK$721,761) was outstanding under the mortgage.

The three connected transactions between the Group and Mr. Su Xin will be aggregated for the purpose of Rule 14A of the Hong Kong Listing Rules and, as at 31 May 2007, an aggregate amount of approximately RMB2,260,714 (equivalent to approximately HK$2,330,993) remained outstanding under the three connected transactions.

We provide mortgage guarantees on similar and comparable terms, including but not limited to the length of the guarantee, for all customers who have purchased our properties in the same project and have applied for mortgages in relation to the properties, no matter whether they are connected persons or independent third parties. The Directors (including independent non-executive Directors) are of the view that the guarantees described under paragraphs 2(c) to (d) above are provided to the Directors and their associates on normal commercial terms. In addition, since each of the percentage ratios (other than the profit ratios) under Chapter 14 of the Hong Kong Listing Rules, where applicable, in respect of the continuing connected transactions set out in paragraphs 2(c) and 2(d) above is expected to be less than 2.5%, the transactions fall under Rule 14A.34(1) of the Hong Kong Listing Rules. They will be exempted from the independent shareholders' approval requirements and are subject to the reporting and announcement requirements.

3. **Continuing connected transactions for which waiver are sought by us from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Hong Kong Listing Rules**

(a) Equity transfer and capital increase agreement among Mr. Pan, Ms. Yan Yan and BVI-10

Pursuant to an equity transfer and capital increase agreement executed on 27 March 2007, Mr. Pan and Ms. Yan Yan, transferred their 75% and 20% equity interests respectively in Beijing SOHO to BVI-10, after which the registered capital of Beijing SOHO shall be increased from RMB20 million to US$49.5 million. For details of the equity transfer and capital increase agreement, please see "Appendix IX — Statutory and General Information — Further Information About the Business — Summary of Material Contracts". The aggregate consideration for the equity interests is RMB19,000,000 payable in US dollars (which is equivalent to approximately HK$19,590,658) which is determined based on the net asset value of Beijing SOHO. We paid the consideration for the equity transfer on 17 September 2007 and 20% of the increase in registered capital and currently expect the remaining payment to be made before the end of December 2007.

(b) Equity transfer and capital increase agreement among Mr. Pan, Ms. Yan Yan and BVI-5

Pursuant to an equity transfer and capital increase agreement executed on 27 March 2007 and a supplemental agreement dated 3 September 2007, Mr. Pan and Ms. Yan Yan, transferred their 75% and 20% equity interests respectively in Redstone Newtown to BVI-5, after which the registered capital of Redstone Newtown shall be increased from RMB20 million to US$10 million. For details of the equity transfer and capital increase agreement, please see "Appendix IX —

Statutory and General Information — Further Information About the Business — Summary of Material Contracts". The aggregate consideration for the equity interests is RMB19,000,000 payable in US dollars (which is equivalent to approximately HK$19,590,658) which is determined based on the net asset value and the registered capital of Redstone Newtown. We paid the consideration for the equity transfer on 17 September 2007 and 20% of the increase in registered capital and currently expect the remaining payment to be made before the end of December 2007.

(c) Equity transfer and capital increase agreement among Mr. Pan, Ms. Yan Yan and BVI-8

Pursuant to an equity transfer and capital increase agreement executed on 23 January 2007, Mr. Pan and Ms. Yan Yan, transferred their 75% and 20% equity interests respectively in Shanshi Company to BVI-8, after which the registered capital of Shanshi Company shall be increased from RMB20 million to US$38.7 million. For details of the Equity Transfer Agreement, please see "Appendix IX — Statutory and General Information — Further Information About the Business — Summary of Material Contracts". The aggregate consideration for the equity interests is RMB10,250,000 (which is equivalent to approximately HK$10,568,645) which is determined based on the net asset value of Shanshi Company. We paid the consideration for the equity transfer on 17 September 2007 and 20% of the increase in registered capital and currently expect the remaining payment to be made before the end of December 2007.

(d) Equity Transfer Agreement among Beijing Danshi, BVI-9, District SASAC and Chongyuan

Pursuant to the Equity Transfer Agreement, Beijing Danshi, a company controlled by Mr. Pan, has agreed to transfer a 49% equity interest in Beijing Tianjie to BVI-9 for a consideration of RMB144,117,647 (equivalent to approximately HK$148,597,873). Such transfer is subject to PRC Government approvals which are currently pending. For details of the Equity Transfer Agreement, please see "Business — Our Projects — Tiananmen South (Qianmen) Project — History and Agreements Relating to Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture". Pursuant to the Equity Transfer Agreement, the payment will be made in one lump sum within three months of Beijing Tianjie obtaining its amended business licence for the change of its corporate structure. The Company currently expects the payment to be made before the end of March 2008.

(e) Three entrustment loans from Redstone Jianwai to Beijing Danshi

Beijing Danshi is 90% held by Mr. Pan and accordingly is a connected person of the Group. We have identified three entrustment loans provided by Redstone Jianwai to Beijing Danshi which are connected transactions:

(i) Entrustment loan agreement No.18075011WT

Pursuant to an entrustment loan agreement No. 18075011WT between Redstone Jianwai, Beijing Danshi and the Beijing Branch of the Guangdong Development Bank dated 9 April 2007 (the "**1st Entrustment Loan**"), Redstone Jianwai has entrusted Guangdong Development Bank to release a loan of RMB500,000,000 (equivalent to approximately HK$515,543,641) to Beijing Danshi for a period of 24 months from 9 April 2007. The 1st Entrustment Loan has an annual interest of 3% which is payable by Beijing Danshi to Redstone Jianwai on a quarterly basis.

(ii) Entrustment loan agreement No.18075013WT

Pursuant to an entrustment loan agreement No. 18075013WT between Redstone Jianwai, Beijing Danshi and the Beijing Branch of the Guangdong Development Bank dated 11 April 2007 (the "**2nd Entrustment Loan**"), Redstone Jianwai has entrusted Guangdong

Development Bank to release a loan of RMB500,000,000 (equivalent to approximately HK$515,543,641) to Beijing Danshi for a period of 24 months from 11 April 2007. The 2nd Entrustment Loan has an annual interest of 3% which is payable by Beijing Danshi to Redstone Jianwai on a quarterly basis.

(iii) Entrustment loan agreement No.18075014WT

Pursuant to an entrustment loan agreement No. 18075014WT between Redstone Jianwai, Beijing Danshi and the Beijing Branch of the Guangdong Development Bank dated 12 April 2007 (the "**3rd Entrustment Loan**"), Redstone Jianwai has entrusted Guangdong Development Bank to release a loan of RMB144,200,000 (equivalent to approximately HK$148,682,786) to Beijing Danshi for a period of 24 months from 12 April 2007. The 3rd Entrustment Loan has an annual interest rate of 3% which is payable by Beijing Danshi to Redstone Jianwai on a quarterly basis.

The three Entrustment Loans provided by Redstone Jianwai to Beijing Danshi will be aggregated for the purpose of Rule 14A of the Hong Kong Listing Rules and, as at 17 August 2007, an aggregate amount of RMB1,144,200,000 (equivalent to approximately HK$1,179,770,068) plus interest remained outstanding.

We confirm that the three Entrustment Loans were released to Beijing Danshi in connection with the capital injection of RMB144,117,647 (equivalent to approximately HK$148,597,873) by Beijing Danshi into Beijing Tianjie in order for Beijing Danshi to acquire a 49% equity interest in Beijing Tianjie and in anticipation that Beijing Danshi would transfer such interest in Beijing Tianjie to BVI-9 together with all the economic interests it has in the Tiananmen South (Qianmen) Project. For details of the acquisition, please see the section headed "Business — Our Projects — Tiananmen South (Qianmen) Project — History and the Agreements Relating to the Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture".

As part of the Global Offering, HSBC Trustee will sell some of its Shares and distribute the proceeds to Ms. Zhang as the beneficiary of the Trust, who will then use the proceeds in HK dollars to secure bank loans in RMB for Beijing Danshi. Beijing Danshi will use the loans in RMB for the repayment of the three entrustment loans. The Company's PRC legal advisers have confirmed that none of the Group members, Beijing Danshi or Ms. Zhang is subject to any PRC approval requirement under this arrangement; only the banks which provide the RMB loan to Beijing Danshi is required to file a registration form (境外擔保項下貸款及履約情況登記表) with SAFE. The Company currently expects that the fund flow can happen as soon as the proceeds of the sale of existing Shares are received on the morning of the date of Listing and the three Entrustment Loans are expected to be settled within one week.

(f) Payment in the total sum of RMB3.15 billion from Redstone Jianwai to Beijing Tianjie pursuant to the Second Supplemental Agreement and the Fourth Supplemental Agreement

The Cooperation Agreement was entered into among Redstone Industry, District SASAC, Chongyuan and Beijing Tianjie on 9 March 2007, pursuant to which Redstone Industry agreed to acquire a 49% equity interest in Beijing Tianjie and the full development rights to the 44 Parcels in the Tiananmen South (Qianmen) Project, 11 of which are subject to being acquired through open tender, and was required to pay four instalments to Beijing Tianjie amounting in aggregate to RMB3,150,000,000 (equivalent to HK$3,247,924,937) and to repay the principal of an outstanding loan owed by Beijing Tianjie in the sum of RMB2,100,000,000 (equivalent to approximately HK$2,165,283,291) and the interest accruing thereon since 1 April 2007. Pursuant to the First Supplemental Agreement dated 19 March 2007, all the rights and liabilities of Redstone Industry were transferred to Beijing Danshi, which is a company controlled by Mr. Pan and therefore a connected party of the Group. Beijing Danshi has paid the first and second instalments to Beijing Tianjie amounting in aggregate to RMB1,000,000,000 (equivalent to approximately HK$1,031,087,282).

Redstone Jianwai, BVI-9, Beijing Danshi, District SASAC, Chongyuan and Beijing Tianjie entered into the Second Supplemental Agreement on 14 May 2007, pursuant to which (a) BVI-9 will acquire all the rights of Beijing Danshi under the Cooperation Agreement subject to our obtaining the necessary PRC Government approvals (b) Redstone Jianwai will reimburse Beijing Danshi the first and second instalments in the sum of RMB1,000,000,000 (equivalent to approximately HK$1,031,087,282) which was paid to Beijing Tianjie; and (c) Redstone Jianwai assumes the obligations of paying Beijing Tianjie the third and fourth instalments in the total sum of RMB2,150,000,000 (equivalent to approximately HK$2,216,837,655). The parties also entered into a further supplemental agreement (the Fourth Supplemental Agreement), pursuant to which all the payment obligations of Redstone Jianwai in respect of the third and fourth instalments under the Second Supplemental Agreement will be suspended until PRC Government approvals are granted (please refer to paragraph (d) above). We currently expect that PRC Government approvals will be provided by the end of December 2007. The parties further agreed pursuant to the Fourth Supplemental Agreement that any amounts paid by us or BVI-9 in acquiring any of the 11 Parcels, which are expected to be made available subject to open tender in late 2007, will be deducted from the third and fourth instalments under the Second Supplemental Agreement.

For details of the agreements, please see "Business — Our Projects — Tiananmen South (Qianmen) Project — History and the Agreements Relating to the Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture".

(g) Transfer of Guanghezhalou land parcel from Beijing Tianjie to Beijing Qianmen Tianshi Property Development Company Limited pursuant to the Third Supplemental Agreement

In addition to the 44 Parcels, Beijing Tianjie holds Guanghezhalou land parcel (廣和查樓地塊), in which the Company has no economic interest under the Cooperation Agreement (as amended). On 6 June 2007, Redstone Jianwai, BVI-9, Beijing Tianjie, District SASAC, Chongyuan, Beijing Danshi and Beijing Qianmen Tianshi Property Development Company Limited (北京前門天市置業發展有限公司) ("**Tianshi Property**") entered into the Third Supplemental Agreement, pursuant to which the Guanghezhalou land parcel (廣和查樓地塊) will be transferred out of Beijing Tianjie to Tianshi Property, a company controlled by District SASAC. According to the Third Supplemental Agreement, Tianshi Property will pay Beijing Tianjie (which payment will be accounted for in Chongyuan and District SASAC's accounts) transfer fees equal to the land premium, construction costs, related tax payable and any other miscellaneous expenses incurred in relation to the land parcel at the time of the transfer. The Company currently expects the transfer fees to be no more than RMB51,000,000 (equivalent to approximately HK$52,585,451). The transfer shall be completed before the end of 30 June 2008 according to Third Supplemental Agreement.

Based on the Cooperation Agreement, District SASAC and Chongyuan have the full development rights of and economic interest in Guanghezhalou land parcel. Therefore, we consider that the transfer of such land parcel from Beijing Tianjie to Tianshi Property has no impact on our future financial and operation conditions and will minimise our risk exposure arising from the operation of the Guanghezhalou land parcel, and will be beneficial to us and in the interests of our Shareholders as a whole.

(h) Interim agreement between Mr. Pan, Ms. Yan Yan, Beijing Danshi, Redstone Jianwai, BVI-9 and the Company

Mr. Pan, Ms. Yan Yan, Beijing Danshi, BVI-9 and the Company entered into an interim agreement dated 12 September 2007 in order to clarify the arrangements for the transfer of Beijing

Danshi's equity interest in Beijing Tianjie in the event of the PRC Government approvals for such transfer being delayed. Consistent with proposed provisions of the Fourth Supplemental Agreement, it was agreed that consideration of RMB144,117,647 (equivalent to approximately HK$148,597,873) payable for the transfer of the equity interest in Beijing Tianjie would not be paid until such time as PRC Government approvals for the transfer to BVI-9 or another subsidiary of the Company have been provided. In the interim, we have agreed to provide project management services to Beijing Tianjie pursuant to a separate agreement, (see "(i) — Project Management Agreement between Beijing SOHO Properties and Beijing Danshi" below). Mr. Pan has further agreed to pledge his shares in Beijing Danshi to a PRC entity to be nominated by the Company and not to agree to the transfer of such shares without the written consent of the Company.

In the event PRC Government approvals for the transfer of Beijing Danshi's equity interest in Beijing Tianjie to BVI-9 or another subsidiary of the Company are not granted, as finally determined by a majority of the Company's board of Directors, the parties have agreed that, at the option of BVI-9, either (i) the terms of the Equity Transfer Agreement will remain in force so as enable the transfer to be completed subject to a successful re-application for approval; or (ii) the Equity Transfer Agreement will be terminated and Beijing Danshi will enter into a further agreement to transfer its right to receive revenues from the Tiananmen South (Qianmen) Project to BVI-9 or another member of the Group with effect from the date of termination of the Equity Transfer Agreement, to the fullest extent and in the manner permitted by Hong Kong and PRC laws and regulations (as applicable) and in full compliance with the Listing Rules. In the event that the PRC Government approvals for the transfer of Beijing Danshi's equity interest in Beijing Tianjie to BVI-9 or another subsidiary of the Company are not granted either prior to the issue of the pre-sale permit with respect to any phase of the Tiananmen South (Qianmen) Project or within two years of the date of the Interim Agreement (whichever is earlier), the parties have agreed to negotiate in good faith with a view to putting the Company in the same position as we would have been in if we had acquired Beijing Danshi's interests in Beijing Tianjie, to the extent and in the manner permitted by Hong Kong and PRC laws and regulations and in full compliance with the Hong Kong Listing Rules. Any such restructuring proposal will be subject to approval by the independent non-executive Directors and by the independent Shareholders of the Company (excluding Mr. Pan and Ms. Zhang and their respective associates).

(i) Project Management Agreement between Beijing SOHO Properties and Beijing Danshi

Beijing SOHO Properties and Beijing Danshi entered into the Project Management Agreement dated 3 September 2007 pursuant to which Beijing SOHO Properties agreed to provide services including planning, design, project management, sales and leasing, marketing, advertising and commercial properties management for a period of two years in order to assist the development, and the preparation for sale, of the Tiananmen South (Qianmen) Project. The service fee payable under the Project Management Agreement is now fixed at an amount equal to five per cent of the estimated total construction costs for the project during the term of the agreement (to be adjusted based on the total construction costs finally payable). The total service fees are estimated to be no more than RMB93,500,000 (equivalent to HK$96,406,661) for the whole term of the agreement. The Project Management Agreement will terminate automatically in the event that PRC Government approvals for the transfer to a subsidiary of the Company of Beijing Danshi's interest in Beijing Tianjie are granted or are clearly unable to be obtained as finally determined by the majority of our Board. In the former event, Beijing SOHO Properties will repay all the project management and service fees to Beijing Danshi which were charged by Beijing SOHO properties under the agreement.

The transactions set out in paragraphs 3(a) to 3(i) above are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Hong Kong Listing Rules.

The transactions set out in paragraphs 3(a) to 3(d) above were entered into as part of the restructuring of the Group before Listing. The Directors (including independent non-executive Directors) are of the view that all the transactions set out in 3(a) to 3(d), as well as 3(e) to 3(i), were fair and reasonable and in the interest of the Group and its Shareholders' interests as a whole.

4. **Confirmation from the Joint Sponsors**

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us relating to the continuing connected transactions described above in paragraphs 1, 2 and 3 and have also conducted due diligence by discussing with us and our advisers and have obtained the necessary representations and confirmations from us and CB Richard Ellis Limited, our property valuer in connection with the Listing. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that such transactions and their respective annual caps (where applicable) are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of their business, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole.

5 **Waivers**

Our Directors, including the independent non-executive Directors, consider that disclosure and approval of these transactions in full compliance with the Listing Rules would be impracticable and in particular, add unnecessary administrative costs to us. We have applied for and the Stock Exchange has granted us waivers in respect of the connected transactions set out in paragraphs 2(a) to (d), 3(a) to (c), 3(e) and 3(g) to (i), and waivers in respect of the connected transactions set out in paragraphs 3(d) and 3(f) which are conditional upon the receipt of approval from the Beijing Bureau of Commerce for such transactions from strict compliance with the announcement and (where applicable) independent shareholders' approval requirements of the Listing Rules subject to the aggregate value of each of these non-exempt continuing connected transactions not exceeding the relevant estimates set forth in the above. We confirm that we will comply with Rules 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Hong Kong Listing Rules in relation to the connected transactions contemplated above.

6. **Potential Future Connected Transactions**

In the event the transfer of Danshi's 49% equity interest in Beijing Tianjie to BVI-9 is approved and completed, Beijing Tianjie will become a project company within the Group. Since District SASAC and Chongyuan together hold 51% interest in Beijing Tianjie, the associates (as defined in the Hong Kong Listing Rules) of District SASAC (the "**Chongwen Related Parties**") will become our connected persons upon the transfer of the 49% equity interest in Beijing Tianjie from Beijing Danshi to BVI-9. In this regard, Beijing Tianjie has entered into a number of contracts and may enter into further contracts with the Chongwen Related Parties. Such contracts will be treated as connected transactions under the Hong Kong Listing Rules for as long as the Chongwen Related Parties remain our connected persons. We will then need to comply with the relevant requirements or apply for waiver from the Hong Kong Stock Exchange regarding connected transactions under Chapter 14A of the Listing Rules. Announcements will be made by the Company as and when the transfer is completed or when the relevant requirements become applicable.

GENERAL

Our Directors are appointed by ordinary resolutions of our Shareholders or by the Board of Directors to fill vacancies on the Board or to add to the existing Board. At each annual general meeting one-third (or, if the number is not a multiple of three, the number nearest to but not greater than one-third) of the Directors in office at the relevant time shall retire by rotation but are eligible for re-election and re-appointment.

Our Board of Directors is responsible and has general powers for the management and conduct of our business.

Under Cayman Islands law, each of our Directors owes fiduciary duties to the Company to act in good faith in what he considers is the best interests of the Company as a whole and his power must be exercised for a proper purpose. See the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix VII to this prospectus.

The following table sets forth certain information concerning our Directors and executive officers.

Name	Age	Position
PAN Shiyi	43	Chairman of the Board of Directors
PAN ZHANG Xin Marita. . . .	42	Executive Director and Chief Executive Officer
YAN Yan	43	Executive Director and Chief Financial Officer
SU Xin.	39	Executive Director and Chief Operating Officer
Ramin KHADEM	62	Independent Non-Executive Director
CHA Mou Zing, Victor	57	Independent Non-Executive Director
YI Xiqun	59	Independent Non-Executive Director
LI Hong	44	Senior Vice President
XU Yang	47	Senior Vice President
TONG Ching Mau	37	Director of Corporate Finance
ZHAO Guilin	43	Qualified Accountant

Executive Directors

Mr. PAN Shiyi, age 43, is chairman of our Board of Directors. Mr. Pan co-founded Redstone Industry, the predecessor of Company, in 1995 since then he has led, together with her wife, Mrs. Pan Zhang Xin, the development of all of Company's eight projects and the Tiananmen South (Qianmen) Project. Before that Mr. Pan co-founded Beijing Vantone Co. Ltd. ("**Vantone**") in 1992. While at Vantone, Mr. Pan participated in the development of the Vantone New World Plaza and was also involved in the development of other projects including the Lixiang Plaza and the Air China Tower.

Mr. Pan was selected as one of the "Top Ten Influential Figures in Real Estate Industry" by *sina.com* in 2004 and 2006, one of the "Top Ten Influential Figures in Real Estate Industry" by sohu.com in 2005 and one of the "25 most influential business leaders in China by *Fortune (China) Magazine* in 2005.

Mr. Pan has frequently been invited to speak at conferences and forums including the China Business Summit 2003, the World Economic Development Declaration 2003 and the Boao Forum for Asia 2006. He has been widely featured in both Chinese and overseas press such as "Time Magazine", "Business Week" and the "Asia Wall Street Journal". He has not in the last three years, and does not currently, hold any directorships in any other listed companies.

Mrs. PAN ZHANG Xin Marita, age 42, is our executive Director and chief executive officer. She co-founded Redstone Industry, the predecessor of our company, in 1995. Since then she has led, together with her husband Mr. Pan Shiyi, the development of all of our eight projects and the Tiananmen South (Qianmen) Project. Prior to founding our company, Ms. Zhang worked in Hong Kong at Goldman Sachs (Asia) L.L.C. from 1992 to 1993 in the investment banking division and the Travelers Group from 1993 to 1995 in its direct investment division.

Ms. Zhang was selected by the World Economic Forum as a Young Global Leader in 2005. In recognition of Ms. Zhang's efforts in promoting the development of architecture in Asia, Ms. Zhang was awarded a Special Prize to an Individual Patron of Architectural Award by La Biennale di Venezia in 2002. She has also spoken at various forums including the Fortune Global Forum 2005 and the China Business Summit 2003 & World Economic Development Declaration 2003.

She has not in the last three years, and does not currently, hold any directorships in any other listed companies.

Ms. YAN Yan, age 43, is our executive Director and chief financial officer and is responsible for the financial strategy and management of our company. Prior to joining our company in December 1996, Ms. Yan worked for Beijing Vantone Logan International Property Management Consulting Co. Ltd as vice president and for Beijing Henderson Properties Co. Ltd., a subsidiary of Henderson (China) Investment Co., Ltd., as assistant marketing director from 1993 to 1995. Before that, Ms. Yan worked for Xi'an Sheraton Hotel from 1991 to 1993 and was the manager of the sales department when she left. From 1987 to 1991 she worked for Tianjin Sheraton Hotel and was the director of the rooms division when she left. Ms Yan received a Bachelor of Civil Engineering degree from Tianjin University in 1986. She has 14 years of relevant experience. Ms. Yan has not in the last three years, and does not currently, hold any directorships in any other listed companies.

Mr. SU Xin, age 39, is our executive Director and chief operating officer and is responsible for day-to-day operations, including sales, human resources, legal and information technology functions. Mr. Su joined our company in March 1998. From 1994 to 1996, Mr. Su worked for the China Architecture Design & Research Group as an engineer. Mr. Su received a Bachelor of Engineering Mechanics degree from Tongji University in 1991 and an Executive Master's degree in Business Administration from China Europe International Business School in 2005. He has ten years of relevant experience in the real estate development industry in China. Mr. Su has not in the last three years, and does not currently, hold any directorships in any other listed companies.

Independent Non-executive Directors

Dr. Ramin KHADEM, age 62, is the Chairman of the Board of Trustees of the International Space University, Strasbourg, France. He is a member of the advisory board of ManSat Ltd, a company that serves the needs of the international space industry, as well as Near Earth L.L.C. an investment bank with a focus on the satellite, media and telecommunications clients and investors. He is also the Senior Adviser to the Chairman and Chief Executive Officer of Inmarsat Plc. Dr. Khadem acted as the executive director of Inmarsat Ventures Limited (formerly known as Inmarsat Ventures plc) ("**Inmarsat**") between October 2000 and July 2004 and that of Inmarsat Group Holdings Limited between December 2003 and July 2004 where he was responsible for the overall financial management and performance of the Inmarsat Group. Since 1993, he had been acting as the Chief Financial Officer of Inmarsat prior to which he had served Inmarsat in various capacities, namely finance director, finance manager and director of finance and administration. Dr. Khadem was in charge of the finance committee of Inmarsat, which was responsible for reviewing and recommending annual operating and capital budgets, adopting financial plans and reviewing performance and results of operations with external auditors until 1999. From 2000 to 2004, he attended the audit committee in his capacity as executive director and worked with external auditors to review Inmarsat's interim and annual results. While working with the Inmarsat Group, Dr. Khadem was involved in a number of major projects including arranging a medium term financing facility of US$610 million, the sale of Inmarsat Ventures Limited to private equity buyers (namely funds of

Apax Partners and Perimira) in the sum of US$1,538 million, a bond issue in Europe and the US raising US$477 million and supporting further debt instruments totalling US$975 million. He was also involved in a number of significant restructuring, private placement and financial leasing transactions and in negotiations with the US, Russian and Khazakistan governments for the launch of one of the five Third Generation Inmarsat Satellites on a Russian rocket from Khazakistan. Dr. Khadem graduated from the University of Illinois with a B.S. degree in electrical engineering and McGill University with a Ph.D. degree in Economics. Dr. Khadem has in the last three years, and does not currently, hold any directorships in any other listed companies.

Mr. CHA Mou Zing, Victor, age 57, is the Deputy Chairman and Managing Director of HKR International Limited (Stock Code 480 listed on the Stock Exchange), an alternate independent non-executive director of New World Development Company Limited (Stock Code 0017 listed on the Stock Exchange) and an independent director of China Netcom Group Corporation (Hong Kong) Limited, (Stock Code 906 listed on the Stock Exchange). He is also a member of the Chinese People's Political Consultative Committee of Zhejiang Province and a council member of the Hong Kong Polytechnic University. Mr. Cha graduated from Stanford University with a MBA degree and University of Wisconsin with a B.S. degree.

Mr. YI Xiqun, age 59, is the Chairman of Beijing Enterprises Holdings Limited (Stock Code 392 listed on the Stock Exchange). He graduated from the Beijing Chemical Institute in 1975 and later obtained a postgraduate degree in economics and management engineering from Tsinghua University. From 1986 to 1987, Mr. Yi was in charge of the Beijing Municipal Government Economic Structure Reform Committee and from 1987 to 1991, he served as the Chief of the Xicheng District of Beijing. Since 1991, Mr. Yi has been an assistant to the Mayor of Beijing as well as Director of the Economic and Foreign Trade Commission of Beijing Municipality and the Management Committee of the Beijing Economic and Technology Development Zone. Mr. Yi has in-depth knowledge and a wealth of experience in macroeconomic and microeconomic management.

Senior Management

Mr. LI Hong, age 44, is one of our senior vice presidents and oversees project management. Prior to joining our company in 1997, Mr. Li worked for China Agricultural Development Trust Investment Co., Ltd. from 1994 to 1997 and China Construction Technology Design & Research Centre from 1985 to 1994. Mr. Li received a Bachelor of Science degree from the School of Architecture, Harbin Institute of Technology in 1985. He has 18 years of relevant experience in the real estate development industry in China. Mr. Li has not in the last three years, and does not currently, hold any directorships in any listed companies.

Mr. XU Yang, age 47, is one of our senior vice presidents and oversees marketing, rental and customer service. Prior to joining our company in 1999, Mr. Xu was a teacher at the University of Science and Technology of Beijing since 1982 and was an associate professor from 1991 to 1996. He worked for the Beijing Jing Long Plaza Property Management Co., Ltd. from 1996 to 1998. Mr. Xu graduated from the University of Science and Technology of Beijing. He has eight years of relevant experience in the real estate development industry in China. Mr. Xu has not in the last three years, and does not currently, hold any directorships in any listed companies.

Ms. TONG Ching Mau, age 37, is our director of corporate finance and business development. She performs corporate finance, investor relations and business development functions. Prior to joining our company in 2002, she worked for Junan Securities Co., Ltd. from 1994 to 1997 as an analyst in its research department in Shenzhen. From 1997 to 1999, she worked for J&A Securities (Hong Kong) Limited in its investment banking division in Hong Kong. From 2001 to 2002, she worked in the investment banking division of Credit Suisse First Boston in New York. Ms. Tong received her Bachelor and Master of Economics from Shanghai Fudan University in 1991 and 1994 and her Master's degree in Business Administration from Yale University in 2001. She has 13 years of relevant experience in finance and more than four years experience in the real estate development industry in China. Ms. Tong has not in the last three years, and does not currently, hold directorship in any listed companies.

QUALIFIED ACCOUNTANT

Mr. ZHAO Guilin, aged 43, is also a member of our senior management, is a qualified accountant and our financial controller, responsible for our financial management, accounting and audit, taxation, financial report, bank credit and other day-to-day financial administration. Mr. Zhao has more than 20 years' working experience, and has worked with us for ten years on a full time basis. Before joining the Company in September 1996, Mr. Zhao served as a financial manager with Beijing Vantone Industrial Co. Ltd. from 1995 to 1996. From 1986 to 1995, he taught accounting at Beijing Technology and Business University and was an associate professor from 1994. Mr. Zhao was registered as a Hong Kong CPA with effect from 15 May 2007. From 2002 to 2004, Mr. Zhao took an Australian CPA course on an in-service basis and obtained a master's degree in accounting from Deakin University of Australia and qualified as a certified public accountant in Australia. He qualified as a PRC registered taxation adviser in 1998 and qualified as a PRC certified public accountant in 1994. Mr. Zhao graduated from Jilin University in 1988 with a master's degree in technology.

COMPANY SECRETARY

Mr. NGAI Wai Fung, age 45, is our company secretary. Mr. Ngai is a director and head of listing services of KCS Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently vice president of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and the chairman of its China Affairs Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in the United Kingdom and a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Ngai holds a master degree in corporate finance from the Hong Kong Polytechnic University, a master degree in business administration from Andrews University of the United States and a bachelor degree in law (with honours) from the University of Wolverhampton, the United Kingdom.

Mr. Ngai will discharge his duty as the Company Secretary with the support of KCS Limited.

COMPLIANCE ADVISER

We have appointed Platinum Securities Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser will advise us in the following circumstances:

- Before the publication of any regulatory announcement, circular or financial report;
- Where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- Where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- Where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

AUDIT COMMITTEE

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The audit committee comprises three members, namely Ramin Khadem, Cha Mou Zing, Victor and Yi Xiqun, who are independent non-executive Directors. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control of our Company and nominate and monitor external auditors.

REMUNERATION COMMITTEE

We have established a remuneration committee with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules. The remuneration committee comprises three members, namely Ramin Khadem, Cha Mou Zing, Victor and Yi Xiqun, who are independent non-executive Directors. The chairman of the remuneration committee is Ramin Khadem. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

COMPLIANCE COMMITTEE

We have established a compliance committee which is chaired by Dr. Ramin Khadem, our independent non-executive Director. The compliance committee comprises all our Directors, including our independent non-executive Directors, chief financial controller, chief operating officer, qualified accountant, and company secretary. The compliance committee will continue to be chaired by an independent non-executive Director. Representatives from our internal legal department and our external legal advisers will be invited to attend the meetings to ensure that we will be in full compliance with all applicable laws and regulations upon Listing. We will have our first compliance committee meeting within one month after Listing and will hold meetings subsequently on a quarterly basis.

RISK MANAGEMENT COMMITTEE

We have established a risk management committee consisting of senior management of the Company and an in-house lawyer. The committee is responsible for coordinating and overseeing the risk management process of the Company. External PRC legal advisers will also be invited to attend the meetings.

COMPENSATION OF DIRECTORS

The aggregate amount of salaries, housing allowances, pension scheme contributions, other allowances, benefits-in-kind and bonuses paid by us to the five highest-paid individuals (excluding amounts paid or payable by way of commissions on sales generated by the individual) and the Directors during each of the three years ended 31 December 2004, 2005 and 2006 was approximately RMB12.4 million, RMB10.5 million and RMB9.5 million, respectively. The following table sets out the annual salary of the Directors:

Range of Annual Salary	No. of Directors		
	2004	2005	2006
RMB nil - RMB2,000,000	1	1	1
RMB2,000,001 - RMB4,000,000	3	2	2

During the three years ended 31 December 2006 and other than as set out below:

- No remuneration was paid by us to, or receivable by, our Directors as an inducement to join or upon joining us.
- No compensation was paid by us to, or receivable by, our Directors or past Directors for the loss of office as a Director or for loss of any other office in connection with the management of our affairs; and
- None of our Directors waived any emoluments.

We estimate that the aggregate amount of remuneration paid and benefits in kind receivable by Directors during 2007 for services to be performed will be approximately RMB22.7 million.

We have entered into service agreements with Mr. Pan, Ms. Zhang, Ms. Yan Yan and Mr. Su Xin for an initial period of three years commencing on the Listing Date, which will continue thereafter unless and until terminated by either party by serving not less than six months' written notice to the other. These agreements set out the terms on which we employ each of these individuals. Each of them will receive a base salary and a director's allowance and will be eligible for a discretionary bonus of such amount as the Board may determine, calculated with reference to the guidelines approved by our Remuneration Committee, as amended, as well as reimbursement of all out of pocket expenses properly and reasonably incurred in the course of his/her employment. We also provide Ms. Zhang and her family with the use of House No. 35 of the Commune by the Great Wall, or any other house of similar type, and will bear the expenses of taxing, insuring, repairing and maintaining such house.

In consideration of, among other things, their respective employment and compensation arrangements under their respective employment agreements, each of those individuals are bound by certain restrictive covenants, including a covenant which restricts their ability to compete with the Group both during their employment by us and for a period of 12 months thereafter. Mr. Pan and Ms. Zhang are further bound by the terms of the non-competition deed which was entered into on 18 September 2007.

EMPLOYEES

We had 270 employees as at the Latest Practicable Date. The following table sets out the number and of our employees categorised by function as at that date:

Department	Direct Hire	Indirect Hire
Sales[1]	18	97
Leasing and Service[1]	46	116
Development and Project Management	136	—
Finance	28	—
Human Resources and Administration	28	—
Management	6	—
Corporate Finance & Business Development	4	—
Legal	3	—
Internal Control	1	—
Total	270	213

(1) 97 staff members in the sales department and 116 staff members in the leasing department are not directly employed by us. These staff members are typically employed on 3-month contracts with defined sales targets. We have a relatively high turnover of such staff and outsource responsibility for their hire to an external human resources firm. See "Business — Project Development — Sales".

None of our personnel are represented under collective bargaining agreements. We have not had any major disputes with our employees.

SHARE OPTION SCHEMES

We have adopted the Share Option Schemes. The Share Option Schemes provide for the grant of options to subscribe for our Shares to our senior management, including our directors, senior vice presidents and vice presidents that meet specified criteria. The principal terms of the Share Option Schemes are summarised under the sections headed "Statutory and General Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Share Option Scheme" in Appendix IX to this prospectus.

COMPENSATION OF EMPLOYEES

Compensation of our employees includes basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Compensation of sales staff primarily comprises commissions linked to sales performance. At the completion of a property project, we also issue a special project completion bonus. After the commencement of trading of the Shares on the Hong Kong Stock Exchange, we also expect to grant share options to our senior employees pursuant to the Share Option Scheme as part of their remuneration packages.

We incurred staff costs (comprising sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) of approximately RMB60.6 million, RMB71.4 million and RMB67.3 million for the three years ended 31 December 2006 representing approximately 2.6%, 1.9%, and 3.9%, respectively, of our revenue for those periods.

We confirm that no compensation was paid by us to, or receivable by, such employees for the three years ended 31 December 2006 for loss of office in connection with the management of our affairs, or as an inducement to join or upon joining us.

We participate in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau, pursuant to which we pay contributions at 20% of the salaries of our employees and the employee's share of contributions is 8% of salary. Salary means the employee's average monthly salary, which is not beyond three times the average monthly salary of workers in Beijing and not lower than the minimum monthly standard wage for workers in Beijing. The maximum amount of contributions we make pursuant to this scheme is 20% of three times the average monthly salary of workers in Beijing for the previous year. No contribution made by us on behalf of our employees has been forfeited and used to reduce the existing level of contributions.

WAIVERS FROM THE HONG KONG STOCK EXCHANGE

Waiver from Rule 8.12 of the Hong Kong Listing Rules

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. As our principal business operations and manufacturing facilities are primarily located in China, our senior management members are therefore based in China. As at the Latest Practicable Date, Ngai Wai Fung, our company secretary, is ordinarily resident in Hong Kong and only one of our executive directors, Ms. Zhang, is a Hong Kong resident although based in Beijing. We believe that it would be practically difficult and commercially unfeasible for us to appoint two Hong Kong residents as executive directors or to relocate any of our executive directors who are resident in the PRC to Hong Kong merely for the purpose of complying with Rule 8.12 of the Hong Kong Listing Rules. We have applied for and the Hong Kong Stock Exchange has granted a waiver from compliance with Rule 8.12 of the Hong Kong Listing Rules subject to the following conditions:

(a) we will appoint two authorised representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules who will act as our principal communications channel with the Hong Kong Stock Exchange and we will ensure that they comply with the Hong Kong Listing Rules at all times. The two authorised representatives to be appointed are Ms. Zhang and Ngai Wai Fung. Both of the authorised representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives has been duly authorised to communicate on our behalf with the Hong Kong Stock Exchange;

(b) both the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) and the senior management of the Company promptly at all times as and when the Hong Kong Stock Exchange wishes to contact them for any matters;

(c) all our Directors are in possession of valid travel documents which will enable them to travel to Hong Kong and meet the Hong Kong Stock Exchange at short notice;

(d) the Company will retain a compliance adviser pursuant to Rule 3A.19 of the Listing Rules at least for a period of one year from the date of Listing until the date on which we have fully complied with Rule 13.46 in respect of our first full financial year results after Listing. The compliance adviser will act as our channel of communication with the Stock Exchange in addition to the authorised representatives. We will procure the compliance adviser to provide the Stock Exchange with the names and contact details of representatives of the compliance adviser responsible for this matter as soon as possible.

So far as our Directors are aware, immediately prior to and following completion of the Global Offering, the persons who will be directly or indirectly interested in more than 5% of our Company's issued and outstanding Share capital then in issue are:

	Immediately before the Global Offering		Immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)		After the Global Offering (assuming that the Over-allotment Option is exercised in full)	
Shareholder	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
Capevale (Cayman)(1)	3,554,100,000	94.78%	3,324,100,000	66.48%	3,324,100,000	63.53%
Boyce(2)	1,777,050,000	47.39%	1,662,050,000	33.24%	1,662,050,000	31.76%
Capevale (BVI)(3)	1,777,050,000	47.39%	1,662,050,000	33.24%	1,662,050,000	31.76%

(1) HSBC Trustee (in its capacity as the trustee of the Trust) is the legal owner of 100% of the shares in the issued share capital of Capevale (Cayman). HSBC Trustee holds these shares under the Trust for the benefit of the beneficiaries of the Trust, including Ms. Zhang. Each of Boyce and Capevale (BVI) is the record owner of 1,777,050,000 Shares, or approximately 47.39% of our Company immediately prior to completion of the Global Offering.

(2) Boyce is a wholly-owned subsidiary of Capevale (Cayman).

(3) Capevale (BVI) is a wholly-owned subsidiary of Capevale (Cayman).

Except as disclosed in this prospectus, the Directors are not aware of any person who will, immediately following completion of the Global Offering, have a direct or indirect interest in more than 5% of the Shares then issued and outstanding or have a direct or indirect equity interest in any member of the Group representing more than 5% of the equity interest in such entity.

The following is a description of the authorised and issued Share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering:

		HK$
Authorised Share capital:		
7,500,000,000	Shares	150,000,000
Issued Shares:		
3,750,000,000	Shares	75,000,000
Shares to be issued under the Global Offering:		
1,250,000,000	Shares	25,000,000
Total Shares already issued and to be issued under the Global Offering (excluding any Shares which may be issued under the Over-allotment Option):		
5,000,000,000	Shares	100,000,000
Total Shares already issued and to be issued under the Global Offering (including any Shares which may be issued under the Over-allotment Option):		
5,232,413,000	Shares	104,648,260

ASSUMPTIONS

The table above is based on the Share Capital Assumptions and assumes the Global Offering becomes unconditional and is completed.

GENERAL MANDATE TO ISSUE SHARES

If the Global Offering becomes unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to a rights issue or pursuant to the exercise of any subscription rights under the options which may be granted under the Share Option Schemes or any scrip dividend or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by the Shareholders), with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of our Share capital in issue and to be issued (as set out in the above table) (excluding any issue of Shares pursuant to the exercise of the Over-allotment Option); and

- The aggregate nominal amount of our Share capital repurchased by us (if any).

This mandate will expire:

- At the conclusion of our next annual general meeting; or

- At the expiry of the period within which we are required by our articles of association to hold our next annual general meeting; or

- When revoked or varied or renewed by ordinary resolution of our Shareholders in general meeting whichever occurs first.

For further details of this general mandate, see the section headed “Written resolution of our Shareholders passed on 14 September 2007” in Appendix IX to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

If the Global Offering becomes unconditional, the Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with an aggregate nominal amount (or number, as the case may be) of not exceeding 10% of the aggregate nominal amount of our Share capital in issue and to be issued (as set out in the above table) (excluding any issue of Shares pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange and on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and which are in accordance with the Hong Kong Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Repurchase of our own securities” in Appendix IX to this prospectus.

This mandate will expire:

- At the conclusion of our next annual general meeting; or
- At the expiry of the period within which we are required by our articles of association to hold our next annual general meeting; or
- When revoked or varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

RANKING

The Offer Shares will rank pari passu with all of the Shares now in issue or to be issued, and will qualify for all dividends, income or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

You should read this section in conjunction with our audited consolidated financial statements, including notes thereto, as set forth in Appendix IA "Accountants' Report on the Group". The financial statements have been prepared in accordance with HKFRS. We have also set forth the financial statements of Beijing Tianjie, including notes thereto, in Appendix IB "Accountants' Report on Beijing Tianjie", which have also been prepared in accordance with HKFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled "Risk Factors" in this prospectus.

OVERVIEW

We are a commercial property developer with a strong track record of profitability. We are an industry leader focused on central Beijing and have won recognition and awards in China and internationally for our innovative designs. We were founded by our high profile directors Mr. Pan and Ms. Zhang.

In 2004, 2005 and 2006 and the three months ended 31 March 2007, our turnover and profits have primarily been generated by our Jianwai SOHO project and our SOHO Shangdu project. Our current and substantially completed projects consist of Sanlitun SOHO, Guanghualu SOHO, SOHO Shangdu, Chaowai SOHO, Commune by the Great Wall and phase VII of Jianwai SOHO (which is its last phase), with a total GFA of 878,422 sq.m. under development. We have also completed phase III of SOHO Shangdu and expect to complete phase VII of Jianwai SOHO and Chaowai SOHO in 2007. As at 30 June 2007, we had pre-sold 96.8%, 99.6% and 99.4% of the total saleable GFA of phase VII of Jianwai SOHO, SOHO Shangdu and Chaowai SOHO, respectively. We began pre-sales of Guanghualu SOHO in May 2007, and, as at 30 June 2007, and we had pre-sold 86.3% of the total saleable GFA. We expect to commence pre-sales of Sanlitun SOHO in the fourth quarter of 2007. As part of our pricing strategy, we typically price the later phases of a project at prices higher than those of the earlier phases. As a result, the gross profit margin of a project typically increases phase by phase.

Our consolidated turnover and profits for the three years ended 31 December 2004, 2005, 2006 and the three months ended 31 March 2007 included turnover and profits attributable to Shangdu Phase I. See "— Results of Operations" below.

Recent Development — Pending Acquisition of Beijing Tianjie and of 11 land parcels by open tender

We have recently entered into a series of agreements with respect to the purchase of a 49% equity interest in a company called Beijing Tianjie. The acquisition is subject to PRC Government approvals. In the event that we do not obtain the required approvals, we may not be entitled to any economic interest in the Tiananmen South (Qianmen) Project, which could have a material impact on our future earnings. See "Appendix IC — Tiananmen South (Qianmen) Project". The Cooperation Agreement, as amended, relating to Beijing Tianjie generally provides that, subject to our obtaining the requisite approvals for our acquisition of the relevant equity interest and excluding the 12 Heritage Sites, (1) we will develop, design, construct, sell, lease and operate all of the 44 Parcels that Beijing Tianjie acquires and (2) we are entitled to all of the income generated by, less all costs and expenses incurred by, Beijing Tianjie that are related to any of the 44 Parcels.

Beijing Tianjie's financial information for the period from 14 August 2004 to 31 March 2007 is included in "Accountants Report on Beijing Tianjie" as set forth in Appendix IB to this prospectus. Based on the current proposed arrangements and on the articles of association of Beijing Tianjie, following the acquisition of the 49% equity interest, in the event that we obtain the requisite PRC Government approval, we will have control over Beijing Tianjie. Therefore, in the event that we obtain the necessary PRC Government approvals for the acquisition of the 49% equity interest in Beijing Tianjie, we expect to start consolidating the financial statements of Beijing Tianjie into our consolidated financial statements. However, please note that even if Beijing Tianjie's financial statements are consolidated into our consolidated financial statements, there will still be certain operations of Beijing Tianjie which we will not manage and from which we will not be entitled to any of the net income. See "Appendix IC — Tiananmen South (Qianmen) Project — Economic interests in the various land parcels and management rights".

If we receive all the necessary PRC Government approvals, the Tiananmen South (Qianmen) Project is expected to be one of our largest projects in terms of GFA to be delivered in the next two years. Accordingly, subject to the successful acquisition, we expect this project to have a significant impact on our results of operation and financial condition in future periods. If we do not obtain these required approvals, we may not be entitled to any economic interest in this project, which could have a material impact on our future earnings. Beijing Tianjie is currently in the process of applying for the required relevant development and construction permits although preliminary construction and renovation of certain parcels which already have the relevant permits began in the second quarter of 2007. As a result, Beijing Tianjie has not yet generated or recognised any turnover but has incurred a small amount of various operating expenses. The Tiananmen South (Qianmen) Project is expected to be completed in phases with the first phase expected to complete by the fourth quarter of 2008 and the last phase expected to complete by the third quarter of 2009. Pre-sales are expected to commence in the first half of 2008. We currently plan to sell less than 50% of the saleable GFA and retain the remaining properties, which we expect will be comprised principally of retail properties, for medium to long term investment purposes.

As at 31 March 2007, Beijing Tianjie had total assets of RMB3,829.4 million, of which RMB3,575.2 million were properties under development. Properties under development was comprised primarily of RMB3,076.5 million in relocation costs, RMB148.6 million in land premiums and RMB222.3 million of capitalised finance costs representing primarily capitalised interest on RMB2,100 million of bank loans.

As at 31 March 2007, Beijing Tianjie had total liabilities of RMB3,536.9 million, comprising primarily RMB2,100 million bank loans outstanding, a RMB641.0 million loan from related parties, namely the Chongwen District Bureau of Finance, and RMB643.0 million in amounts due to and loans from related parties, which in turn included RMB500.0 million in amounts due to Beijing Danshi, an entity controlled by Mr. Pan, representing the first instalment of funds received pursuant to the Cooperation Agreement, as amended, from an entity controlled by Mr. Pan. The obligation to provide the first instalment in the amount of RMB500.0 million, together with a second instalment in the amount of RMB500.0 million received from Beijing Danshi in April 2007 and, in the event of the transfer to us of the 49% equity interest in Beijing Tianjie, will be assumed by us.

For more detailed information on the project, see "Business — Our Projects — Tiananmen South (Qianmen) Project", "Risk factors — Although we have entered into a series of agreements to acquire an interest in the Tiananmen South (Qianmen) Project, we do not currently directly hold any interest in such project. Our proposed acquisition of the Tiananmen South (Qianmen) Project is subject to PRC Government approval processes that may be time consuming and uncertain. If we do not obtain these required approvals, we may not be entitled to any economic interest in this project, which could have a material impact on our future earnings. Even assuming that we receive the necessary approvals, because this project is a large-scale and high profile project in its preliminary stage of development, we may have enter into further agreements and apply for further approvals" and "Appendix IC — Tiananmen South (Qianmen) Project".

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

Availability of funds

Property development requires significant capital outlay for land acquisition and construction months or even years before positive cash flow can be generated by the projects developed. Sufficient sources of financing of our projects are therefore critical to our business.

In 2004, 2005, 2006 and the three months ended 31 March 2007, we have primarily financed our projects through proceeds from the pre-sale and sale of our projects. Pre-sale proceeds are the sales proceeds we receive when we sell properties prior to their completion.

We begin pre-sales after obtaining a pre-sale permit from the relevant government authorities. Historically, approximately 30% to 40% of our customers pay their purchase price without obtaining mortgage financing, but this rate has recently increased to approximately 40% to 50% for projects currently being pre-sold. In these cases, we generally require 10% of the purchase price to be paid upon execution of the pre-sale contract, an additional aggregate of 85% of the purchase price within four months thereafter, and any outstanding amount by delivery. For those customers who finance their purchases with mortgage financing, we generally require them to pay a minimum down payment for commercial property of 40% to 50% and for residential property of 20% to 30% of the unit purchase price within four months of the execution of the pre-sale contract, and receive the remaining purchase price from the bank with which the purchaser has entered into a mortgage agreement when the relevant property is topped out or completed, which may be one to two years after the execution of the pre-sale contract. We are required to deposit a portion of this remaining portion of the purchase price, which has typically represented less than 10% of the amount of the mortgage, with the bank providing the mortgage, as security for our guarantee of our purchaser's mortgage until such purchaser obtains the property certificate and pledge it with the commercial bank, which generally takes place within two years after the property units are delivered to the buyers.

In addition to pre-sale and sales proceeds, we have from time to time utilised bank loans as another source of financing. For a discussion of our bank loans, see "— Indebtedness and Contingent Liability — Bank Borrowings".

In the future, we expect to use funds from a combination of internally generated cash flow, bank loans, proceeds from the Global Offering and other capital market activities to fund new projects. Our access to funds may be affected by various factors, including the factors discussed under "Risk Factors".

Availability of land in appropriate locations at reasonable cost

Our continued growth will depend in large part on our ability to secure quality land in locations suitable for our projects and at prices that are commercially acceptable to us. We have focused on the development and sale of commercial properties in prime locations in central Beijing, which we believe has been a key component of our highly profitable business model. We have been able to acquire land in these locations from various sources including the government and private parties. Continued availability of land at prime locations is critical to our operations.

In addition, land acquisition costs are one of the primary components of our cost of properties sold. In recent years, as a result of an increasing demand for properties as China's economy continued to experience significant growth, we have seen a rising trend in land acquisition costs. Land acquisition costs primarily consist of land premium and relocation cost. In July 2002, the PRC

Government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public tenders and auctions or listings at land exchanges administered by local governments. These competitive processes have significantly increased competition among developers for available land and thereby have further increased the acquisition costs of land per sq.m.

Fluctuation of our results of operations

We primarily focus on the development and sale of large-scale Commercial Properties. The period from commencement of pre-sale to completion of construction is generally one to two years. We recognise revenue upon delivery of the property to the purchaser. As a result, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. We typically generate a higher level of turnover in periods in which we complete construction of and deliver a larger number of projects or large projects (or phases of projects). The effect on our results of operations of the timing of delivery of projects is accentuated by our focus on developing a smaller number of large projects instead of a large number of smaller scale properties. See "— Critical Accounting Policies — Revenue recognition".

Historically, we have sold a substantial majority of our property units through pre-sales and we expect that pre-sales will continue to be the key feature of our selling efforts going forward. As we typically deliver the properties that we pre-sell one to two years after the date of pre-sales, we accordingly recognise revenues for the properties that we pre-sell one to two years after the pre-sales. The total contract value of our purchase contracts (which primarily consist of pre-sale contracts) entered into was largely stable in 2004 and 2005 and increased in 2006. However, turnover recognised for these three years fluctuated significantly, peaking in 2005 followed by a significant decrease in 2006. We believe that the mismatch between the total contract value of purchase contracts and turnover for each year, and the fluctuation of turnover from year to year, is primarily caused by the discrepancy in timing between completion of a pre-sale transaction and the recognition of revenue of such sale. Similarly, our sales deposits declined significantly from 31 December 2004 to 31 December 2005, primarily as a result of the significant increase in turnover recognised in 2005. On the other hand, from 31 December 2005 to 31 December 2006, our sales deposits increased significantly as the total contract value of purchase contracts during this period increased and turnover recognised in 2006 decreased.

Sales deposits and total contract value of purchase contracts have historically provided a significant indicator of the turnover that we eventually recognise upon delivery of our properties in future periods. See "— Profit Forecast for the Year Ending 31 December 2007" below and "Profit Forecast" in Appendix III to this prospectus.

The following table sets forth the total contract value of our purchase contracts and turnover for the periods indicated, and sales deposits as at the end of the periods indicated.

	As at and for the year ended 31 December			As at and for the three months ended 31 March	
	2004	2005	2006	2006	2007
	(RMB million)				
Total contract value of purchase contracts	3,359.6	3,277.9	4,065.5	497.1	943.1
Turnover	2,332.2	3,842.4	1,740.3	576.7	154.8
Sales deposits as at the period end	3,995.9	2,623.6	4,078.7	N/A	4,685.0

For the six months ended 30 June 2007 the total contract value of our purchase contracts was RMB3,284.7 million.

See "Risk Factors — Risks Relating to our Business — Because of our primary focus on the development and sale of large-scale Commercial Properties, most of our revenue is non-recurring and our results of operations vary significantly from period to period".

Performance of the Beijing Property Market

In 2004, 2005, 2006 and the three months ended 31 March 2007, we generated our entire turnover from operations in China, and, in particular, our business has been primarily focused on Beijing. Macroeconomic factors in China and the performance of the property market in Beijing therefore have a direct impact on our results of operations. The performance of the real estate market in Beijing is affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and the middle class, the level of interest rates, the exchange rate of the Renminbi and the political, economic and regulatory environment in the PRC and Beijing in particular. Should the Beijing property market experience any significant downturn, our results of operations will be adversely affected. See "Risk Factors — Risks Relating to Our Business — We are heavily dependent on the performance of the property market in Beijing" and "Risk Factors — Risks Relating to Our Business — Beijing's property market may decline after the 2008 Olympic Games".

PRC Government control and policies

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, in particular in Beijing, including policies relating to:

- Land acquisition;
- Pre-sales;
- The availability of mortgage financing;
- Sales or other transfers of land use rights and completed properties;
- Taxes;
- Planning and zoning; and
- Building design and construction.

In recent years, the PRC Government and the Beijing government have instituted a variety of measures designed to stabilise the real estate market, many of which are directed at the residential sector. These policies may lead to changes in market conditions, including price stability and the balance of supply and demand in respect of properties. For example, the PBOC increased interest rates twice in 2006 and five times so far in 2007: on 28 April 2006, 19 August 2006, 18 March 2007, 19 May 2007, 21 July 2007, 22 August 2007 and 15 September 2007. In the first instance, the mortgage rate was increased from 6.12% to 6.39%. On 19 August 2006, it was further increased to 6.84%. It was increased to 7.11% on 18 March 2007, 7.20% on 19 May 2007, to 7.38% on 21 July 2007, to 7.56% on 22 August 2007 and to 7.83% on 15 September 2007. In all cases rate quotes are for terms of over five years. In addition, as an effort in monetary tightening, the PBOC has raised the required reserve ratio for commercial banks five times in 2007. We are highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our turnover.

In addition, on 28 December 2006, the State Administration of Taxation issued the LAT Notice (關於房地產開發企業土地增值稅清算管理有關問題的通知) aimed at strengthening the enforcement of existing LAT laws and regulations. See "Risk Factors — Risks Relating to Our Industry — The enforcement of regulations on LAT by the PRC tax authorities may adversely affect our cash flow position".

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies which involve subjective assumptions and estimates as well as complex judgements relating to certain accounting items. We set forth below those accounting policies that we believe involve the most significant estimates and judgements used in the preparation of our financial statements. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgements.

Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 1 of section C to our consolidated financial statements included in Appendix IA to this prospectus.

Revenue recognition

We recognise turnover from the sale of properties in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. We consider that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. We include deposits and instalments received on properties sold prior to the date of revenue recognition in the balance sheet as sales deposits. Turnover from sales of properties excludes business tax and is after deduction of any trade discounts. Although we recognise turnover on delivery of properties, title to the property is normally not transferred for up to two years after delivery. For the small proportion of customers who have not paid in full by delivery, we recognise the full turnover relating to these sales but suspend transfer of title until we receive payment in full. The outstanding amount owed to us is reflected as trade receivables on our balance sheet.

LAT

We are subject to LAT in the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less deductible expenditures including (i) land acquisition costs, (ii) costs related to the development of land, new buildings and related facilities; (iii) expenses, including finance costs and selling and general administrative expenses, of the land development and project constructions, (iv) the appraised price of any existing buildings and structures on the land, (v) taxes related to the assignment of the real property, and (vi) for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above. To date, consistent with what we believe other property developers are required to pay in Beijing, we have made provisional payments of LAT at a rate of 1% on the gross proceeds of pre-sales of our properties, except for SOHO Newtown and Jianwai SOHO Phases I-III, with respect to which we made provisional payments of land appreciate tax at a rate of 1-2% in accordance with the then applicable regulation. We also estimate and make adequate provisions for the amount of LAT payable under law and recognise these provisions in the income tax line item in our profit and loss accounts when we recognise revenue from sale of our properties. We recognised LAT in 2004, 2005 and 2006 of RMB176.5 million, RMB362.8 million and RMB162.4 million, respectively. We recognised LAT in the amount of RMB14.3 million in the three months ended 31 March 2007 compared to RMB59.6 million in the three months ended 31 March 2006. We believe we have been in compliance with relevant LAT rules and regulations effective from time to time. Because at the time we deliver property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provision at this time requires us to use significant judgement with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. The ultimate tax determination by the relevant tax authorities may differ from the amounts that were initially recorded, which will affect the income tax and deferred income tax provisions in the relevant periods. See "Risk Factors — Risks Relating to Our Industry — The enforcement of regulations on LAT by the PRC tax authorities may materially and adversely affect our profitability and cash flow position."

Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost of properties under development for sale comprises (i) specifically identified costs, including aggregate construction cost attributable to the relevant project materials and supplies, wages and other direct expenses, (ii) an appropriate proportion of capitalised overhead costs, and (iii) capitalised borrowing costs. We determine net realisable value by reference to prevailing market conditions, including the prices of what we consider to be closely comparable properties, and other factors that affect the price of our properties, less applicable variable selling expenses and the anticipated costs to completion. Significant estimates and judgement are therefore required.

The cost of completed properties developed by us is determined by apportionment of the total development costs for that development project attributable to the unsold properties, which comprises all costs of purchase, costs of conversion and other costs incurred in the development of a project. We determine net realisable value by reference to prevailing market conditions, including the prices of what we consider to be closely comparable properties, and other factors that affect the price of our properties, less applicable variable selling expenses. Significant estimates and judgement are therefore required.

Impairment for trade and loan receivables

We estimate impairment losses for trade and loan receivables resulting from the inability of the customers to make the required payments for our properties. Our estimates are based on the aging of the trade and loan receivable balance, customer credit profile and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

In the three years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, our impairment for trade and loan receivables was comprised solely of provisions relating to long-term seller financing arrangements which we had provided in the past to property unit buyers of our SOHO Newtown project to fund a portion of the initial down payment of the purchase price of the property units.

Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of property and equipment as described in note 1(f)(ii) to the "Accountants' Report" in Appendix IA to this prospectus. The carrying amounts of property and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price (calculated as fair value less cost to sell) and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of fair market value selling price and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and are transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by us based on management's best estimate.

When developing properties, we typically divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if this is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

DESCRIPTION OF CERTAIN FINANCIAL STATEMENT ITEMS

The following summarises components of certain financial statement items that we believe to be helpful to an understanding of our financial statements.

Income statement items

Turnover

Turnover represents revenue from the sale of property units, net of business tax. We recognise revenue from sales upon delivery of the property. See "— Critical Accounting policies — Revenue recognition".

Cost of properties sold

Our cost of properties sold consists of the costs of land and costs of construction. Costs of land primarily consist of land premium and relocation costs and, to a lesser extent, costs relating to infrastructure preparation. Land premium set by the government for land zoned for commercial use is generally higher than land zoned for residential use. Among our projects, we acquired the land on which phase III of Jianwai SOHO and Chaowai SOHO are located as land for commercial use, whilst we acquired the land on which the remaining phases of Jianwai SOHO, SOHO Shangdu, SOHO Newtown and Sanlitun SOHO are located as land zoned for mixed commercial and residential use. Construction costs encompass all costs for the design and construction of a project, including payments to independent contractors, costs of raw materials, foundation and substructure, fittings, facilities for utilities, related infrastructure such as roads and pipelines and capitalised finance costs.

Other operating revenue

Our other operating revenue consists primarily of income arising from our hotel operations, rental income, and commission income from our property agency services.

Selling expenses

Our selling expenses primarily consist of advertisement and promotion expenses and commissions, and various other expenses relating to our selling and marketing activities, including salaries for marketing staff, any exemption of property management fees we provide as an incentive for certain property purchasers, service centre expenses and stamp duties.

Administrative expenses

Our administrative expenses primarily consist of Directors' remuneration, salaries and welfare benefits for our staff, depreciation, and office expenses.

Other operating expenses

Our other operating expenses primarily consist of hotel operation expenses, property agency service expenses, and charitable donations.

Interest income

Our interest income primarily consists of interest we earn on sales deposits from pre-sales of our projects.

Government grants

We received certain government grants in 2004 and 2005 from a local government in connection with our SOHO Newtown project. As we have substantially completed and delivered our SOHO Newtown project, we do not expect to receive additional significant amounts of government grants in the future.

Income tax

The provision for PRC income tax consists primarily of PRC Enterprise Income Tax and LAT. The provision for PRC Enterprise Income Tax for our subsidiaries in the PRC is based on a statutory rate of 18% (for Hainan Redstone) or 33% (for our other subsidiaries in the PRC) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC in 2004, 2005 and 2006 and in the three months ended 31 March 2006 and 2007. For LAT provisions, see "— Factors Affecting Our Results of Operations — LAT".

Pursuant to the rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. See "Risk Factors — Risk relating to the People's Public of China — A newly enacted PRC tax law could affect tax exemptions on dividends received by the Company and Shareholders and increase our enterprise income tax rate".

Balance sheet items

Properties under development and completed properties held for sale

Cost of properties under development and available for sale consists of specifically identified costs, including aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Cost of properties are recorded in our balance sheet until such time that we recognise properties sales, when these accounts are recognised on our income statement as costs of properties sold. We determine cost of completed properties by apportionment of the total development costs for that development project, which comprises all costs of purchase, costs of conversion and other costs incurred in the development of a project, attributable to the unsold properties. See "— Critical Accounting Policies — Cost of properties under development and available for sale".

Trade and loan receivables

Trade receivables primarily consist of the amount of sales proceeds due to us where the buyer has paid a down payment but has not yet made full payment under the sales contract. Loan receivables primarily consist of amounts due on long-term seller financing arrangements we provided in the past to SOHO Newtown property unit buyers to fund a portion of the initial down payment of the purchase price of the property units.

Sales deposits

Sales deposits represent proceeds received on property unit sales that have not been recognised as turnover in accordance with our revenue recognition policy.

Minority interests

Minority interests on our balance sheet relate to the proportionate share of our assets and liabilities attributable to joint venture partners and minority equity holders in our project companies. Also included in minority interests are the net assets of Shangdu Phase I project that are attributable to Huayuan and Shangcheng. See "— Results of Operations" for a discussion of the presentation of Shangdu Phase I in our financial statements.

RESULTS OF OPERATIONS

Our results of operations are prepared in accordance with HKFRS on the basis set out in our financial statements contained in the Accountants' Report set forth in Appendix IA of this prospectus. Our consolidated income statements and consolidated cash flow statements for the three years ended 31 December 2006 and our balance sheets as at 31 December 2004, 2005 and 2006 reflect the inclusion of phase one of our SOHO Shangdu project.

In March 2004 we entered into the Shangdu Cooperation Agreement, to acquire the equity interests in Jianhua Real Estate which had been engaged in the development of the SOHO Shangdu project. The project comprises three phases. Upon completion of the acquisition on 30 July 2004, Jianhua Real Estate became our subsidiary, and all of its assets, profits and losses, including assets, profits and losses relating to all three phases of the SOHO Shangdu project, have been fully consolidated into our accounts in accordance with HKFRS.

However, according to the Shangdu Cooperation Agreement and the related supplementary agreements, after the acquisition, Huayuan and Shangcheng continue to assume all responsibilities for the entire development activities of Shangdu Phase I and have been responsible for the construction (including subcontracting), promotion, sales and property management in connection with the project, whilst we have assumed the rights to develop and operate phases II and III ("**SOHO Shangdu**"). Accordingly, all the risks, responsibilities, liabilities and rewards associated with Shangdu Phase I are solely borne by Huayuan and Shangcheng whilst those associated with Phases II and III of the Shangdu project are borne by the Company. The preliminary infrastructure costs relating to SOHO Shangdu were paid by us as part of our total consideration in the acquisition of Jianhua Real Estate. In our consolidated financial statements, we have presented the profits and net assets relating to Shangdu Phase I, which are attributable to Huayuan and Shangcheng, as minority interests.

Since we do not actually manage Shangdu Phase I, nor do we enjoy the economic benefit from or assume obligations for any liabilities of Shangdu Phase I, we set forth below our consolidated income statement, balance sheet and cash flow information both including and excluding Shangdu Phase I. Information including Shangdu Phase I is set forth under the heading "Consolidated", which is derived from Section B of the Accountants' Report set out in Appendix IA to this prospectus. Information excluding Shangdu Phase I is set forth under the heading "Our Managed Business". The summary income statement information of "Our Managed Business" is derived from Note 2 to Section C of the Accountants' Report, while the summary balance sheet and cash flow statement information of "Our Managed Business" is derived from the respective balance of our consolidated balance sheet and cash flow statement after deducting by the corresponding amount of Shangdu Phase I set out in Note (i) to Section A of the Accountants' Report and before elimination of balances between the two segments set out in Note 2 to Section C of the Accountants' Report.

See "Risk Factors — Risks relating to our business — Certain assets attributed to us in our consolidated financial statements are not under our management but we may have residual liabilities from such assets".

Selected Income Statement Information

	CONSOLIDATED				
	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Turnover	2,332.2	3,842.4	1,740.3	576.7	154.8
Cost of properties sold	(1,359.2)	(1,997.1)	(819.2)	(270.7)	(79.1)
Gross profit	973.0	1,845.3	921.1	306.0	75.7
Other operating revenue	19.6	26.5	67.2	6.0	13.8
Selling expenses	(83.5)	(113.5)	(89.5)	(24.1)	(20.4)
Administrative expenses	(83.1)	(98.2)	(92.7)	(21.9)	(27.5)
Other operating expenses	(19.6)	(13.6)	(34.9)	(4.7)	(13.4)
Profit from operations	806.4	1,646.5	771.2	261.3	28.2
Interest income	8.8	15.8	22.2	5.2	4.5
Finance costs	(8.1)	(8.8)	(6.2)	(0.1)	(0.2)
Government grants	1.7	0.1	—	—	—
Profit before taxation	808.8	1,653.6	787.2	266.4	32.5
Income tax	(384.4)	(788.5)	(377.5)	(130.7)	(23.0)
Profit for the year/period	424.4	865.1	409.7	135.7	9.5
Attributable to:					
Equity shareholders of the Company	317.9	709.6	340.8	116.9	11.0
Minority interests	106.5	155.5	68.9	18.8	(1.5)
Profit for the year/period	424.4	865.1	409.7	135.7	9.5
Basic and diluted earnings per Share (RMB)(1)	0.085	0.189	0.091	0.031	0.003

(1) The calculation of basic earnings per Share and diluted earnings per Share is based on the profit attributable to equity shareholders of the Company for each year/period and assuming that 3,750,000,000 Shares had been issued and outstanding throughout each year/period.

Pursuant to a written resolution of all the members of the board of the Company passed on 29 May 2007, the Company split ordinary shares at par value of HK$0.10 each into ordinary shares at par value of HK$0.02 each. The basic earnings per Share for the each year/period is computed based on 3,750,000,000 Shares as if the split of shares had taken place at the beginning of each year/period.

	OUR MANAGED BUSINESS				
	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Turnover	1,936.1	3,322.4	1,443.7	538.8	154.8
Cost of properties sold	(1,104.2)	(1,660.5)	(627.2)	(246.2)	(79.1)
Gross profit	831.9	1,661.9	816.5	292.6	75.7
Other operating revenue	19.6	26.0	62.7	6.0	13.7
Selling expenses	(75.5)	(103.7)	(80.1)	(23.2)	(20.4)
Administrative expenses	(71.1)	(72.3)	(79.6)	(19.6)	(24.7)
Other operating expenses	(19.6)	(13.6)	(34.8)	(4.7)	(13.3)
Profit from operations	685.3	1,498.3	684.7	251.1	31.0
Interest income	8.8	14.2	21.4	5.2	4.4
Finance costs	(1.5)	(0.5)	(6.1)	(0.1)	(0.2)
Government grants	1.7	0.1	—	—	—
Profit before taxation	694.3	1,512.1	700.0	256.2	35.2
Income tax	(342.3)	(721.9)	(337.3)	(125.9)	(23.0)
Profit for the year/period	352.0	790.2	362.7	130.3	12.2
Attributable to:					
Equity shareholders of the Company	317.9	709.6	340.8	116.9	11.0
Minority interests	34.1	80.6	21.9	13.4	1.2
Profit for the year/period	352.0	790.2	362.7	130.3	12.2

Three Months Ended 31 March 2007 Compared to the Corresponding Period in 2006

Turnover. Turnover for Our Managed Business in the three months ended 31 March 2007 was RMB154.8 million, a decrease of RMB384 million, or 71.3%, compared to RMB538.8 million in the corresponding period of 2006. Turnover for Our Managed Business decreased in the three months ended 31 March 2007 because of a decrease in the GFA delivered in the three months ended 31 March 2007, partially offset by an increase in average selling price. Average selling price per sq.m. for Our Managed Business increased to RMB22,521 in the three months ended 31 March 2007 from RMB18,590 in the corresponding period of 2006, reflecting (i) the commencement of deliveries of SOHO Shangdu, which had a higher average selling price compared to our properties delivered in the corresponding period of 2006, and (ii) a general increase in demand for property in Beijing.

Our consolidated turnover was RMB154.8 million in the three months ended 31 March 2007 and RMB576.7 million in the corresponding period of 2006. Our consolidated average selling price per sq.m. (excluding turnover and GFA relating to car parks delivered) was RMB22,521 in the three months ended 31 March 2007 and RMB18,190 in the corresponding period of 2006.

The table below sets out information on the turnover, GFA delivered and average selling price for each property for the periods indicated.

Property	Turnover[(1)]		Total GFA delivered[(2)]		Average selling price[(3)]	
	Three Months Ended 31 March					
	2006	2007	2006	2007	2006	2007
	(RMB million)		(sq.m.)		(RMB/sq.m.)	
SOHO Newtown	—	6.2	—	450	—	13,778
Jianwai SOHO	531.5	137.9	28,590	5,985	18,590	23,041
SOHO Shangdu	—	8.5	—	341	—	24,927
Total of Our Managed Business[(4)]	531.5	152.6	28,590	6,776	18,590	22,521
Shangdu Phase I	37.9	—	2,713	—	13,970	—

(1) Excludes turnover from sale of car parks.

(2) Excludes GFA of car parks delivered.

(3) The average selling price for the period is calculated by dividing the turnover as shown in the first and second columns by the total GFA delivered as shown in the third and fourth columns, respectively.

(4) Excludes Shangdu Phase I.

Cost of properties sold. Cost of properties sold for Our Managed Business in the three months ended 31 March 2007 was RMB79.1 million, a decrease of RMB167.1 million, or 67.9%, compared with RMB246.2 million in the corresponding period of 2006. The decrease was due to the decrease in the total GFA of properties delivered, which gave rise to a corresponding decrease in land and construction costs recognised. Land cost for Our Managed Business as a percentage of the total cost of properties sold for Our Managed Business increased from 41.8% in the three months ended 31 March, 2006 to 43.8% in the corresponding period of 2007, reflecting (i) the contribution of the land cost associated with SOHO Shangdu; and (ii) a general increase in land prices in Beijing.

Our consolidated cost of properties sold was RMB79.1 million in the three months ended 31 March 2007 and RMB270.7 million in the corresponding period of 2006.

Gross Profit. Gross profit for Our Managed Business in the three months ended 31 March 2007 decreased by RMB216.9 million, or 74.1%, from RMB292.6 million in the three months ended 31 March 2006 to RMB75.7 million in the corresponding period of 2007. Gross profit margin for Our Managed Business in the three months ended 31 March 2007 was 48.9%, compared with 54.3% in the corresponding period of 2006. The decrease in the gross profit margin was primarily due to the decrease in Jianwai SOHO's gross profit margin, which in turn was caused by the fact that in the three months ended 31 March 2006, we delivered primarily units from phases V and VI of this project which had a higher gross profit margin than the other phases, while in the corresponding period in 2007 we delivered a greater percentage of GFA in units from the other phases.

Our consolidated gross profit was RMB75.7 million in the three months ended 31 March 2007 and RMB306.0 million in the corresponding period of 2006. Our consolidated gross profit margin was 48.9% in the three months ended 31 March 2007 and 53.1% in the corresponding period of 2006.

The table below sets out information on the cost of properties sold and gross profits for the periods indicated.

	Cost of properties sold		Gross profit		Gross profit margin	
	Three Months Ended 31 March					
Property	2006	2007	2006	2007	2006	2007
	(RMB million)		(%)		(%)	
SOHO Newtown	—	4.2	—	1.9	—	31.2
Jianwai SOHO	246.2	69.8	292.6	69.2	54.3	49.8
SOHO Shangdu	—	5.1	—	4.6	—	47.9
Total of Our Managed Business	246.2	79.1	292.6	75.7	54.3	48.9
Shangdu Phase I	24.5	—	13.4	—	35.4	—

Other operating revenue. Other operating revenue for Our Managed Business in the three months ended 31 March 2007 was RMB13.7 million, an increase of RMB7.7 million, or 128.3%, from RMB6.0 million in the corresponding period of 2006. The increase was primarily because SOHO China Leasing commenced property agency services in the second quarter of 2006, and in the three months ended 31 March 2007, generated commission income in the amount of RMB5.9 million in relation to the agency services it provided for Sunshine 100 City Plaza in Yantai City of Shandong province. The increase in other operating revenue was also attributable to the increase in our income from hotel operations due to the commencement of operations of phase II of Great Wall Kempinski Hotel in September 2006. Our consolidated other operating revenue was RMB13.8 million in the three months ended 31 March 2007 and RMB6.0 million in the corresponding period of 2006.

Selling expenses. Selling expenses for Our Managed Business in the three months ended 31 March 2007 were RMB20.4 million, a decrease of RMB2.8 million, or 12.1%, as compared with RMB23.2 million in the corresponding period of 2006. The decrease was primarily caused by a decrease in commissions and a decrease in property management fee waivers we granted to our property purchasers as a sales incentive, both of which were largely in line with the decrease in turnover. Our consolidated selling expenses were RMB20.4 million in the three months ended 31 March 2007 and RMB24.1 million in the corresponding period of 2006.

Administrative expenses. Administrative expenses for Our Managed Business in the three months ended 31 March 2007 were RMB24.7 million, an increase of RMB5.1 million, or 26.0%, compared with RMB19.6 million in the corresponding period of 2006, primarily as a result of an increase in salaries and welfare costs. Our consolidated administrative expenses were RMB27.5 million in the three months ended 31 March 2007 and RMB21.9 million in the corresponding period of 2006.

Other operating expenses. Other operating expenses for Our Managed Business in the three months ended 31 March 2007 were RMB13.3 million, an increase of RMB8.6 million, or 183.0%, compared with RMB4.7 million in the corresponding period of 2006. The increase was primarily caused by a RMB3.0 million increase in broking service expenses incurred by SOHO China Leasing, a RMB3.4 million increase in hotel operation expenses of phase II of Commune by the Great Wall, and a RMB2.4 million donation. Our consolidated other operating expenses were RMB13.4 million in the three months ended 31 March 2007 and RMB4.7 million in the corresponding period of 2006.

Profit from operations. Profit from operations for Our Managed Business in the three months ended 31 March 2007 was RMB31.0 million, a decrease of RMB220.1 million, or 87.7%, compared with RMB251.1 million in the corresponding period of 2006. Operating profit margin for Our Managed Business in the three months ended 31 March 2007 was 20.0%, compared with 46.6% in the corresponding period of 2006. Our consolidated profit from operations was RMB28.2 million in the three months ended 31 March 2007 and RMB261.3 million in the corresponding period of 2006.

Interest income. Interest income for Our Managed Business in the three months ended 31 March 2007 was RMB4.4 million, a decrease of RMB0.8 million, or 15.4%, from RMB5.2 million in the corresponding period of 2006. The decrease was primarily due to a decrease in the average balance of our sales deposits during the period. Our consolidated interest income was RMB4.5 million in the three months ended 31 March 2007 and RMB5.2 million in the corresponding period of 2006.

Finance costs. Finance costs for Our Managed Business in the three months ended 31 March 2007 were RMB182,000, an increase of RMB133,000, or 271.4%, from RMB49,000 in the corresponding period of 2006. The increase reflected, among other things, an increase in bank charges on entrustment loans. Our consolidated finance costs were RMB185,000 in the three months ended 31 March 2007 and RMB51,000 in the corresponding period of 2006.

Government grants. No government grants were received by us in the three months ended 31 March 2007 on the corresponding period of 2006.

Profit before taxation. As a result of the foregoing factors, our profit before taxation for Our Managed Business in the three months ended 31 March 2007 was RMB35.2 million, a decrease of RMB221.0 million, or 86.3%, from RMB256.2 million in the corresponding period of 2006. Our consolidated profit before taxation was RMB32.5 million in the three months ended 31 March 2007 and RMB266.4 million in the corresponding period of 2006.

Income tax. Our PRC Enterprise Income Tax and LAT for Our Managed Business in the three months ended 31 March 2007 totaled RMB8.7 million and RMB14.3 million, a 87.3% and 75.1%, decrease respectively, from RMB68.5 million and RMB57.4 million in the corresponding period of 2006, respectively. The decrease the PRC Enterprise Income Tax and LAT was largely in line with the decrease in our profit before taxation and our gross profit. Our effective PRC Enterprise Income Tax rate is derived by dividing the outcome of total income tax payable minus LAT payable by the profit before taxation ("Effective PRC Enterprise Income Tax Rate"). The Effective PRC Enterprise Income Tax Rate for Our Managed Business was 24.7% in the three months ended 31 March 2007, compared to 26.7% in the corresponding period of 2006. Our consolidated PRC Enterprise Income Tax and LAT were RMB8.7 million and RMB14.3 million, respectively, in the three months ended 31 March 2007, and RMB71.1 million and RMB59.6 million in the corresponding period of 2006, respectively.

Profit attributable to equity holders of our Company. As a result of the foregoing factors, our profit attributable to equity holders of our Company was RMB11.0 million in the three months ended 31 March 2007, a decrease of RMB105.9 million, or 90.6%, from RMB116.9 million in the corresponding period of 2006. All profit from Shangdu Phase I was attributable to minority interest and as such did not have an impact on profit attributable to equity holders of our Company. Our profit for the year attributable to equity holders of our Company as a percentage of turnover for Our Managed Business was 7.1% in the three months ended 31 March 2007 and 21.7% in the corresponding period of 2006.

Profit attributable to minority interests. Our profit attributable to minority interests for Our Managed Business was RMB1.2 million, a decrease of RMB12.2 million, or 91.0%, from RMB13.4 million in the corresponding period of 2006. Our consolidated profit attributable to minority interests, which includes profit and loss from Shangdu Phase I, was a negative RMB1.5 million in the three months ended 31 March 2007, and RMB18.8 million in the corresponding period of 2006.

2006 Compared to 2005

Turnover. Turnover for Our Managed Business in 2006 was RMB1,443.7 million, a decrease of RMB1,878.7 million, or 56.5%, compared to RMB3,322.4 million in 2005. Turnover for Our Managed Business decreased in 2006 because of a decrease in the GFA delivered in 2006, partially offset by an increase in average selling price. Average selling price per square metre for Our Managed Business increased to RMB22,256 in 2006 from RMB16,130 in 2005, reflecting (i) the commencement of deliveries of SOHO Shangdu, which had a higher average selling price compared to our properties delivered in 2005, and (ii) a general increase in demand for property in Beijing.

Our consolidated turnover was RMB1,740.3 million in 2006 and RMB3,842.4 million in 2005. Our consolidated average selling price (excluding turnover and GFA relating to car parks delivered) was RMB20,402 per sq.m. in 2006 and RMB15,750 per sq.m. in 2005.

The table below sets out information on the turnover, GFA delivered and average selling price for each property for the periods indicated.

	Turnover(1)		Total GFA delivered(2)		Average selling price(3)	
Property	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**
	(RMB million)		**(sq.m.)**		**(RMB/sq.m.)**	
SOHO Newtown	8.6	22.5	826	1,873	10,412	12,013
Jianwai SOHO	3,264.3	805.6	202,079	40,037	16,154	20,121
SOHO Shangdu	—	597.5	—	22,144	—	26,982
Total of Our Managed Business	**3,272.9**	**1,425.6**	**202,905**	**64,054**	**16,130**	**22,256**
Shangdu Phase I	508.4	291.3	N/A	N/A	N/A	N/A

(1) Excludes turnover from sale of car parks.

(2) Excludes GFA of car parks delivered.

(3) The average selling price for the period is calculated by dividing the turnover as shown in the first and second columns by the total GFA delivered as shown in the third and fourth columns, respectively.

Cost of properties sold. Cost of properties sold for Our Managed Business in 2006 was RMB627.2 million, a decrease of RMB1,033.3 million, or 62.2%, compared with RMB1,660.5 million in 2005. The decrease was due to the decrease in the total GFA of properties delivered, which gave rise to a corresponding decrease in land and construction costs recognised. Land cost for Our Managed Business as a percentage of the total cost of properties sold for Our Managed Business increased from 43.0% in 2005 to 50.7% in 2006, reflecting (i) the contribution of the land cost associated with SOHO Shangdu; and (ii) a general increase in land prices in Beijing.

Our consolidated cost of properties sold was RMB819.2 million in 2006 and RMB1,997.1 million in 2005.

Gross profit. Gross profit for Our Managed Business in 2006 decreased by RMB845.4 million, or 50.9%, from RMB1,661.9 million in 2005 to RMB816.5 million in 2006. Gross profit margin for Our Managed Business in 2006 was 56.6%, compared with 50.0% in 2005. The increase in gross profit margin was mainly a result of the contribution to gross profit of SOHO Shangdu, which, as Commercial Properties, have historically generated a higher gross profit margin than our residential properties. The gross profit margin for SOHO Newtown in 2005 and 2006 was comparatively low because a substantial majority of the units of this project were sold prior to 2003, and we only sold some remaining units at lower prices in 2005 and 2006.

Our consolidated gross profit was RMB921.1 million in 2006 and RMB1,845.3 million in 2005. Our consolidated gross profit margin was 52.9% in 2006 and 48.0% in 2005.

The table below sets out information on the cost of properties sold and gross profits for the periods indicated.

	Cost of properties sold		Gross profit		Gross profit margin	
Property	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**
		(RMB million)			(%)	(%)
SOHO Newtown	(6.8)	(15.1)	1.8	8.7	20.9	36.6
Jianwai SOHO.	(1,653.7)	(369.8)	1,660.1	445.5	50.1	54.6
SOHO Shangdu	—	(242.3)	—	362.3	—	59.9
Total of Our Managed Business.	**(1,660.5)**	**(627.2)**	**1,661.9**	**816.5**	**50.0**	**56.6**
Shangdu Phase I.	(336.6)	(192.0)	183.4	104.6	35.3	35.3

Other operating revenue. Other operating revenue for Our Managed Business in 2006 was RMB62.7 million, an increase of RMB36.7 million, or 141.2%, from RMB26.0 million in 2005. The increase was primarily associated with the commencement of our property agency services by SOHO China Leasing, which generated revenue of RMB35.9 million in 2006 in relation to the agency services it provided for Sunshine 100 City Plaza in Yantai City of Shandong province. Our consolidated other operating revenue was RMB67.2 million in 2006 and RMB26.5 million in 2005.

Selling expenses. Selling expenses for Our Managed Business in 2006 were RMB80.1 million, a decrease of RMB23.6 million, or 22.8%, as compared with RMB103.7 million in 2005. The decrease was primarily caused by a RMB22.9 million decrease in commission and a RMB7.0 million decrease in property management fee waivers we granted to our property purchasers as a sales incentive, both of which were largely in line with the decrease in turnover, partially offset by a RMB5.4 million increase in advertising and promotion expenses. Our consolidated selling expenses were RMB89.5 million in 2006 and RMB113.5 million in 2005.

Administrative expenses. Administrative expenses for Our Managed Business in 2006 were RMB79.6 million, an increase of RMB7.3 million, or 10.1%, compared with RMB72.3 million in 2005, primarily as a result of an increase in salaries and welfare costs. Our consolidated administrative expenses were RMB92.7 million in 2006 and RMB98.2 million in 2005.

Other operating expenses. Other operating expenses for Our Managed Business in 2006 were RMB34.8 million, an increase of RMB21.2 million, or 155.9%, compared with RMB13.6 million in 2005. The increase was caused by RMB10.9 million property agency service expenses incurred by SOHO China Leasing, and a RMB4.8 million increase in hotel operation expenses due to the commencement of operations of phase II of Commune by the Great Wall. Our consolidated other operating expenses were RMB34.9 million in 2006 and RMB13.6 million in 2005.

Profit from operations. Profit from operations for Our Managed Business in 2006 was RMB684.7 million, a decrease of RMB813.6 million, or 54.3%, compared with RMB1,498.3 million in 2005. Operating profit margin for Our Managed Business in 2006 was 47.4%, compared with 45.1% in 2005. The increase in operating profit margin for Our Managed Business primarily reflected the increase in our gross profit margin and an increase in our other operating revenue. Our consolidated profit from operations was RMB771.2 million in 2006 and RMB1,646.5 million in 2005.

Interest income. Interest income for Our Managed Business in 2006 was RMB21.4 million, an increase of RMB7.2 million, or 50.7%, from RMB14.2 million in 2005. The increase was primarily due to an increase in sales deposits as a result of pre-sales of SOHO Shangdu. Our consolidated interest income was RMB22.2 million in 2006 and RMB15.8 million in 2005.

Finance costs. Finance costs for Our Managed Business in 2006 were RMB6.1 million, an increase of RMB5.6 million, or 1,120%, from RMB0.5 million in 2005. The increase reflected RMB800 million that we drew on our credit facility with China CITIC Bank. Our consolidated finance costs were RMB6.2 million in 2006 and RMB8.8 million in 2005. RMB8.3 million of our consolidated finance costs in 2005 were attributable to Shangdu Phase I.

Government grants. We only received government grants of RMB82,000 in 2005 and no government grants were received by us in 2006 at all.

Profit before taxation. As a result of the foregoing factors, our profit before taxation for Our Managed Business in 2006 was RMB700.0 million, a decrease of RMB812.1 million, or 53.7%, from RMB1,512.1 million in 2005. Our consolidated profit before taxation was RMB787.2 million in 2006 and RMB1,653.6 million in 2005.

Income Tax. Our PRC Enterprise Income Tax and LAT for Our Managed Business in 2006 totalled RMB191.9 million and RMB145.4 million, a 50.7% and 56.3%, decrease respectively, from RMB388.9 million and RMB333.0 million in 2005, respectively. The decrease the PRC Enterprise Income Tax and LAT was largely in line with the decrease in our profit before taxation and our gross profit. Our Effective PRC Enterprise Income Tax Rate for Our Managed Business was 27.4% in 2006, compared to 25.7% in 2005. Our consolidated PRC Enterprise Income Tax and LAT were RMB215.1 million and RMB162.4 million, respectively, in 2006, and RMB425.8 million and RMB362.7 million in 2005, respectively.

Profit attributable to equity holders of our Company. As a result of the foregoing factors, our profit attributable to equity holders of our Company was RMB340.8 million, a decrease of RMB368.8 million, or 52.0%, from RMB709.6 million in 2005. All profit from Shangdu Phase I was attributable to minority interest and therefore did not have an impact on profit attributable to equity holders of our Company. Our profit for the year attributable to equity holders of our Company as a percentage of turnover for Our Managed Business was 23.6% in 2006 and 21.4% in 2005.

Profit attributable to minority interests. Our profit attributable to minority interests for Our Managed Business was RMB21.9 million, a decrease of RMB58.7 million, or 72.8%, from RMB80.6 million in 2005. Our consolidated profit attributable to minority interests, which includes all profit from Shangdu Phase I, was RMB68.9 million in 2006 and RMB155.5 million in 2005.

2005 compared to 2004

Turnover. Turnover for Our Managed Business in 2005 was RMB3,322.4 million, an increase of RMB1,386.3 million, or 71.6%, compared to RMB1,936.1 million in 2004. The increase was primarily because of an increase in the GFA delivered and an increase in the average selling price. Average selling price per sq.m. for Our Managed Business increased to RMB16,130 in 2005 from RMB15,638 in 2004, primarily reflecting a general increase in the demand for property in Beijing.

Our consolidated turnover was RMB3,842.4 million in 2005 and RMB2,332.2 million in 2004. Our consolidated average selling price (excluding turnover and GFA relating to car parks delivered) was RMB15,750 per sq.m. in 2005 and RMB15,266 per sq.m. in 2004.

The table below sets out information on the turnover, GFA delivered and average selling price for each property for the periods indicated.

Property	Turnover(1) (RMB million) 2004	Turnover(1) (RMB million) 2005	Total GFA delivered(2) (sq.m.) 2004	Total GFA delivered(2) (sq.m.) 2005	Average selling price(3) (RMB/sq.m.) 2004	Average selling price(3) (RMB/sq.m.) 2005
SOHO Newtown	16.4	8.6	1,424	826	11,517	10,412
Jianwai SOHO	1,899.9	3,264.3	121,116	202,079	15,687	16,154
Total of Our Managed Business	**1,916.3**	**3,272.9**	**122,540**	**202,905**	**15,638**	**16,130**
Shangdu Phase I	395.5	508.4	28,895	37,181	13,687	13,674

(1) Excludes turnover from sale of car parks.

(2) Excludes GFA of car parks delivered.

(3) The average selling price for the period is calculated by dividing the turnover as shown in the first and second columns by the total GFA delivered as shown in the third and fourth columns, respectively

Cost of properties sold. Cost of properties sold for Our Managed Business in 2005 was RMB1,660.5 million, an increase of RMB556.3 million, or 50.4%, compared with RMB1,104.2 million in 2004. The increase was substantially in line with the increase in the total GFA of properties delivered, which gave rise to a corresponding increase in land and construction costs recognised. Land cost as a percentage of total cost of properties sold decreased to 43.0% in 2005 from 48.3% in 2004, primarily due to the smaller contribution of Jianwai SOHO phase III in 2005 compared to 2004. Land for phase III of Jianwai SOHO was zoned for commercial use; whilst land for the remaining phases of Jianwai SOHO was zoned for mixed residential and commercial use. Average land premium is generally higher for land for commercial use than land for residential use. See "— Description of certain Financial Statement Items — Cost of properties sold."

Our consolidated cost of properties sold was RMB1,997.1 million in 2005 and RMB1,359.2 million in 2004.

Gross profit. Gross profit for Our Managed Business in 2005 was RMB1,661.9 million, an increase of RMB830.0 million, or 99.8%, from RMB831.9 million in 2004. Our gross profit margin for Our Managed Business in 2005 was 50.0%, compared with 43.0% in 2004. The increase in the gross profit margin was primarily due to the higher rate of increase in average selling price compared to the increase in cost of properties sold.

Our consolidated gross profit was RMB1,845.3 million in 2005 and RMB973.0 million in 2004. Our consolidated gross profit margin was 48.0% in 2005 and 41.7% 2004.

The table below sets out information on the cost of properties sold, gross profits and gross profit margin for the periods indicated.

Property	Cost of properties sold 2004	Cost of properties sold 2005	Gross profit 2004	Gross profit 2005	Gross profit margin 2004	Gross profit margin 2005
	(RMB million)				(%)	(%)
SOHO Newtown	(29.0)	(6.8)	(12.6)	1.8	(76.8)	20.9
Jianwai SOHO	(1,075.2)	(1,653.6)	844.5	1,660.1	44.0	50.1
Total of Our Managed Business	**(1,104.2)**	**(1,660.4)**	**831.9**	**1,661.9**	**43.0**	**50.0**
Shangdu Phase I	(255.0)	(336.7)	141.1	183.4	35.6	35.3

Our SOHO Newtown project incurred a negative gross profit margin in 2004 as we settled and recognised some construction costs in this year.

Other operating revenue. Other operating revenue for Our Managed Business in 2005 was RMB26.0 million, an increase of RMB6.4 million, or 32.7%, from RMB19.6 million in 2004. The increase was primarily due to an increase in revenue arising from the operation of Commune by the Great Wall and rental income. Our consolidated other operating revenue was RMB26.5 million in 2005 and RMB19.6 million in 2004.

Selling expenses. Selling expenses for Our Managed Business in 2005 were RMB103.7 million, an increase of RMB28.2 million, or 37.4%, as compared with RMB75.5 million in 2004. The increase was primarily caused by a RMB21.2 million increase in commissions, a RMB5.9 million increase in property management fees waived as an incentive to our property purchasers, and a RMB5.9 million increase in advertisement and promotion expenses, all in line with the increase in turnover. Our consolidated selling expenses were RMB113.5 million in 2005 and RMB83.5 million in 2004.

Administrative expenses. Administrative expenses for Our Managed Business in 2005 were RMB72.3 million, a slight increase of RMB1.2 million, or 1.7%, as compared with RMB71.1 million in 2004. Our consolidated administrative expenses were RMB98.2 million in 2005 and RMB83.1 million in 2004. The increase was primarily due to a RMB13.9 million increase in administrative expenses attributable to Shangdu Phase I.

Other operating expenses. Other operating expenses for Our Managed Business in 2005 were RMB13.6 million, a decrease of RMB6.0 million, or 30.6%, as compared with RMB19.6 million in 2004. We had higher other operating expenses for Our Managed Business in 2004 as we incurred RMB13.5 million expenses in relation to our previous effort to conduct an initial public offering. Our consolidated other operating expenses in 2005 and 2004 were the same as other operating expenses for Our Managed Business.

Profit from operations. Profit from operations for Our Managed Business in 2005 was RMB1,498.3 million, an increase of RMB813.0 million, or 118.6%, as compared with RMB685.3 million in 2004. Operating profit margin for Our Managed Business in 2005 was 45.1%, compared with 35.4% in 2004. The increase in operating profit margin reflected primarily the increase in our gross profit margin.

Interest income. Our interest income for Our Managed Business was RMB14.2 million in 2005, an increase of RMB5.4 million, or 61.4%, from RMB8.8 million in 2004. The increase was due to an increase in sales deposits received primarily in connection with sales of Jianwai SOHO phases V, VI and VII. Our consolidated interest income was RMB15.8 million in 2005 and RMB8.8 million in 2004.

Finance costs. Finance costs for Our Managed Business were RMB0.5 million in 2005, compared to RMB1.5 million in 2004. The decrease was due to our repayment of bank loans in 2005. Our consolidated finance costs were RMB8.8 million in 2005, an increase of RMB0.7 million, or 8.6%, from RMB8.1 million in 2004. The majority of our consolidated finance costs in both 2005 and 2004 were attributable to Shangdu Phase I.

Government grants. In 2005 we only received government grants of RMB82,000 in 2005, whilst in 2004 we had government grants in the amount of RMB1.7 million in relation to our SOHO Newtown project.

Profit before taxation. As a result of the foregoing factors, profit before taxation for Our Managed Business in 2005 was RMB1,512.1 million, an increase of RMB817.8 million, or 117.8%, from RMB694.3 million in 2004. Our consolidated profit before taxation was RMB1,653.6 million in 2005 and RMB808.8 million in 2004.

Income tax. Our PRC Enterprise Income Tax and LAT for Our Managed Business in 2005 totalled RMB388.9 million and RMB333 million, a 103.8% and 119.8% increase, respectively, from RMB190.8 million and RMB151.5 million in 2004, respectively. The increase in the PRC Enterprise Income Tax and LAT was largely in line with the increase in our profit before taxation and our gross profit. Our Effective PRC Enterprise Income Tax Rate for Our Managed Business was 27.5% in 2004 and 25.7% in 2005. Our consolidated PRC Enterprise Income Tax and LAT were RMB425.8 million and RMB362.7 million, respectively, in 2005, and RMB207.9 million and RMB176.5 million in 2004, respectively.

Profit attributable to equity holders of our Company. As a result of the foregoing factors, our profit attributable to equity holders of our Company was RMB709.6 million, an increase of RMB391.7 million, or 123.2%, from RMB317.9 million in 2004. All profit from Shangdu Phase I was attributable to minority interest and therefore did not have an impact on profit attributable to equity holders of our Company. Our profit for the year attributable to equity holders of our Company as a percentage of turnover for Our Managed Business was 21.4% in 2005 and 16.4% in 2004.

Profit attributable to minority interests. Our profit attributable to minority interests for Our Managed Business was RMB80.6 million, an increase of RMB46.5 million, or 136.4%, from RMB34.1 million in 2004. Our consolidated profit attributable to minority interests, which includes all profit from Shangdu Phase I, was RMB155.5 million in 2005 and RMB106.5 million in 2004.

SELECTED BALANCE SHEET INFORMATION

	CONSOLIDATED			
	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB million)			
Non-current assets				
Property and equipment	177.0	281.3	441.1	439.6
Investments	16.5	16.5	16.5	16.5
Restricted bank deposits	278.9	311.8	340.9	338.2
Total non-current assets	472.4	609.6	798.5	794.3
Current assets				
Properties under development and completed properties held for sale	3,701.3	3,396.9	5,737.5	6,919.3
Trade and loan receivables	45.4	36.1	135.4	55.7
Prepaid expenses and other receivables	548.0	222.2	298.4	383.9
Amounts due from and advances to related parties	88.9	353.8	378.7	868.0
Restricted bank deposits	130.4	—	—	—
Cash and cash equivalents	1,409.4	1,309.5	1,081.1	1,470.1
Total current assets	5,923.4	5,318.5	7,631.1	9,697.0
Current liabilities				
Short-term bank loans	274.1	—	—	—
Accrued construction expenditure and other payables	939.0	949.4	628.8	981.5
Sales deposits	3,995.9	2,623.6	4,078.7	4,685.0
Amounts due to and advances from related parties	290.9	29.0	50.4	14.9
Income tax payable	405.6	1,052.4	1,281.4	1,255.3
Total current liabilities	5,905.5	4,654.4	6,039.3	6,936.7
Net current assets	17.9	664.1	1,591.8	2,760.3
Total assets less current liabilities	490.3	1,273.7	2,390.3	3,554.6
Non-current liabilities				
Contract retention payables	28.1	66.3	67.5	53.3
Long-term bank loan	—	—	800.0	2,000.0
Total non-current liabilities	28.1	66.3	867.5	2,053.3
NET ASSETS	462.2	1,207.4	1,522.8	1,501.3
CAPITAL AND RESERVES				
Share capital	79.6	79.6	79.6	79.6
Reserves	265.0	896.5	1,280.6	1,288.9
Total equity attributable to the equity shareholders of the Company	344.6	976.1	1,360.2	1,368.5
Minority interests	117.6	231.3	162.6	132.8
TOTAL EQUITY	462.2	1,207.4	1,522.8	1,501.3

	OUR MANAGED BUSINESS			
	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB million)			
Non-current assets				
Property and equipment	177.0	281.3	441.1	439.6
Investments	16.5	16.5	16.5	16.5
Restricted bank deposits	262.0	253.9	283.9	281.5
Total non-current assets	455.5	551.7	741.5	737.6
Current assets				
Properties under development and completed properties held for sale	3,090.5	3,127.6	5,709.3	6,891.1
Trade and loan receivables	22.9	28.8	93.1	53.5
Prepaid expenses and other receivables	533.4	221.4	298.2	382.5
Amounts due from and advances to related parties	83.5	144.2	196.0	669.5
Restricted bank deposits	130.4	—	—	—
Cash and cash equivalents	1,109.3	1,291.6	1,060.4	1,456.0
Total current assets	4,970.0	4,813.6	7,357.0	9,452.6
Current liabilities				
Short-term bank loans	274.1	—	—	—
Accrued construction expenditure and other payables	585.4	637.2	441	820.3
Sales deposits	3,711.1	2,561.1	4,078.5	4,683.7
Amounts due to and advances from related parties	33.2	29.0	48.1	12.6
Income tax payable	366.2	973.9	1,175	1,150.8
Total current liabilities	4,970.0	4,201.2	5,742.6	6,667.4
Net current assets	—	612.4	1,614.4	2,785.2
Total assets less current liabilities	455.5	1,164.1	2,355.9	3,522.8
Non-current liabilities				
Contract retention payables	28.1	66.3	67.5	53.3
Long-term bank loan	—	—	800.0	2,000.0
Total non-current liabilities	28.1	66.3	867.5	2,053.3
NET ASSETS	427.4	1,097.8	1,488.4	1,469.5
CAPITAL AND RESERVES				
Share capital	79.6	79.6	79.6	79.6
Reserves	265.0	896.5	1,280.6	1,288.9
Total equity attributable to the equity shareholders of the Company	344.6	976.1	1,360.2	1,368.5
Minority interests	82.8	121.7	128.2	101.0
TOTAL EQUITY	427.4	1,097.8	1,488.4	1,469.5

Our Managed Business had net current assets of RMB612.4 million in 2005, compared to net current assets of nil in 2004. The increase in net current assets was primarily due to a RMB1,150.0 million decrease in sales deposits resulting from the recognition of sales deposits as turnover with the delivery of properties pre-sold, partially offset by a RMB607.7 million increase in income tax payable resulting from increased taxable income. Net current assets of Our Managed Business further increased to RMB1,614.4 million in 2006, primarily due to a RMB2,581.7 million increase in properties under development and completed properties held for sale resulting from the increase in costs that we incurred for new projects, partially offset by a RMB1,517.4 million increase in sales deposits reflecting the increased pre-sales that we made. Net current assets of Our Managed Business further increased to RMB2,785.2 million as at 31 March 2007, primarily due to a RMB1,181.8 million increase in properties under development and completed properties held for sale, which in turn was primarily a result of our acquisition of the site for Sanlitun SOHO.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for our land acquisition costs and construction costs and to fund working capital and operating overhead. To date, we have financed our liquidity requirements primarily through cash flows from our operating activities, including proceeds from pre-sales of our properties, and to a lesser extent have also relied on bank borrowings. For the foreseeable future, we believe our liquidity requirements will be satisfied by using a combination of internally generated cash flow, bank loans, proceeds from this Global Offering and other capital market activities.

The following tables present selected cash flow data from our consolidated cash flow statements and for Our Managed Business for the periods indicated. The selected cash flow data in the following tables is derived from the information appearing under the heading "Organisation and Basis of Preparation" in the Accountants' Report contained in Appendix IA to this prospectus. See "— Results of Operations" for details on the financial impact of Shangdu Phase I.

	CONSOLIDATED				
	For the year ended December 31			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Net cash generated from/(used in) operating activities	689.0	644.1	(790.4)	108.2	(78.4)
Net cash generated from/(used in) investing activities	267.8	(142.6)	(41.9)	(28.0)	(599.6)
Net cash (used in)/generated from financing activities	(369.6)	(601.4)	603.9	—	1,067.0
Net increase/(decrease) in cash and cash equivalents	587.2	(99.9)	(228.4)	80.2	389.0
Cash and cash equivalents at end of the year/period	1,409.4	1,309.5	1,081.1	1,389.7	1,470.1

	OUR MANAGED BUSINESS				
	For the year ended 31 December			For the three months ended 31 March	
	2004	2005	2006	2006 (unaudited)	2007
	(RMB million)				
Net cash generated from/(used in) operating activities	807.0	420.7	(927.7)	83.3	(117.2)
Net cash generated from/(used in) investing activities	141.8	105.3	(69.7)	(37.1)	(584.1)
Net cash (used in)/generated from financing activities	(430.8)	(343.7)	766.2	—	1,096.9
Net increase/(decrease) in cash and cash equivalents	518.0	182.3	(231.2)	46.2	395.6
Cash and cash equivalents at end of the year/period	1,109.3	1,291.6	1,060.4	1,337.8	1,456.0

Cash flow from operating activities

We derive our cash inflow from operations principally from the pre-sale and sale of properties. Our cash outflow from operations is principally for expenditures for property under development and completed properties held for sale.

Our Managed Business had net cash used in operating activities of RMB117.2 million in the three months ended 31 March 2007. This cash outflow was primarily a result of a RMB1,159.5 million increase in properties under development and completed properties held for sale, which in turn was primarily a result of our acquisition of the site for Sanlitun SOHO, partially offset primarily by a RMB605.2 million increase in sales deposits received from pre-sale of Chaowai SOHO, SOHO Shangdu and Jianwai SOHO Phase VII, and a RMB445.0 million increase in accrued land costs, construction expenditure and other payables primarily due to the acquisition of the land for Sanlitun SOHO, as well as an increase in accrued expenditures from the other projects. Our consolidated net cash used in operating activities was RMB78.4 million in the three months ended 31 March 2007.

Our Managed Business had net cash used in operating activities of RMB927.7 million in 2006. This cash outflow was primarily a result of a RMB2,659.3 million increase in properties under development, which in turn was primarily attributable to our land acquisition costs for the Sanlitun SOHO and Guanghualu SOHO projects, partially offset by a RMB1,517.4 million increase in sales deposits due to the pre-sale of our Chaowai SOHO, phase VII of our Jianwai SOHO, and SOHO Shangdu projects, and operating profit before changes in working capital of RMB700.7 million. Our consolidated net cash used in operating activities was RMB790.4 million in 2006.

Our Managed Business had net cash generated from operating activities of RMB420.7 million in 2005. This cash inflow was primarily a result of a RMB1,516.5 million operating profit before changes in working capital, partially offset by a RMB1,150.0 million decrease in sales deposits due to the recognition as turnover of the sales deposits we received from the sale of phases IV, V and VI of Jianwai SOHO project upon the delivery of these properties. Our consolidated net cash generated from operating activities was RMB644.1 million in 2005.

Our Managed Business had net cash generated from operating activities of RMB807.0 million in 2004. This cash inflow was primarily a result of a RMB698.2 million operating profit before changes in working capital, a RMB1,437.7 million increase in sales deposits resulting from the pre-sale of phases IV, V and VI of Jianwai SOHO projects, partially offset by a RMB783.9 million decrease in amounts due to related parties, resulting from our repayment of advances from and related interest due to Huayuan that we acquired with the acquisition of Jianhua Real Estate, a RMB48.4 million decrease in accrued construction expenditure, other payables and contract retention payables resulting from our settlements of these payables, and a RMB248.4 million increase in prepaid expenses and other receivables. Our consolidated net cash generated from operating activities was RMB689.0 million in 2004.

Cash flow from investing activities

Our investing activities mainly comprise advances to and repayments from related parties, restricted bank deposits, acquisitions of subsidiaries and capital expenditures.

Our Managed Business had net cash used in investing activities of RMB584.1 million in the three months ended 31 March 2007. This cash outflow was primarily a result of a RMB644.1 million advance to a related party, partially offset by a RMB63.3 million repayment from related parties. Our consolidated net cash used in investing activities was RMB599.6 million in the three months ended 31 March 2007.

Our Managed Business had net cash used in investing activities of RMB69.7 million in 2006, primarily as a result of a RMB66.8 million advance to related parties, a RMB23.8 million capital expenditure and a RMB30.0 million increase in restricted bank deposits, partially offset by a RMB50.9 million repayment from related parties. Our consolidated net cash used in 2006 in investing activities was RMB41.9 million in 2006.

Our Managed Business had net cash generated from investing activities of RMB105.3 million in 2005, primarily as a result of a RMB138.5 million decrease in restricted bank deposits, partially offset by a RMB33.0 million advance to related parties. On a consolidated basis, we had net cash used in investing activities of RMB142.6 million in 2005, primarily due to advances to Huayuan by Jianhua Real Estate in relation to Shangdu Phase I.

Our Managed Business had net cash generated from investing activities of RMB141.8 million in 2004, primarily as a result of a RMB127.0 million net cash inflow arising from the acquisition of Jianhua as the cash consideration paid was less than net cash acquired. Our consolidated net cash generated from investing activities was RMB267.8 million in 2004.

Cash flow from financing activities

Our financing activities consist primarily of bank borrowings, dividends and distributions, and advances from and repayments to related parties.

Our Managed Business had net cash generated from financing activities of RMB1,096.9 million in the three months ended 31 March 2007. This cash inflow was a result of RMB1,200.0 million proceeds from bank loans from China CITIC Bank, partially offset by RMB103.0 million distributions paid to minority shareholders. Our consolidated net cash generated from financing activities was RMB1,067.0 million in the three months ended 31 March 2007.

Our Managed Business had net cash generated from financing activities of RMB766.2 million in 2006, primarily as a result of RMB800.0 million proceeds from bank loans. On a consolidated basis, we had net cash generated from financing activities of RMB603.9 million.

Our Managed Business had net cash used in financing activities of RMB343.7 million in 2005, primarily as a result of RMB274.1 million repayments of bank loans and RMB78.2 million dividends paid. Our consolidated net cash used in financing activities was RMB601.4 million in 2005.

Our Managed Business had net cash used in financing activities of RMB430.8 million in 2004, primarily as a result of RMB498.3 million repayment of bank loans and RMB88.3 million dividends paid, partially offset by RMB150.0 million proceeds from bank loans and RMB24.9 million advances from related parties. Our consolidated net cash used in financing activities was RMB369.6 million in 2004.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank borrowings

Our bank borrowings as at 31 December 2004, 2005 and 2006, 31 March 2007 and 31 July 2007, being the latest practicable date for the purposes of the indebtedness statement, are set forth below:

	As at 31 December			As at 31 March	As at 31 July
	2004	2005	2006	2007	2007
			(RMB millions)		
Short-term bank borrowings	274.1	—	—	—	—
Long-term bank borrowings	—	—	800.0	2,000.0	2,000.0
Total bank borrowings	274.1	—	800.0	2,000.0	2,000.0

The loan balance of RMB800.0 million as at 31 December 2006 was secured by the land use rights of Guanghualu SOHO and Commune by the Great Wall with an aggregate carrying value of RMB706.5 million and guaranteed by Mr. Pan, Ms. Zhang, Jianhua and Beijing Chaowai. According to the loan agreement, the total credit facility amounted to RMB1,000.0 million, of which RMB800.0 million was drawn as at 31 December 2006. The loan bears an interest rate of 6.30% per annum and is repayable on 14 December 2008.

The loan balance as at 31 March 2007 represented RMB2,000.0 million bank loan from China CITIC Bank, which was secured by the land use rights of Guanghualu SOHO, Sanlitun SOHO, Chaowai SOHO and Commune by the Great Wall projects with an aggregate carrying value of RMB5,323.3 million and guaranteed by Mr. Pan and Ms. Zhang, Jianhua, Beijing Chaowai and Redstone Jianwai. The interest rate was 6.30% per annum for the first quarter of 2007 and was adjusted to 6.57% per annum for the second quarter of 2007 and 6.75% after 1 July 2007. RMB1,000.0 million of the bank loans is repayable in December 2008, and another RMB1,000.0 million is repayable in February 2009. Mr. Pan and Ms. Zhang provided guarantees of the bank loans, which guarantees were subsequently released on 21 June 2007.

Our Gearing Ratio, calculated as the total of bank and interest bearing borrowings divided by total assets, as at 31 December 2004, 2005 and 2006 and 31 March 2007 was 4.29%, 0%, 9.49% and 19.06%, respectively.

The proceeds estimated to be raised from the Global Offering (not including the Over-allotment Option) ("**Adjusted Borrowings**"), less the amount of our total bank and interest bearing borrowings as at 31 March 2007, totals RMB5,450 million assuming an Offer Price of HK$6.30 per Offer Share (being the bottom end of the expected Offer Price range), or RMB7,863 million assuming an Offer Price of HK$8.30 per Offer Share (being the high end of the expected Offer Price range).

Amounts due to and advances from related parties

The following table sets forth the amounts due to and advances from related parties as at the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2004	2005	2006	2007	2007
	(RMB millions)				
Jingtai Xingang City(1)	24.9	—	—	—	—
Huayuan(2)	257.7	—	—	—	—
China Link Group Ltd.(3)	—	20.5	48.1	—	—
Redstone Industry(4)	—	—	—	12.4	—
Beijing Liteng Property Consultants Co., Ltd.(5)	—	—	—	0.2	—
Others	8.3	8.5	2.3	2.3	—
Total	290.9	29.0	50.4	14.9	—

Notes:

(1) The balance of RMB24.9 million as at 31 December 2004 represented an advance from Beijing Holdings Investment Management Co., Ltd., an investor in Jingtai Xingang City Project, and was unsecured, interest free and with no fixed term for repayment. The balance was repaid in 2005. Jingtai Xingang City Project was cancelled in 2005.

(2) The balance of RMB257.7 million as at 31 December 2004 represented the advances from and related interest due to Huayuan by Jianhua Real Estate in relation to Shangdu Phase I. The advances bore interest at 6.6%, were unsecured and had no fixed terms of repayment. The advances were repaid in 2005. For details on the financial impact of Shangdu Phase I, see "— Results of Operations."

(3) China Link Group Ltd. ("**China Link**") is a company controlled by Ms. Zhang. The balances were interest free, unsecured and had no fixed terms of repayment. The balances will be settled prior to the Listing.

(4) The balance as at 31 March 2007 represented the consideration payable to Redstone Industry for the acquisition of a 5% equity interest in Redstone Jianwai from Redstone Industry.

(5) The balance as at 31 March 2007 represented consideration payable to Beijing Liteng for the acquisition of a 20% equity interest in SOHO China Leasing from Beijing Liteng.

In addition, Redstone Industry has entered into agreements with certain banks to provide guarantees for mortgage loans provided to certain purchasers of our properties. As at 31 December 2004, 2005 and 2006 and 31 March 2007, guarantees provided by Redstone Industry amounted to approximately RMB148.7 million, RMB103.0 million, RMB94.4 million and RMB93.4 million, respectively. The guarantee periods generally range from 2 to 17 years.

Commitments and Contingent liabilities

Commitments

We had the following commitments in respect of properties under development not provided for in the financial statements as at 31 December 2004, 2005 and 2006 and 31 March 2007:

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB millions)			
Contracted for	—	931.9	411.3	808.5
Authorised but not contracted for	507.3	234.3	2,418.6	2,327.9
	507.3	1,166.2	2,829.9	3,136.4

The increase in our commitments in respect of properties under development reflected the increased number and enhanced scale of our new projects. In particular, the balance as at 31 December 2006 related primarily to two new projects undertaken by Beijing SOHO and Beijing Shanshi.

As at 31 December 2004, 2005 and 2006 and 31 March 2007, we had the following commitments in respect of the capital contribution to our equity investments:

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB millions)			
Contracted for	274.0	101.7	98.4	103.9
Authorised but not contracted for	—	—	—	673.8
	274.0	101.7	98.4	777.7

The following table sets out information on our commitments for our projects as at 31 March 2007:

	Capital commitments with respect to the development cost contracted	Date by which capital commitment is expected to be expended
	(RMB millions)	
Jianwai SOHO	142.5	third quarter, 2007
Commune by the Great Wall	38.1	third quarter, 2007
Shangdu Phases II & III	76.7	third quarter, 2007
Chaowai SOHO	341.8	fourth quarter, 2007
Guanghualu SOHO	154.0	fourth quarter, 2008
Sanlitun SOHO	55.4	fourth quarter, 2008
Total	808.5	

During the three years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, we had no significant operating lease commitments.

In calculating the total amount of our commitments, the intra-group liabilities have been disregarded.

Guarantees

In the normal course of our business, we enter into agreements with commercial banks with respect to mortgage loans provided to property purchasers, under which we guarantee the full value of the mortgages that most purchasers of our properties use to finance their purchases. The amount of mortgages outstanding that we had guaranteed was RMB3,263.2 million, RMB2,588.7 million, RMB2,823.2 million, RMB2,741.3 million and RMB3,120.2 million as at 31 December 2004, 2005, 2006, 31 March 2007 and 31 July 2007 (being the latest practicable date for purposes of the indebtedness statement) respectively. Except for some mortgage loans for which the guarantees have terms generally ranging from seven to 17 years, the guarantees will generally be released when the purchasers of our properties obtain the relevant property certificate and pledge it with the commercial bank, which generally takes place within two years after the property units are delivered to the buyers. In addition, we are required to deposit a portion of this balance, which has typically represented approximately 5% and no more than 10% of the amount of the mortgage, with the bank providing the mortgage, as security for our guarantee of our purchaser's mortgage until such purchaser obtains the property certificate and pledges it with the commercial bank, which generally takes place within two years after the property units are delivered to the buyers. The percentage of deposit required is normally set forth in the relevant mortgage loan cooperation agreements with the commercial banks after negotiation taking into consideration factors including our credit history and market practice. If a customer defaults on payment of its mortgage, the bank holding the mortgage may deduct the payment due from the funds that have been deposited and require that the relevant project subsidiary immediately repay the entire outstanding balance pursuant to the guarantee. As at 31 December 2004, 2005, 2006 and 31 March 2007, the aggregate of accumulated deductions that the relevant mortgage banks made from our deposits upon defaults by our customers amounted to approximately RMB7.8 million, RMB11.9 million, RMB6.1 million and RMB6.4 million, respectively. These deductions were sufficient to satisfy our payment liabilities under the relevant guarantees, and the defaults did not have any further impact on our financial condition.

We constantly monitor the status of these guarantees to identify whether it is probable that a loss has occurred, and recognise any such loss in our profit and loss accounts when the amount of the loss is estimable. As at 31 March 2007, it was unlikely that we would be required to make payments under the guarantees, and therefore no liability had been accrued for a loss relating to our guarantee obligations under these guarantee arrangements.

Warranty against defects of properties

We provide purchasers of our properties with warranties with terms varying from one to five years against certain defects as stipulated in the PRC laws and regulations. We also get back-to-back warranties from the relevant contractors who have constructed the relevant projects.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or operating results.

Off-balance sheet arrangements

As at 31 March 2007, we did not have any off-balance sheet arrangements.

AMOUNTS DUE FROM AND ADVANCES TO RELATED PARTIES

The following table sets forth the amounts due from and advances to related parties as at the dates indicated:

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB millions)			
Redstone Industry[(1)]	35.0	38.1	37.3	—
China Link Group Ltd[(2)]	16.8	39.4	70.0	15.5
Hongyun[(3)]	6.2	6.2	6.2	6.2
Hainan Liteng[(4)]	0.5	8.3	15.3	—
Jingtai Xingang City[(5)]	8.7	7.9	—	—
Beijing Huayuan Property Agent Co., Ltd[(6)]	5.4	2.7	—	—
Mr. Pan[(7)(9)]	15.0	42.3	63.3	—
Ms. Zhang[(7)(9)]	—	2.0	0.1	—
Huayuan[(8)]	—	206.9	182.7	198.5
Beijing Danshi Investment Management Co., Ltd.[(9)]	—	—	—	644.1
Others	1.3	—	3.8	3.7
Total	88.9	353.8	378.7	868.0

Notes:

(1) Redstone Industry is a company controlled by Mr. Pan. Redstone Industry borrowed RMB21,165,000 from us in 2003. The advances bore interest at 5.49% and 5.58% for the years ended 31 December 2004 and 2005, respectively, and were interest free for the year ended 31 December 2006. The advances were unsecured and had no fixed terms of repayment. The balances as at the balance sheet dates represented the advances and related interest of RMB22,196,000, RMB22,886,000 and RMB22,103,000 as at 31 December 2004, 2005, and 2006, respectively, and expenses of RMB12,836,000, RMB15,211,000 and RMB15,211,000 as at 31 December 2004, 2005 and 2006, respectively, paid by us on behalf of Redstone Industry. The expenses paid on behalf of Redstone Industry were interest free, unsecured and had no fixed terms of repayment.

(2) China Link has set up a bank account in Hong Kong to receive sales proceeds from overseas property purchasers on our behalf. The balances represented sales proceeds that China Link so received, were interest free, unsecured and had no fixed terms of repayment. This arrangement ceased in August 2006 and will not continue after Listing.

(3) The balance was in connection with certain property units that Hongyun, an investor of Zhonghongtian, purchased from Zhonghongtian in 2002. The balance was interest free, unsecured and had no fixed terms of repayment.

(4) Hainan Liteng is a company controlled by Mr. Pan. Hainan Liteng manages Boao Kempinski on our behalf, and the balances represented working capital and pre-operation expenses that we advanced to Hainan Liteng in connection therewith. The advances were interest free, unsecured and had no fixed terms of repayment.

(5) The balances related to the advances of RMB8,672,000 made in 2004 to Beijing Jingtai Xingang City Real Estate Co., Ltd. ("**Jingtai Xingang City**"), an entity we jointly control, which was established in 2004, de-registered in 2006 and had not carried any business operation. The advances were interest free, unsecured and had no fixed terms of repayment. The advances were fully repaid by 2006.

(6) Beijing Huayuan Property Agent Co., Ltd., a subsidiary of Huayuan, provides sales promotion services to Jianhua Real Estate in relation to Shangdu Phase I. The balances represented prepaid sales commission in connection therewith. The balances were interest free, unsecured and had no fixed terms of repayment. Huayuan manages and bears the risks and rewards associated with Shangdu Phase I. Accordingly, in the Company's consolidated financial statements, Huayuan is considered as a related party of the Company in accordance with HKFRS. For a definition of "related parties" under HKFRS, see note 1(s) of the "Accountants' Report" in Appendix IA to this prospectus. For details on the financial impact of Shangdu Phase I, see "— Results of Operations."

(7) The balances represented the advances to Mr. Pan and Ms. Zhang, which were interest free, unsecured and had no fixed terms of repayment.

(8) The balances as at 31 December 2005 and 2006 represented advances to Huayuan by Jianhua Real Estate in relation to Shangdu Phase I. The advances were interest free, unsecured and had no fixed terms of repayment. Huayuan manages and bears the risks and rewards associated with Shangdu Phase I. Accordingly, in the Company's consolidated financial statements, Huayuan is defined as a related party of the Company in accordance with HKFRS. For a definition of "related parties" under HKFRS, see note 1(s) of the "Accountants' Report" set out in Appendix IA to this prospectus. For details on the financial impact of Shangdu Phase I, see "— Results of Operations."

(9) The balance as at 31 March 2007 represented the advances to Beijing Danshi Investment Management Co., Ltd., a company controlled by Mr. Pan. The balance was interest free, unsecured and had no fixed terms of repayment.

(10) The maximum balances of the advances made to Mr. Pan, Ms. Zhang and companies controlled by them during the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007 are as follows:

	As at 31 December			As at 31 March
	2004	2005	2006	2007
	(RMB millions)			
Redstone Industry	35.0	38.1	38.1	37.3
China Link Group Ltd	29.6	45.4	70.0	70.0
Hainan Liteng	0.5	8.3	15.3	15.3
Mr. Pan	15.0	42.3	63.3	63.3
Ms. Zhang	—	2.0	2.0	0.1

Except for items (3), (8) and (9) above, all amounts due from and advances to related parties have been settled.

CAPITAL EXPENDITURES

In 2004, 2005, 2006 and the three months ended 31 March 2007, we incurred capital expenditures in the amounts of RMB3.5 million, RMB6.8 million, RMB23.8 million and RMB5.8 million, respectively, comprising primarily expenditures for improvements of hotel properties and office equipment.

WORKING CAPITAL

Taking into account the net proceeds available to us from the Global Offering and our operating cash flow, we believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Interest rate

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. On 28 October 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits, respectively, with effect from 29 October 2004. This increase was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. On each of 28 April 2006, 19 August 2006, 18 March 2007, 19 May 2007, 21 July 2007, 22 August 2007 and 14 September 2007, the PBOC further raised its benchmark lending interest rates, the first three times by 0.27%, the next three times by 0.18% and most recently by 0.27%, for one-year Renminbi loans. The current lending interest rate for one-year Renminbi loans is 7.29% per annum. The lending rates for various other terms were also raised accordingly. It is premature to predict if the recent increases in interest rates will have an adverse effect on our business or on the PRC real estate industry generally, but such increases in interest rates could result in an increase in our cost of borrowing. Either of these developments, if they were to occur, could adversely affect our turnover, gross profits and net income. The interest rate on bank loans and overdrafts in the PRC depends on PRC regulations.

Foreign exchange

We conduct our business primarily in Renminbi. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has recently resulted in an appreciation of the Renminbi against the US dollar. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the Global Offering if they are not converted into Renminbi in a timely manner.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.5% in 2006, 1.8% in 2005 and 3.9% in 2004.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007(1)

Forecast consolidated profit attributable to equity shareholders of the Company(2) . . . . not less than RMB1,624 million (equivalent to approximately HK$1,674 million)

Unaudited pro forma forecast earnings per Share

Fully diluted(3) . . . . RMB0.324 (equivalent to approximately HK$0.334)

Weighted average(4) . . . . RMB0.401 (equivalent to approximately HK$0.413)

(1) The above profit forecast does not include any potential revenues or liabilities arising from our proposed acquisition of Beijing Danshi's interest in the Tiananmen South (Qianmen) Project or the 11 Parcels that are subject to open tender.

(2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

(3) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 assuming that the Company had been listed since 1 January 2007 and a total of 5,012,058,000 Shares were in issue during the entire year, comprising the 5,000,000,000 Shares assumed to be in issue immediately following completion of the Global Offering before exercise of the Over-allotment Option, and the 12,058,000 Shares assumed to be in issue pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme on 1 January 2007, without taking into account of any Shares which may be issued pursuant to the exercise of any options under the Share Option Scheme.

(4) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 and a weighted average number of 4,051,369,863 Shares in issue during the year ending 31 December 2007 following completion of the Global Offering, without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options under the Share Option Schemes.

DIVIDEND POLICY

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal financial year will be subject to shareholders' approval.

Considering our financial position, our Directors currently intend, subject to certain limitations, and in the absence of any circumstance which might reduce the amount available for distribution whether by losses or otherwise, to distribute to our Shareholders not less than 15% of our profits available for distribution in respect of the year ending 31 December 2007, and, for subsequent years, a portion of our profits available for distribution. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year.

DISTRIBUTABLE RESERVES

As at 31 March 2007, we had reserves available for distribution to the Shareholders of the Company in the amount of RMB126 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Company is prepared based on our consolidated net assets as at 31 March 2007 as set out in "Appendix IA — Accountants' Report on the Group" adjusted as described below:

	Audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2007	Add: Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	RMB in millions(1)	RMB in millions(2)	RMB in millions	RMB(3)
Based on an Offer Price of HK$6.30 per Share	1,368	7,226	8,594	1.72
Based on an Offer Price of HK$8.30 per Share	1,368	9,565	10,933	2.19

(1) Audited consolidated net tangible assets attributable to equity shareholders of the Company are derived from the "Accountants' Report on the Group" as set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$6.30/HK$8.30 per Share, after deduction of the underwriting fees and other relevant expenses payable by the Company and do not take into account of any Shares that may be issued upon the exercise of the Over-allotment Option or upon the exercise of any options which have been granted or may be granted under the Share Option Schemes.

(3) The unaudited pro forma consolidated net tangible asset value per Share is based on 5,000,000,000 Shares assumed to be in issue immediately following the Global Offering before the exercise of the Over-allotment Option and the exercise of any options which have been granted or may be granted under the Share Option Schemes.

(4) Details of valuations of the Group's properties as at 30 June 2007 are set out in Appendix IV to this prospectus. According to the Group's accounting policies, hotel properties are stated at costs less accumulated depreciation and impairment losses, and will not incorporate any revaluation surplus. Had the revaluation surplus of the Group's hotel properties been recorded, an additional depreciation charge of approximately RMB68 million per annum would be incurred.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial or trading position since 31 March 2007.

FUTURE PLANS

We will continue to adopt our current business strategies as set out in the "Business" section in this prospectus. We will continue to build up and reinforce our brand and complete the unfinished projects, in particular Sanlitun SOHO and Guanghualu SOHO.

At the same time, we continuously monitor the property market in China, in particular central Beijing, for potential new project opportunities. As a way of limiting our capital outlay for initial development costs while securing land for future development, we may consider entering into joint venture or other arrangements with other developers for the joint development of real estate projects.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting commissions and discretionary incentive fees and estimated expenses payable by us in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$7.30 per Share, being the mid-point of the proposed Offer Price range of HK$6.30 to HK$8.30 per Share) will be approximately HK$8,657 million (or HK$10,294 million if the Over-allotment Option is exercised in full).

We currently intend to use these net proceeds to repay some of our debts, for our current and future development projects and for working capital purposes. See the section headed "Business — Our Projects" and "Future Plans and Use of Proceeds".

Specifically, we intend to apply these net proceeds in the following manner (although these amounts may change for commercial reasons or otherwise):

- approximately HK$2,163 million of the net proceeds to finance the acquisition of an interest in Beijing Tianjie, the project company for the Tiananmen South (Qianmen) Project and for the development of such project (which will be temporarily deposited into interest-bearing bank accounts or money market instruments until all applicable approvals for the acquisition of our interest in this project have been obtained or, in the event that such approvals are not provided, may be reallocated to other existing or new projects);

- approximately HK$78 million of the net proceeds to finance the development of our Commune by the Great Wall project;

- approximately HK$302 million of the net proceeds to repay our debts in relation to our Guanghualu SOHO project;

- approximately HK$772 million of the net proceeds to finance the development of, our Sanlitun SOHO project, including approximately HK$724 million to repay existing debt;

- approximately HK$4,476 million of the net proceeds to finance the development of future projects and to finance the potential acquisition of the 11 Parcels in the Tiananmen South (Qianmen) Project which are expected to be put out for open tender in late 2007; and

- any remaining balance to be used for working capital.

Our Guanghualu SOHO project and Sanlitun SOHO project have been funded partly by way of entrustment loans provided by our project company Redstone Jianwai. Upon repayment of these entrustment loans, Redstone Jianwai will use the funds received to repay the loan from China CITIC Bank set out below:

Lender	Borrower	Amount	Interest Rate[(1)]	Maturity Date	Purpose
China CITIC Bank	Redstone Jianwai	RMB1,000 million	6.3%	14 December 2008	Development of Jianwai SOHO

(1) subject to adjustment on a quarterly basis.

To the extent, if any, that the net proceeds to us from the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing bank accounts or to purchase money market instruments.

In the event that any part of our developments does not proceed as planned, including as a result of circumstances such as failure to obtain requisite approvals, changes in government policies which would render any of our property developments not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate the intended funding to other existing or new projects and/or hold such funds on short-term deposits as our directors consider to be in our interests. We are continually looking for new projects and have ongoing discussions with potential business partners and corporations regarding investment opportunities. However, as at the Latest Practicable Date, none of these discussions or opportunities have materialised into proposed future projects which we have decided to proceed to undertake or bring forward and none of the proceeds of the Global Offering have been allocated to any specific new project, in each case except those as currently disclosed in the Prospectus in the section “Use of Proceeds”.

The Selling Shareholders will be selling a portion of their Shares in the Global Offering. The net proceeds of the Global Offering to the Selling Shareholders (after deducting underwriting commissions and estimated expenses payable by the Selling Shareholders in connection with the Global Offering and assuming an Offer Price of HK$7.30 per Share, being the mid-point of the proposed Offer Price range of HK$6.30 to HK$8.30 per Share) will be approximately HK$2,105 million. Out of these proceeds, we expect our Controlling Shareholders to use proceeds from the sale of the Sale Shares to enable the immediate repayment of the outstanding entrustment loan totalling RMB1,144,200,000 (or HK$1,179,770,068) plus interest owed by Beijing Danshi to Redstone Jianwai, a subsidiary of the Company. We will not otherwise receive any of the remaining proceeds from the sale of the Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders will be responsible for underwriting commission, together with any applicable Hong Kong Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sales of their Shares. We will be responsible for all other costs of the Global Offering.

None of the net proceeds will be applied towards the acquisition of any property or company to which paragraph 12 of the Third Schedule of the Companies Ordinance (Cap. 32) applies.

We will issue an announcement in Hong Kong if there is any material change in the above proposed use of proceeds.

HONG KONG UNDERWRITERS

Joint Sponsors

In alphabetical order:

Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

In alphabetical order:

Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
UBS AG

Co-Managers

In alphabetical order:

BOCI Asia Limited
China Everbright Securities (HK) Limited
Dao Heng Securities Limited
KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

The Public Offer is fully underwritten by the Hong Kong Underwriters and the International Offer and is expected to be fully underwritten by the International Underwriters, in each case on a several basis. The Hong Kong Underwriting Agreement was entered into on 20 September 2007 and, subject to agreement being reached on the Offer Price between us, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters), the International Underwriting Agreement is expected to be entered into on or around 28 September 2007. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into and having become effective, and the respective Underwriting Agreements are expected to be inter-conditional. See the section entitled "Structure of the Global Offering — Conditions of the Public Offer".

Grounds for termination by the Hong Kong Underwriters

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice in writing from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to the Company and the Controlling Shareholders, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI; or

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Tokyo, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI; or

(vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in Hong Kong, China, the United States, the European Union (or any member thereof), the Cayman Islands or the BVI adversely affecting an investment in the Shares; or

(vii) the commencement by any regulatory body or organisation of any public action against a Director or any member of our Group or an announcement by any regulatory body or organisation that it intends to take any such action; or

(viii) any litigation or claim being threatened or instigated against any member of our Group,

and which, in any such case and in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

(A) is or will be or may be adverse to, or prejudicially affect, the business or financial or trading position or prospects of our Group as a whole; or

(B) has or will have or may have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Public Offer and/or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will or may make it inadvisable or inexpedient to proceed with the Public Offer and/or the Global Offering or the delivery of the Public Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus, the Application Forms, the Formal Notice and any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any of the warranties given by our Company in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue or misleading; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by us under the Hong Kong Underwriting Agreement; or

(v) any breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement which, in the absolute discretion of the Joint Global Coordinators has a material adverse effect on the Global Offering; or

(vi) any material adverse change or prospective material adverse change in the business or in the financial or trading position of our Group as a whole.

Undertakings

Our undertakings to the Hong Kong Stock Exchange and the Underwriters

We have undertaken to the Hong Kong Stock Exchange that no further shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing of our Shares on The Hong Kong Stock Exchange) (the "**First Six-Month Period**"), except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules.

We will, pursuant to the Underwriting Agreements, undertake to the Underwriters that, at any time after the date of the respective Underwriting Agreements up to and including the date falling six months after the date on which dealings in the Shares first commence on the Hong Kong Stock Exchange, our Company will not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and the International Underwriters) and unless in compliance with the Hong Kong Listing Rules:

(a) offer, accept subscription for, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, repurchase any of the Share or debt capital or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such capital or securities or any interest therein;

(c) enter into any transaction with the same economic effect as any transaction described in (a) and (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (a) through (c) above, whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including pursuant to the Over-allotment Option), and our Company further agrees that it will not enter into any transaction described in (a) through (c) above, or agree or contract to, or publicly announce any intention to enter into, any such transaction, such that our Controlling Shareholders would cease to be the controlling shareholder of our Company during the six-month period immediately following the First Six-Month Period.

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that except pursuant to the Global Offering, it will not:

(i) at any time during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) at any time during period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, or otherwise enter into any agreement to dispose of or create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the Company's controlling shareholder.

Note (2) of Rule 10.07 of the Hong Kong Listing Rules provides that the rule does not prevent the controlling shareholder from using the Shares owned by him or her as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has undertaken to the Hong Kong Underwriters in the same terms as the undertaking given by each of them to the Hong Kong Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us and the Hong Kong Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Hong Kong Stock Exchange of:

(a) any pledges or charges of any of our Shares or securities of the Company beneficially owned by it in favour of any authorised institution as permitted under the Hong Kong Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and

(b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any of our Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by either of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under the Listing Rules as soon as possible after being so informed by such Controlling Shareholder.

Commissions, expenses and indemnities

Under the terms and conditions of the Underwriting Agreements, the fees and commissions to which the Underwriters are entitled will comprise an underwriting commission of 3.5% on the Offer Price in relation to all Shares to be issued or sold pursuant to the Global Offering (including any Shares in respect of which the Over-allotment Option is exercised). The allocation of a portion of the fees among the Underwriters will be determined by the Company. The Offer Price on which the underwriting commission is paid excludes the Hong Kong Stock Exchange listing fee, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other fees and expenses relating to the Global Offering.

The aggregate commissions and estimated expenses, together with the Hong Kong Stock Exchange trading fee, SFC transaction levy, Hong Kong Stock Exchange listing fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$549 million (assuming the Over-allotment Option is not exercised and an Offer Price of HK$7.30 per Share, being the mid-point of the stated range of the Offer Price between HK$6.30 and HK$8.30 per Share).

The aggregate commissions and expenses will be allocated between us and the Selling Shareholders (in the case of the Selling Shareholders by reference to the underwriting commissions and other costs attributable to the Shares they sell). Out of the HK$549 million estimated aggregate commissions and expenses noted above, approximately HK$468 million in total would be payable by us, and the balance of approximately HK$81 million by the Selling Shareholders. To the extent the Over-allotment Option is fully exercised, all additional underwriting commissions and other costs will be for our account.

SPONSORS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Trust was established by Ms. Zhang, as settlor, on 25 November 2005, as an irrevocable discretionary trust of which Ms. Zhang herself is currently a beneficiary. HSBC Trustee (in its capacity as the trustee of the Trust) as sole trustee of the Trust will have an indirect attributable interest of approximately 66.48% in the issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). HSBC Trustee (in its capacity as the trustee of the Trust) may in its discretion administer and invest the trust fund in any of the authorised investments from time to time with a view to preserving the underlying assets for the benefit of the beneficiaries. HSBC Trustee and HSBC, one of our Joint Sponsors, are affiliates. In such circumstance, HSBC does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Goldman Sachs Group has a private wealth management ("**PWM**") arm which provides private wealth management advisory and financial services to high net worth individual clients. Ms. Zhang is a client of PWM. Goldman Sachs confirms that PWM is operated separately and independently from the investment banking division, and has an entirely different business focus. Goldman Sachs is of the view that the services provided to Ms. Zhang by PWM is not a significant current business relationship within the meaning of Rule 3A.07(a) and does not give rise to a perception that Goldman Sachs' role as sponsor to the Company would be affected. In this connection, Goldman Sachs considers itself to have satisfied the independence criteria set out in Rule 3A.07 of the Listing Rules.

Save for its obligations under the relevant Underwriting Agreement(s) or as otherwise disclosed above and in the sections headed "Our Restructuring" and "Share Capital" in this prospectus, none of the Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group. Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold an additional portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

THE GLOBAL OFFERING

The Global Offering comprises the Public Offer and the International Offer. A total of 1,549,420,000 Shares will initially be made available under the Global Offering. A total of 1,394,478,000 Shares will initially be available to investors in the International Offer and 154,942,000 Shares will initially be offered to the public under the Public Offer (subject, in each case, to reallocation on the basis described below in “The Public Offer”).

The Offer Shares initially available under the Global Offering comprise a total of 1,250,000,000 new Shares offered for subscription by our Company, and a total of 299,420,000 Shares offered for sale by the Selling Shareholders. The Offer Shares represent approximately 30.99% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Public Offer Shares will be comprised exclusively of new Shares.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the International Offer, but not under both. Investors may only receive Shares under either the International Offer or the Public Offer, but not under both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offer will involve the selective marketing of Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

As part of the International Offer process, prospective professional, institutional and other investors will be required to specify the number of Shares they would be prepared to acquire under the International Offer either at different prices or at a particular price. This process, known as “book building”, is expected to continue up to, and to cease on or about, 28 September 2007.

Allocation of the Shares pursuant to the International Offer will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, their Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit our Company and our Shareholders as a whole.

Allocation of Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for, but, subject to that (and in accordance with the allocation of Public Offer Shares in Pool A and Pool B described below under the subsection entitled “The Public Offer”), will be made on an equitable basis, although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

OFFER PRICE UNDER THE PUBLIC OFFER

The Offer Price for the purposes of the Public Offer is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) following completion of the bookbuilding process for the International Offer and after assessment of the level of market demand for the Global Offering.

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK$8.30 and is currently expected to be not less than HK$6.30. Applicants for Public Offer Shares are required to pay, on application, the Maximum Offer Price of HK$8.30 per Public Offer Share together with brokerage of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% amounting to a total of HK$4,191.88 per board lot of 500 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than the Maximum Offer Price, appropriate refund payments (including the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest. Further details are set out in the sections entitled "How to Apply for Public Offer Shares" and "Further Terms and Conditions of the Public Offer".

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, after having assessed the level of market demand for the Shares offered under the Global Offering. The Price Determination Date is expected to be on or around 28 September 2007 and, in any event, no later than 4 October 2007.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Public Offer. The Joint Global Coordinators on behalf of the Underwriters may, where considered appropriate, based on a number of factors including the level of interest expressed by prospective professional, institutional and other investors during a book building process, and with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offer statistics as currently set out in the section entitled "Summary", and any other financial information which may change as a result of such reduction. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range stated in this Offering Circular on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

An announcement of the Offer Price, together with the level of indications of interest in the International Offer, the level of applications under the Public Offer, the basis of allocations of the Public Offer Shares and the final number of Public Offer Shares comprised in the Public Offer, Pool A and Pool B, respectively, is expected to be published on or before 5 October 2007.

CONDITIONS OF THE PUBLIC OFFER

All acceptances of applications for the Public Offer Shares in the Public Offer are conditional upon:

- The Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be offered or sold pursuant to the exercise of the Over-allotment Option);

- The Offer Price having been duly determined, and the International Underwriting Agreement having been duly entered into, on or about the Price Determination Date; and

- The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators for and on behalf of the Underwriters) and neither Underwriting Agreement being terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 4 October 2007.

The consummation of each of the International Offer and the Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will publish notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Business Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest and on the terms set out in the section entitled "How to Apply for Public Offer Shares". In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to issue Share certificates for the Public Offer Shares on 5 October 2007. However, these Share certificates will only become valid at 8:00 a.m. on the Listing Date if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination by the Hong Kong Underwriters" has not been exercised.

THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions described in the subsection above entitled "Conditions of the Public Offer") for the subscription and sale in Hong Kong of, initially, 154,942,000 Shares (representing approximately 10% of the total number of Shares initially available under the Global Offering) (before taking into account any exercise of the Over-allotment Option) at the Offer Price.

Subject to any reallocation of Offer Shares between the International Offer and the Public Offer, the Public Offer Shares will represent approximately 3.10% of our enlarged issued Share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The total number of Public Offer Shares available under the Public Offer will be divided equally into two pools for allocation purposes: Pool A and Pool B. The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total amount payable on application (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of HK$5 million or below. The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total amount payable on application (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of more than HK$5 million.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially available under the Public Offer (that is, any application for more than 77,471,000 Public Offer Shares) will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares under the International Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Public Offer and the International Offer is subject to adjustment. The number of Shares initially available under the Public Offer will represent approximately 10% of the total number of Shares available under the Global Offering (before taking into account any exercise of the Over-allotment Option).

The allocation of Shares between the Public Offer and the International Offer is subject to adjustment. If the number of Public Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 464,826,000, 619,768,000 and 774,710,000 Public Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "**Mandatory Reallocation**". In such cases, the number of Offer Shares allocated in the International Offer will be correspondingly reduced, (save and except that the Shares to be subscribed by the Corporate Investors will not be affected by such reallocation) in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Public Offer.

If the Public Offer is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the International Offer, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offer to the Public Offer to satisfy valid applications in Pool A and Pool B under the Public Offer, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

THE INTERNATIONAL OFFER

A total of 1,394,478,000 Shares will initially be available to investors under the International Offer. These 1,394,478,000 Shares comprise 1,095,058,000 new Shares offered for subscription by our Company, and a total of 299,420,000 Shares offered for sale by Selling Shareholders, and collectively represent approximately 90% of the Shares initially available under the Global Offering, before taking into account any exercise of the Over-allotment Option. Subject to any reallocation of Offer Shares between the International Offer and the Public Offer, but before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 27.89% of our enlarged issued Share capital immediately after completion of the Global Offering. If the Over-allotment Option is exercised in full, the International Offer Shares will represent approximately 31.09% of our enlarged issued share capital immediately after the completion of the Global Offering.

299,420,000 Shares will be offered for sale by the Selling Shareholders under the International Offer and will be sold by the various Selling Shareholders on a several basis and in the following amounts:

Name of Selling Shareholders	Number of Offer Shares sold
Boyce	115,000,000
Capevale (BVI)	115,000,000
Mr. Fraser	50,400,000
Ms. Cox-Fill	19,020,000

Pursuant to the International Offer, the International Offer Shares will be offered to institutional, professional and other investors by the International Underwriters or through selling agents appointed by them. International Offer Shares will be offered to and placed with professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A.

In the case of over-subscription under the Public Offer, International Offer Shares may be reallocated to the Public Offer as set out in the subsection entitled “The Public Offer”.

The International Offer is conditional on (among other things) the Public Offer becoming unconditional.

OVER-ALLOTMENT OPTION AND STABILISATION

The Over-allotment Option

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters. Under the Over-allotment Option, which will be exercisable at any time from the date of the International Underwriting Agreement until the last business day on or before the 30th day after the last date for lodging Application Forms under the Public Offer, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 232,413,000 Shares in aggregate, representing approximately 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 4.44% of the total Shares in issue immediately after completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Stabilising Action

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C. (the "**Stabilising Manager**"), or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time but any stabilising activity is required to be brought to an end no later than the 30th day after the last day for lodging applications under the Public Offer. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager in consultation with the Joint Global Coordinators.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 232,413,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;

- There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;

- Liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

- No stabilising action will be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire at the end of 26 October 2007, being the last business day before the day which is expected to be the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and

- Stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilising period.

THE CORPORATE PLACING

Terms of the Corporate Placing

As part of the International Offer, the Joint Global Coordinators and we have respectively entered into a corporate investor agreement with each of the Corporate Investors under which:

- Honeybush Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$420 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Honeybush Limited would be 57,534,000 Shares, which represents approximately 4.1% of the initial International Offer Shares, or approximately 1.2% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 3.7% of the number of Offer Shares offered pursuant to the Global Offering.

- Kerry Asset Management Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$60 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Kerry Asset Management Limited would be 8,219,000 Shares, which represents approximately 0.6% of the initial International Offer Shares, or approximately 0.2% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 0.5% of the number of Offer Shares offered pursuant to the Global Offering.

- Trebanos Investment Company Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$120 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Trebanos Investment Company Limited would be 16,438,000 Shares, which represents approximately 1.2% of the initial International Offer Shares, or approximately 0.3% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 1.1% of the number of Offer Shares offered pursuant to the Global Offering.

- Margingle International Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$600 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Margingle International Limited would be 82,191,500 Shares, which represents approximately 5.9% of the initial International Offer Shares, or approximately 1.6% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 5.3% of the number of Offer Shares offered pursuant to the Global Offering.

- Bright Century Development Ltd. will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$114 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Bright Century Development Ltd. would be 15,616,000 Shares, which represents approximately 1.1% of the initial International Offer Shares, or approximately 0.3% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 1.0% of the number of Offer Shares offered pursuant to the Global Offering.

- Facina Holdings Inc. will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$114 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Facina Holdings Inc. would be 15,616,000 Shares, which represents approximately 1.1% of the initial International Offer Shares, or approximately 0.3% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 1.0% of the number of Offer Shares offered pursuant to the Global Offering.

- Government of Singapore Investment Corporation Pte Ltd ("**GIC**") will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$228 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Government of Singapore Investment Corporation Pte Ltd would be 31,232,500 Shares, which represents approximately 2.2% of the initial International Offer Shares, or approximately 0.6% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 2.0% of the number of Offer Shares offered pursuant to the Global Offering.

- Mr. Lau Luen Hung will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$228 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Mr. Lau Luen Hung would be 31,232,500 Shares, which represents approximately 2.2% of the initial International Offer Shares, or approximately 0.6% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 2.0% of the number of Offer Shares offered pursuant to the Global Offering.

- Standard Chartered Private Equity Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$228 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Standard Chartered Private Equity Limited would be 31,232,500 Shares, which represents approximately 2.2% of the initial International Offer Shares, or approximately 0.6% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 2.0% of the number of Offer Shares offered pursuant to the Global Offering.

- Will Rich Investments Limited will subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$228 million, rounded down to the nearest board lot. Assuming the mid-point Offer Price of HK$7.30, the total number of Shares subscribed by Will Rich Investments Limited would be 31,232,500 Shares, which represents approximately 2.2% of the initial International Offer Shares, or approximately 0.6% of our Company's enlarged share capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or approximately 2.0% of the number of Offer Shares offered pursuant to the Global Offering.

The Corporate Investors and all of their beneficial owners are independent third-parties not connected with the Company. The Shares to be subscribed by the Corporate Investors will not be affected by any re-allocation of Shares between the International Offer and the Public Offer in the event of over-subscription under the Public Offer as described in the section headed "Structure of the Global Offering — The Public Offer" nor any exercise of the Over-allotment Option.

Honeybush Limited is a private limited company incorporated in the BVI and is a trustee for a number of beneficiaries. Such beneficiaries are all members of the Kuok Group companies, being companies owned and/or controlled by Mr. Kuok Hock Nien and/or interests associated with him.

Kerry Asset Management Limited is a private limited company incorporated in the BVI and is a member of the Kuok Group companies, being companies owned and/or controlled by Mr. Kuok Hock Nien and/or interests associated with him.

Trebanos Investment Company Limited is a private limited company incorporated in Hong Kong and is 100% owned by Kerry Properties Limited, a company listed on the main board of the Hong Kong Stock Exchange

Margingle International Limited is a company incorporated in the BVI and is ultimately controlled by Mr. Woo Kwong Ching.

Bright Century Development Ltd. is a company incorporated in the BVI and is wholly-owned by Mr. Larry Yung Chi Kin.

Facina Holdings Inc. is a company incorporated in the BVI and is a wholly owned subsidiary of CITIC Pacific Limited, a company listed on the main board of the Hong Kong Stock Exchange.

Government of Singapore Investment Corporation Pte Ltd is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estates and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Mr. Lau Luen Hung is the Chairman and Chief Executive Officer of Chinese Estates Holdings Limited ("**Chinese Estates**"). Chinese Estates is publicly listed on the Hong Kong Stock Exchange and its core businesses comprise of property investment and property development.

Standard Chartered Private Equity Limited is a company incorporated under the laws of Hong Kong. It is the private equity arm of Standard Chartered Bank, an international bank, whose parent, Standard Chartered PLC, is consistently ranked in the top 25 among FTSE-100 companies by market capitalization and listed on both the London Stock Exchange and the Hong Kong Stock Exchange. Standard Chartered Private Equity Limited provides a professional shareholding partnership to companies that require equity funding for expansion, or to finance changes of ownership. Standard Chartered Private Equity Limited is primarily focused on investing in mid-to late-stage companies whose principal operations and management are located in Greater China, Korea, South East Asia and India.

Will Rich Investments Limited is a private company incorporated in the BVI and is wholly-owned by Bank of China Group Investment Limited ("**BOCGI**"). BOCGI is a wholly-owned subsidiary of Bank of China Limited and has invested in a great number of large infrastructures and other major projects in Hong Kong and Macau areas, mainland China and overseas, covering such sectors as real estate, industry, energy, transportation, media, hotels and finance.

None of the Corporate Investors is our connected person (as defined in the Hong Kong Listing Rules) or any of our existing shareholders or any of their associates.

The Shares to be held by the Corporate Investors, pursuant to the above corporate investor agreements will be counted towards the public float of the Company.

Conditions Precedent

The subscription obligation of the Corporate Investors are conditional upon the Underwriting Agreements being entered into and having become unconditional and not having been terminated in accordance with their respective original terms.

Restrictions on Disposals by the Corporate Investors

Each of the Corporate Investors has agreed that, without the prior written consent of the Company and the Joint Global Coordinators, it will not, at any time during the period of 6 months following the date of commencement of dealings in the Shares on the Stock Exchange, directly or indirectly, dispose of any Shares subscribed pursuant to the corporate investor agreement other than transfers to any of its wholly-owned subsidiaries or, where applicable, any of its group company members and on the basis that the transferee will be subject to the restriction on disposals imposed on it.

Each of the Corporate Investors has also agreed that it shall use all reasonable steps to ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with all applicable laws and regulations including the Listing Rules and the SFO.

HOW TO APPLY FOR PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may either:

(i) use an Application Form;

(ii) apply online through the designated website of the eIPO service provider, referred to herein as the **"White Form eIPO"** service; or

(iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on **white** and **yellow** Application Forms or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **white** or **yellow** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**. If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators or the designated eIPO service provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive of their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for International Offer Shares under the International Offer, but may not do both.

Where to collect the Application Forms

You can collect a white Application Form and a prospectus from:

Any of the following addresses of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Central
Hong Kong

UBS AG
52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26th Floor
Bank of China Tower
1 Garden Road
Hong Kong

China Everbright Securities (HK) Limited
36/F Far East Finance Centre
16 Harcourt Road
Hong Kong

Dao Heng Securities Limited
12/F, The Center
99 Queen's Road Central
Hong Kong

KGI Capital Asia Limited
27/F, ICBC Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

or any of the following branches of **The Hongkong and Shanghai Banking Corporation Limited**:

Hong Kong Island	**Hong Kong Office**	**1 Queen's Road Central**
	Cityplaza	**Unit 065, Cityplaza 1, Taikoo Shing**
	North Point	**G/F, Winner House, 306-316 King's Road, North Point**
Kowloon	**Mong Kok**	**673 Nathan Road, Mong Kok**
	Kwun Tong	**No. 1, Yue Man Square, Kwun Tong**
	Tsim Sha Tsui	**82-84 Nathan Road, Tsim Sha Tsui**
New Territories	**Citylink Plaza**	**Shops 38-46, Citylink Plaza, Shatin Station Circuit, Sha Tin**

or any of the following branches of **The Bank of East Asia, Limited**:

Hong Kong Island	**Main Branch**	**10 Des Voeux Road Central**
	Causeway Bay Branch	**46 Yee Wo Street**
	Shaukiwan Branch	**G/F, Ka Fook Building, 289-293 Shau Kei Wan Road**
Kowloon	**Mongkok North Branch**	**G/F, Kalok Building, 720-722 Nathan Road, Mongkok**
	Lower Wong Tai Sin Estate Branch	**S13, 2/F, Wong Tai Sin Shopping Centre**
	Millennium City 5 Branch	**Shop 1, G/F, Millennium City 5, 418 Kwun Tong Road, Kwun Tong**
	Whampoa Garden Branch	**Shop 1-3, G/F, Site 9, Whampoa Garden**
New Territories	**Ha Kwai Chung Branch**	**202 Hing Fong Road**
	Metro City Plaza Branch	**Shop 1079, Level 1, Metro City Plaza II, Tseung Kwan O**

or any of the following branches of **Bank of China (Hong Kong) Limited**:

Hong Kong Island	**Bank of China Tower Branch**	**3/F, 1 Garden Road**
	Central District (Wing On House) Branch	**71 Des Voeux Road Central**
	409 Hennessy Road Branch	**409-415 Hennessy Road, Wan Chai**
	Aberdeen Branch	**25 Wu Pak Street, Aberdeen**
Kowloon	**Mei Foo Mount Sterling Mall Branch**	**Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen**
	Yau Ma Tei Branch	**471 Nathan Road, Yau Ma Tei**
New Territories	**Castle Peak Road (Tsuen Wan) Wealth Management Centre**	**167 Castle Peak Road, Tsuen Wan**
	Tuen Mun Town Plaza Branch	**Shop 2, Tuen Mun Town Plaza Phase II,**
	Yuen Long Branch	**102-108 Castle Peak Road, Yuen Long**

Prospectuses and application forms will be available for collection at the above places during the following times:

Friday, 21 September 2007 — 9:00 a.m. to 4:30 p.m.
Saturday, 22 September 2007 — 9:00 a.m. to 1:00 p.m.
Monday, 24 September 2007 — 9:00 a.m. to 4:30 p.m.
Tuesday, 25 September 2007 — 9:00 a.m. to 4:30 p.m.
Thursday, 27 September 2007 — 9:00 a.m. to 12:00 noon

You can collect **YELLOW** Application Forms and this prospectus during normal business hours from 9:00 a.m. on Friday, 21 September 2007 until 12:00 noon on Thursday, 27 September 2007 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong.

Your broker may also have the Application Form available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, we and the Joint Global Coordinators as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Global Coordinators in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

In order for the yellow Application Forms to be valid:

If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- The designated CCASS Participant or its authorised signatories must sign in the appropriate box in the Application Form; and

- The designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

If the application is made by an individual CCASS Investor Participant:

- The Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

- The CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the Application Form.

If the application is made by a joint individual CCASS Investor Participant:

- The Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card numbers; and

- The participant I.D. must be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the Application Form.

If the application is made by a corporate CCASS Investor Participant:

- The Application Form must contain the CCASS Investor Participant's name and Hong Kong business registration number; and

- The participant I.D. and company chop (bearing its company name) endorsed by its authorised signatories must be inserted in the appropriate box in the Application Form.

Signature(s), number of signatories and form of chop, where appropriate on each yellow Application Form, should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate Application Forms in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

How to apply through the White Form eIPO

General

If you are an individual and meet the criteria set out in paragraph above entitled "Who can apply for the Public Offer Shares'' under this section, you may apply through the **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO**, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated eIPO service provider and may not be submitted to our Company.

If you give electronic application instructions through the designated website at **www.eipo.com.hk**, you will have authorised the designated eIPO service provider to apply on the terms and conditions set out in this Prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this Prospectus, the designated eIPO service provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated eIPO service provider through the **White Form eIPO** service, you are deemed to have authorised the designated eIPO service provider to transfer the details of your application to our Company and our registrars.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 500 Public Offer Shares. Each electronic application instruction in respect of more than 500 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

You should give electronic application instructions through the **White Form eIPO** at the times set out in the paragraph headed "When to Apply for Public Offer Shares" under this section below.

You should make payment for your application made by the **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 27 September 2007, or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists'' under this section, the designated eIPO service provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated eIPO service provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

Warning: The application for Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated eIPO service provider to public investors. **Our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Public Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** Application Form. See the paragraph entitled "How Many Applications You May Make" under this section.

Additional information

For the purposes of allocating Public Offer Shares, each applicant giving electronic application instructions through the **White Form eIPO** service to the eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated eIPO service provider, the designated eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated eIPO service provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled "Further Terms and Conditions of the Public Offer — Refund of Application Monies" will be refunded to you in accordance with the terms stated in that paragraph.

How to apply by giving electronic instructions to HKSCC via CCASS

General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

Customer Service Centre of HKSCC
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Joint Global Coordinators and our registrar.

Application by HKSCC Nominees

Where a white Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:

- HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the white Application Form or this prospectus; and

- HKSCC Nominees does all the things on behalf of each such persons as stated in the section entitled "Further Terms and Conditions of the Public Offer — Effect of Making Any Application".

Effect of bad weather on the last subscription date

The latest time for inputting your electronic application instructions is 12:00 noon on Thursday, 27 September 2007, the last subscription date. If a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on the last subscription date, the last subscription date will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Minimum subscription amount and permitted multiples

You may give electronic application instructions in respect of a minimum number of 500 Public Offer Shares. Such instructions in respect of more than 500 Public Offer Shares must be in one of the numbers set out in the table on the Application Forms.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. See the subsection below entitled "How many applications you may make" for further details.

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given will be treated as an applicant.

Warning

The application for the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. We, our directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either: (i) submit a white or yellow Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 27 September 2007.

How many applications you may make

You may make more than one application for the Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by (i) giving electronic application instructions to HKSCC (if you are a CCASS Participant) and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:
  - An account number; or
  - Some other identification code for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated eIPO service provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions an/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

For further information, see the section entitled "Further Terms and Conditions of the Public Offer — Multiple Applications".

When to Apply for Public Offer Shares

White or Yellow Application Forms

Completed white or yellow Application Forms, with payment attached, must be lodged by 12:00 noon on Thursday, 27 September 2007, or, if the application lists are not open on that day, then by the time and date in the subsection below entitled "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and The Bank of East Asia, Limited listed under the subsection above entitled "Where to collect the Application Forms" at the following times:

Friday, 21 September 2007	**—**	**9:00 a.m. to 4:30 p.m.**
Saturday, 22 September 2007	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 24 September 2007	**—**	**9:00 a.m. to 4:30 p.m.**
Tuesday, 25 September 2007	**—**	**9:00 a.m. to 4:30 p.m.**
Thursday, 27 September 2007	**—**	**9:00 a.m. to 12:00 noon**

White Form eIPO

You may submit your application to the designated eIPO service provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 21 September 2007 until 11:30 a.m. on Thursday, 27 September 2007 or such later time as described under the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Applications Lists" under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 27 September 2007, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effects of Bad Weather Conditions on the Opening of the Applications Lists" under this section below.

You will not be permitted to submit your application to the designated eIPO service provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic application instructions to HKSCC via CCASS

CCASS Broker/Custodian Participants should input electronic application instructions at the following times:

Friday, 21 September 2007 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, 22 September 2007 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 24 September 2007 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 25 September 2007 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, 27 September 2007 — 8:00 a.m.(1) to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 21 September 2007 until 12:00 noon on Thursday, 27 September 2007 (24 hours daily, except the last application day.)

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Thursday, 27 September 2007, or if the application lists are not open on that day, by the time and date stated in the subsection below entitled "Effect of bad weather on the opening of the application lists".

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 27 September 2007, except as provided in the subsection below entitled "Effect of bad weather on the opening of the application lists". The application for the Public Offer Shares will not be processed and no allotment of any Public Offer Shares will be made until the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 27 September 2007. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

GENERAL

How much are the Public Offer Shares

You must pay the Maximum Offer Price of HK$8.30 per Public Offer Share, together with brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% in full when you pay for the Public Offer Shares. This means that for every board lot of 500 Public Offer Shares, you will pay HK$4,191.88. The Application Forms have tables showing the exact amount payable for the numbers of Public Offer Shares that may be applied for up to 77,471,000 Shares.

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange (or the Hong Kong Stock Exchange, as the case may be), the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than the Maximum Offer Price, appropriate refund payments (including the related brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy) will be made to successful applicants without interest. Details of the procedure for refund are set out in the sections entitled "Further Terms and Conditions of the Public Offer — Refund of Application Monies" and "Further Terms and Conditions of the Public Offer — If Your Application for Public Offer Shares is Successful (in Whole or in Part)".

Commencement of dealings in Shares on the Hong Kong Stock Exchange

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Monday, 8 October 2007. The Shares will be traded in board lots of 500 each. The stock code of the Shares is 410.

Shares will be eligible for admission into CCASS.

If the Hong Kong Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Publication of results

Please refer to the section entitled "Further Terms and Conditions of the Public Offer — Publication of Results".

GENERAL

If you apply for Public Offer Shares in the Public Offer, you will be agreeing with our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) as set out below.

If you electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC and references to making applications electronically by submitting an application to the designated eIPO Service Provider through the designated website at **www.eipo.com.hk** for the White Form eIPO service.

Applicants should read this prospectus carefully, including other terms and conditions of the Public Offer set out in this prospectus, and in the relevant Application Form or imposed by HKSCC prior to making an application for Public Offer Shares.

OFFER TO ACQUIRE THE PUBLIC OFFER SHARES

You offer to purchase from us at the Offer Price the number of the Public Offer Shares indicated in your Application Form or inputted via CCASS electronically as the case may be (or any smaller number in respect of which the application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

For applicants using Application Forms, where applicable, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the Offer Price and the Maximum Offer Price (including, in each case, the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy), is expected to be sent to you at your own risk to the address stated on your Application Forms on or before Friday, 5 October 2007.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the subsections below entitled "If Your application for Public Offer Shares is Successful (in Whole or in Part)" and "Refund of Application Monies".

Any application may be rejected in whole or in part.

Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

ACCEPTANCE OF YOUR OFFER

The Public Offer Shares will be allocated after the application lists close. We expect to announce the Offer Price, the level of applications in the Public Offer, the basis of allocations of the Public Offer Shares and the final number of the Public Offer Shares comprised in the Public Offer, Pool A and Pool B, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 5 October 2007.

We may accept your offer to purchase (if the application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to subscribe for the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section entitled "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

EFFECT OF MAKING ANY APPLICATION

All applications

By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- Instruct and authorise our Company and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by our articles of association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- Undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by our articles of association;

- Represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing the Application Form and you are not a US Person;

- Confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making the application, and not on any other information or representation concerning our Company and you agree that none of our Company, the Joint Global Coordinators or the Underwriters nor any of their respective directors, officers, employees, partners, agents advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- Agree (without prejudice to any other rights which you may have) that once the application has been accepted, you may not rescind it because of an innocent misrepresentation;

- If the application is made for your own benefit, warrant that the application is the only application which will be made for your benefit on a white or yellow Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated eIPO Service Provider via White Form eIPO service;

- If the application is by an agent on your behalf, warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

- If you are an agent for another person, warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a white or yellow Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated eIPO Service Provider via White Form eIPO service, and that you are duly authorised to sign the Application Form or to give electronic application instruction as that other person's agent;

- Undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offer, nor otherwise participate in the International Offer;

- Warrant the truth and accuracy of the information contained in your application;

- Agree to disclose to our Company, our share registrars, the receiving bankers and the Joint Global Coordinators and their respective agents any personal data and information about you or the person(s) for whose benefit the you have made the application;

- Agree that the application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- Undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- Agree that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;

- Authorise our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or and our agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Public Offer Shares or more and have indicated in the Application Form that you will collect the Share certificate(s) (where applicable) and/or refund cheque (as applicable) in person, and you have collected the Share certificate(s) and refund cheque (where applicable) in accordance with the terms set out in this prospectus);

- Understand that these declarations and representations will be relied upon by our Company and the Joint Global Coordinators in deciding whether or not to allocate any Public Offer Shares in response to your application;

- If the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators or the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to acquire, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- Agree with us, for ourselves and the benefit of each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the Cayman Islands Companies Law, our memorandum of association and our articles of association;

- Agree with us, for ourselves and for the benefit of each of our Shareholders, that the Shares are freely transferable by our Shareholders;

- Authorise us to enter into a contract on your behalf with each of our Directors and officers under which such Directors and officers undertake to observe and comply with their obligations to Shareholders stated in our memorandum of association and our articles of association; and

- Confirm that you are aware of the restrictions on offering of the Public Offer Shares described in this prospectus.

Applications using a yellow Application Form

If you apply for the Public Offer Shares using a yellow Application Form, in addition to the confirmations and agreements referred to in the subsection above entitled “All applications”, you (and in the case of joint applicants, each of you jointly and severally) agree that:

- Any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- Each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion: (i) not to accept any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such allocated Public Offer Shares for deposit into CCASS; (ii) to cause such allocated Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, in the case of joint applicants, to the name of the first-named applicant) at your own risk and costs; and (iii) to cause such allocated Public Offer Shares to be issued in your name (or, in the case of joint applicants, to the first-named applicant) and in such a case, to post the Share certificates for such allocated Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- Each of HKSCC and HKSCC Nominees may adjust the number of the Public Offer Shares issued in the name of HKSCC Nominees;

- Neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

- Neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Electronic application instructions

By giving electronic application instructions to HKSCC or instructing a broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and in the case of joint applicants, each of you jointly and severally) are deemed to do the following additional things. Neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- Instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;

- Instruct and authorise HKSCC to arrange payment of the Maximum Offer Price, brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the Maximum Offer Price, refund the appropriate portion of the application money by crediting your designated bank account; and

- Where a white Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for Public Offer Shares, in addition to the confirmations and agreements set out in the subsection above entitled "All applications" instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following and any other thing which it is stated to do on your behalf in the white Application Form:

- Agree that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;

- Undertake and agree to accept the Public Offer Shares in respect of which you have given electronic application instructions or any lesser number;

- Represents, warrants and undertakes that you understand that you are not, and none of the other person(s) for whose benefit you applying, is a US Person (as defined in Regulation S);

- Represents and warrants that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and that you are outside the United States (as defined in Regulation S) when giving electronic application instructions or that you are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- Undertake and confirm that you have not applied for or taken up any International Offer Shares under the International Offer nor otherwise participated in the International Offer;

- (If the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (If you are an agent for another person) declare that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

- Understand that the above declaration will be relied upon by our Company, the directors and the Joint Global Coordinators in deciding whether or not to make any allocation of the Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

- Authorise our Company to place the name of HKSCC Nominees on the register of shareholders of our Company as the holder of the Public Offer Shares allocated in respect of your electronic application instructions and to send Share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

- Confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- Confirm that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your broker/custodian to give electronic application instructions on your behalf;

- Agree that our Company, the Joint Global Coordinators, the Underwriters and any other parties involved in the Public Offer are liable only for the information and representations contained in this prospectus;

- Agree without prejudice to any other rights which you may have that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- Agree to disclose your personal data to our Company, the Joint Global Coordinators, our share registrars, the receiving banker(s), their respective agents and advisers together with any information about you which they require;

- Agree that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable on or before Monday, 8 October 2007, such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before Sunday, 21 October 2007 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Monday, 8 October 2007 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- Agree that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by our Company;

- Agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares;

- Agree with us, for ourselves and the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Islands Companies Law, our memorandum of association and our articles of association;

- Agree with us, for ourselves and for the benefit of each of our shareholders, that the Shares are freely transferable by our shareholders;

- Authorise us to enter into a contract on your behalf with each of our directors and officers under which such directors and officers undertake to observe and comply with their obligations to shareholders stated in our memorandum of association and our articles of association; and

- Agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Reliance on warranty, representation or declarations made in any applications

The Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any other parties involved in the Public Offer and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

Joint and several liability

All the warranties, representations, declarations and obligations expressed to be made given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

MULTIPLE APPLICATIONS

Multiple applications or suspected multiple applications will be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (If the application is made for your own benefit and the application is made on a white or yellow Application Form, or by giving electronic application instructions) warrant that this is the only application which will be made for your benefit on a white or yellow Application Form or by giving electronic application instructions to HKSCC or to the designated eIPO service provider through the **White Form eIPO** service or

- (If you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a white or yellow Application Form or by giving electronic application instructions to HKSCC or to the designated eIPO service provider through the **White Form eIPO** service and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your Application Form, all of your applications will be rejected as multiple applications if you, or you and your joint applicants, together:

- Make more than one application (whether individually or jointly with others) on a white or yellow Application Form or by giving electronic application instructions to HKSCC (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant) or to the designated eIPO service provider through the **White Form eIPO** service;

- Both apply (whether individually or jointly) on one white and one yellow Application Form or on one white or yellow Application Form and give electronic application instructions to HKSCC or to the designated eIPO service provider through the **White Form eIPO** service; or

- Apply on one white or one yellow Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or to the designated eIPO service provider through the **White Form eIPO** service for more than 50% of the Public Offer Shares initially being offered for sale under the Public Offer as more particularly described in the section headed "Structure of the Global Offering — The Public Offer";

- Have indicated an interest for or have been or will be placed any of the International Offer Share.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of an application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- The principal business of that company is dealing in securities; and

- You exercise statutory control over that company,

then the application will be treated as being made for your benefit. "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange, and "Statutory control" means you (i) control the composition of the board of directors of the company; or (ii) control more than one-half of the voting power of the company; or (iii) hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

CIRCUMSTANCES IN WHICH YOU MAY NOT BE ALLOCATED PUBLIC OFFER SHARES

Details of the circumstances in which you may not be allocated any Public Offer Shares under the Public Offer are set out in the notes attached to the Application Forms, and should be read carefully. You should note in particular the following situations in which Public Offer Shares will not be allocated you or your applications are liable to be rejected or satisfied only in part (as applicable):

(1) If your application is revoked:

- By completing and submitting an Application Form or submitting electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Monday, 8 October 2007. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC or to the designated eIPO Service Provider via the

White Form eIPO service. This collateral contract will be in consideration of our Company agreeing that we will not offer any Public Offer Shares to any person on or before Sunday, 21 October 2007 except by means of one of the procedures referred to in this prospectus.

- Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Monday, 8 October 2007 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press in the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(2) If our Company, the Joint Global Coordinators or their respective agents exercise their discretion to reject your application:

We and the Joint Global Coordinators or the designated eIPO service provider where (applicable) or our or their agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(3) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a yellow Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- Within three weeks from the closing of the application lists; or

- Within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the lists.

(4) In the following circumstances:

- If the conditions of the Public Offer set out in the section entitled “Structure of the Global Offering — Conditions of the Public Offer” remain unfulfilled by 21 October 2007;

- Your application is a multiple or a suspected multiple application;

- Your payment is not made correctly or payment by cheque or banker’s cashier order and the cheque or banker’s cashier order is dishonoured on its first presentation;

- Your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;

- You or the person for whose benefit you are applying has applied for and/or received or will receive Shares under the International Offer;

- You apply for more than 77,471,000 Shares, representing 50% of the Public Offer Shares initially made available for subscription under the Public Offer; or

- Your application for Shares is not in one of the numbers set out in the table in the Application Form.

You should also note that if you are giving electronic application instructions to HKSCC to apply for Public Offer Shares on your behalf, you will not be allocated any Public Offer Shares if HKSCC Nominees' application is not accepted.

PUBLICATION OF RESULTS

We expect to announce the Offer Price, the general level of indication of interest in the International Offer, the results of applications and basis of allotment of the Public Offer on Friday, 5 October 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- results of allocations for the Public Offer will be available from our website at **www.sohochina.com**, and the website of the Hong Kong Stock Exchange at **www.hkex.com.hk** on Friday, 5 October 2007;

- results of allocations for the Public Offer will be available from our share registrar's designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Friday, 5 October 2007 to 12:00 midnight on Thursday, 11 October 2007. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;

- results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 5 October 2007 to Monday, 8 October 2007; and

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, 5 October 2007 to Saturday, 6 October 2007 and Monday, 8 October 2007 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Public Offer Shares — Where to collect the Application Forms".

IF YOUR APPLICATION FOR PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

The Company will not issue temporary documents of title. No receipt will be issued for application monies paid.

Share certificates will only become valid provided that the Public Offer has become unconditional and not having been terminated in accordance with its terms.

If you are applying on a white application form:

If you are applying using a white Application Form and you elect to receive any Share certificate(s) in your names:

If you have applied for 1,000,000 Public Offer Shares or above on a white application form and have indicated in your Application Form that you wish to collect Share certificate(s) and (where applicable) refund cheque(s) in person and have provided all information required by your Application Form, you may collect it/them in person from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on the date notified by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch of share certificate(s) and refund cheque(s). The date of despatch is expected to be Friday, 5 October 2007.

Applicants being individuals who have applied for 1,000,000 Public Offer Shares or above and have opted for personal collection cannot authorise any other person to make collection on their behalf. Applicants must show their identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited to collect share certificate(s) and / or refund cheque(s). Applicants being corporations who have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificate(s) and/or refund cheque(s) (if any), they will be sent to the address on your white Application Form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your Share certificate(s) and/or refund cheque (if any), will be sent to the address on your white application form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If (i) you are applying on a yellow Application Form or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:

Your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on Friday, 5 October 2007 or, in the event of a contingency, on any other date HKSCC or HKSCC Nominees chooses.

If you are applying on a yellow Application Form:

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a yellow Application Form, the Company is expected to make available the results of the Public Offer, including the results of CCASS Investor Participants' applications, in the manner described in the subsection above entitled "Publication of Results", on Friday, 5 October 2007. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 5 October 2007 or such other date HKSCC or HKSCC Nominees chooses. Immediately after the credit of the Public Offer Shares to your stock accounts, you can check your new account balance via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, the procedures set out under the section above entitled "If Your application for Public Offer Shares is Successful (in Whole or in Part)" will apply in relation to the refund cheque(s).

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your yellow application form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If you are applying through White Form eIPO

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated eIPO service provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 5 October 2007, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated eIPO service provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated eIPO service provider through the designated website at **www.eipo.com.hk** on Friday, 5 October 2007 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated eIPO service provider set out above in the paragraph entitled "Applying Through White Form eIPO — Additional information".

If you have given electronic application instructions to HKSCC:

We will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner (where supplied)), your Hong Kong identity card/passport or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 5 October 2007. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 5 October 2007 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing a CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

If you are applying as a CCASS Investor Participant, you can also check the number of the Public Offer Shares allocated to you and the amount of refund (if any) payable to you via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 5 October 2007. HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund (if applicable) credited to your designated bank account.

REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any of the reasons set out in the subsection above entitled "Circumstances in which you may not be allotted Public Offer Shares", we will refund your application monies (including the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy). No interest will be paid on amounts refunded (all interest will be retained for the benefit of our Company). If your application is accepted only in part, our Company will refund the appropriate proportion of your application monies (including the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy) without interest.

If the Offer Price (as finally determined) is less than the Maximum Offer Price of HK$8.30 per Share paid on application, the surplus subscription monies (including the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy) will be refunded to you without interest.

If you are a CCASS Participant subscribing for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS, all refunds will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 5 October 2007.

All refunds by cheque will be crossed "Account Payee Only", and made out to you or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data may also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that when processing applications, special efforts will be made to avoid delays in refunding application monies due.

Refund cheque(s) are expected to be despatched or available for collection (if you have applied for 1,000,000 Public Offer Shares or above and indicated on your Application Form that you wish to collect refund cheque(s) in person) on Friday, 5 October 2007. See the subsection above entitled "If Your Application for Public Offer Shares is Successful (in Whole or in Part)" for further information.

PERSONAL DATA — PERSONAL INFORMATION COLLECTION STATEMENT

The main provisions of the Personal Data (Privacy) Ordinance (the "**Ordinance**") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of Public Offer Shares, of the policies and practices of our Company and our share registrars in relation to personal data and the Ordinance.

Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our share registrars when applying for securities or transferring securities into or out of their names or in procuring the services of our share registrars.

Failure to supply the requested data may result in your application for securities being delayed or your application may not be considered. It may also prevent or delay registration or transfer of the securities which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our share registrars immediately of any inaccuracies in the data supplied.

PURPOSES

The personal data of applicants and holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- Processing of your application and refund cheque(s), where applicable, and verification of compliance with the terms and application procedures set out in this prospectus and the Application Forms and announcing results of allocations of Public Offer Shares;
- Registering new issues or transfers into or out of the name of holders of securities including, where applicable, HKSCC Nominees;
- Maintaining or updating the registers of holders of securities of our Company;
- Conducting or assisting to conduct signature verifications, any verification or exchange of information;
- Establishing benefit entitlements of holders of securities of our Company, such as dividends, right issues and bonus issues etc.;
- Distributing communications from our Company and our subsidiaries;
- Compiling statistical information and investor profiles;
- Enabling compliance with all applicable laws, rules and regulations (whether statutory or otherwise) in Hong Kong or elsewhere;

- Disclosing relevant information to facilitate claims on entitlements; and

- Any other incidental or associated purposes relating to the above and/or to enable our Company and our share registrars to discharge their obligations to holders of securities and/or regulators and/or any other purposes to which the holders of securities may from time to time agree.

Transfer of personal data

Personal data (including Hong Kong identity card details) held by our Company and our share registrars relating to the applicant and the holders of securities will be kept confidential but our Company and our share registrars may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of you and the holders of securities to, from or with any and all of the following persons and entities:

- Our Company or its appointed agents such as financial advisers, receiving bankers and overseas principal registrars;

- Where applicants for Public Offer Shares request deposit into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- Any broker whose company chop or other identification number has been placed on the Application Form;

- Any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our share registrars in connection with the operation of their respective businesses;

- The Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies in Hong Kong or elsewhere; and

- Any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving electronic application instructions to HKSCC, you agree to all of the above.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of the Companies and Available for Inspection — Documents available for inspection" in Appendix X to this prospectus, a copy of the following accountants' report is available for inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 September 2007

The Directors
SOHO China Limited
The Hongkong and Shanghai Banking Corporation Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

Introduction

We set out below our report on the financial information relating to SOHO China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the three years ended 31 December 2004, 2005 and 2006, and the three months ended 31 March 2007 (the "Relevant Period"), the consolidated balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007, and the balance sheets of the Company as at 31 December 2004, 2005 and 2006 and 31 March 2007, together with explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 21 September 2007 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The Company was incorporated in the Cayman Islands on 5 March 2002 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is the holding company of the companies comprising the Group.

The statutory financial statements of following subsidiaries of the Company for each of the three years ended 31 December 2004, 2005 and 2006, or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and were audited by Beijing Hua Qing Certified Public Accountants Company Limited (北京華青會計師事務所有限公司) ("Hua Qing"), Beijing Zhong Yantong Certified Public Accountants Company Limited (北京中燕通會計師事務所有限公司) ("Zhong Yantong") or Beijing Tian Hua Certified

Public Accountants Company Limited (北京天華會計師事務所有限公司) ("Tian Hua"), three firms of certified public accountants registered in the People's Republic of China (the "PRC"), as set out below:

Name of Subsidiaries	Financial Period	Audited by
Beijing Jianhua Real Estate Co., Ltd.	Year ended 31 December 2004	Tian Hua
	Years ended 31 December 2005 and 2006	Hua Qing
Beijing ZhongHongTian Real Estate Co., Ltd.	Years ended 31 December 2004, 2005 and 2006	Hua Qing
Beijing Redstone Newtown Real Estate Co., Ltd.	Years ended 31 December 2004, 2005 and 2006	Hua Qing
Hainan Redstone Industry Co., Ltd.	Years ended 31 December 2004, 2005 and 2006	Hua Qing
Beijing Redstone Jianwai Real Estate Development Co., Ltd.	Years ended 31 December 2004, 2005 and 2006	Hua Qing
SOHO China Leasing Co., Ltd.	Years ended 31 December 2004, 2005 and 2006	Hua Qing
Beijing SOHO Properties Management Co., Ltd. (formerly known as "Beijing Newtown Real Estate Management Co., Ltd.)	Year ended 31 December 2004	Zhong Yantong
	Years ended 31 December 2005 and 2006	Hua Qing
Beijing Shanshi Real Estate Co., Ltd.	Years ended 31 December 2005 and 2006	Hua Qing
Beijing SOHO Real Estate Co., Ltd.	Years ended 31 December 2005 and 2006	Hua Qing
Beijing Chaowai SOHO Real Estate Co., Ltd.	Period from 17 January 2005 (date of establishment) to 31 December 2005 and year ended 31 December 2006	Hua Qing

We have audited the consolidated financial statements of the Company prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the years ended 31 December 2004, 2005 and 2006. Except for the above, no audited financial statements have been prepared for the Company and other subsidiaries of the Company for each of the three years ended 31 December 2004, 2005 and 2006, as these companies are not subject to statutory audit requirements in their jurisdiction of incorporation. No audited financial statements have been prepared for the Company and its subsidiaries for the three months ended 31 March 2007.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the Company and its subsidiaries, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements, or where appropriate, unaudited management accounts of the entities included in the preparation of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Company and its subsidiaries in respect of any period subsequent to 31 March 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007, and of the Group's consolidated profits and consolidated cash flows for the Relevant Period.

Unaudited financial information for the three months ended 31 March 2006

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the three months ended 31 March 2006, together with the notes thereon (the "31 March 2006 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the 31 March 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31 March 2006 Corresponding Information.

On the basis of our review of the 31 March 2006 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the three months ended 31 March 2006.

A ORGANISATION AND BASIS OF PREPARATION

On 5 March 2002, SOHO China Limited (the "Company") was established in the Cayman Islands as part of a reorganisation ("Reorganisation") of Mr. Pan Shiyi's and Mrs. Pan Zhang Xin Marita's equity interests in real estate development companies. In connection with the Reorganisation, Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita's transferred their combined equity interests in the real estate development companies to the Company.

The Company's principal place of business is at 18-20F, Tower B, SOHO Newtown, No.88 Jianguo Road, Chaoyang District, Beijing, 100022, the PRC and has its registered office at George Town, Grand Cayman KY1-1111, the Cayman Islands.

The Group is engaged in the development and construction of real estate projects and the sale of individual property units including apartment-style and single family homes, commercial office and small office/home office space and car parks. The Group's real estate projects are located in the municipality of Beijing. The Group is also engaged in the operation of hotel business in the municipality of Beijing and the province of Hainan of the PRC.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of establishment/ incorporation	Principal activities	Paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Beijing Jianhua Real Estate Co., Ltd. * . . .	Beijing, PRC 22 February 1994	Development of Shangdu project	RMB103,970,000	—	95% Note (i)
Beijing ZhongHongTian Real Estate Co., Ltd. *	Beijing, PRC 28 February 1996	Development of SOHO Newtown project	US$15,000,000	—	54%
Beijing Redstone Newtown Real Estate Co., Ltd. ***	Beijing, PRC 31 October 2000	Development of the Commune by the Great Wall project and operation of hotel	US$4,056,000	—	95% Note (ii)
Hainan Redstone Industry Co., Ltd. * . .	Hainan, PRC 8 August 2001	Development of Boao Canal Village project	RMB20,000,000	—	90%
Beijing Redstone Jianwai Real Estate Development Co., Ltd. *	Beijing, PRC 25 January 2002	Development of Jianwai SOHO project	US$30,000,000	—	95% Note (iii)
SOHO China Leasing Co., Ltd. **	Beijing, PRC 16 May 2002	Property leasing and resale services	US$100,000	—	100% Note (iv)
Beijing SOHO Properties Management Co., Ltd. **	Beijing, PRC 17 May 2002	Provision of consulting services	US$8,000,000	—	100%

Name of Company	Place and date of establishment/ incorporation	Principal activities	Paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
SOHO China (BVI-1) Ltd.	British Virgin Islands 22 February 2002	Investment holding	US$10,000	100%	—
SOHO China (BVI-2) Ltd.	British Virgin Islands 22 February 2002	Investment holding	US$10,000	100%	—
SOHO China (BVI-3) Ltd.	British Virgin Islands 22 February 2002	Investment holding	US$2	100%	—
SOHO China (BVI-4) Ltd.	British Virgin Islands 22 February 2002	Investment holding	US$2	100%	—
SOHO China (BVI-5) Ltd.	British Virgin Islands 12 March 2002	Investment holding	US$2	100%	—
SOHO China (BVI-6) Ltd.	British Virgin Islands 3 April 2002	Investment holding	US$2	100%	—
SOHO China (BVI-7) Ltd.	British Virgin Islands 9 March 2004	Investment holding	US$2	100%	—
SOHO China (BVI-8) Ltd.	British Virgin Islands 9 March 2004	Investment holding	US$2	100%	—
SOHO China (BVI-9) Ltd.	British Virgin Islands 28 September 2006	Investment holding	US$2	100%	—
SOHO China (BVI-10) Ltd.	British Virgin Islands 28 September 2006	Investment holding	US$2	100%	—
SOHO China (BVI-11) Ltd.	British Virgin Islands 15 August 2006	Investment holding	US$2	100%	—
Beijing Shanshi Real Estate Co., Ltd. *** . .	Beijing, PRC 24 August 2004	Development of Guanghualu SOHO project	US$9,812,000	—	95% Note (v)
Beijing SOHO Real Estate Co., Ltd. *** . .	Beijing, PRC 12 November 2004	Development of Sanlitun SOHO project	US$11,969,000	—	95% Note (vi)
Beijing Chaowai SOHO Real Estate Co., Ltd. *	Beijing, PRC 17 January 2005	Development of Chaowai SOHO project	US$12,000,000	90%	10%

* The company is registered as a sino-foreign equity joint venture enterprise in the PRC.

** The company is registered as a wholly owned foreign enterprise in the PRC.

*** The company is registered as a limited liability company in the PRC.

Note:

(i) *Beijing Jianhua Real Estate Co., Ltd.*

In 2004, the Company entered into a co-operation framework agreement with Beijing Huayuan Real Estate Co., Ltd. ("Huayuan") and Beijing Shangcheng Real Estate Development Co., Ltd. ("Shangcheng") to acquire the equity interests in Beijing Jianhua Real Estate Co., Ltd. ("Jianhua") which has been engaged in the development of Shangdu project located in Chaoyang District in Beijing. The project is designed to develop in three phases. As at 31 March 2007, the construction work of the phases one and two have been completed and the pre-sold property units have been delivered to buyers, whilst the construction work and pre-sale of the phase three have been commenced.

As at 31 March 2007, the Company held 95% of the paid-in capital of Jianhua. However, according to the co-operation framework agreement and the related supplementary agreements signed among the Company, Huayuan and Shangcheng, Huayuan and Shangcheng continue to assume responsibility for the entire development activities of the phase one of Shangdu project, including construction, promotion, sales and property management. The Company will be engaged in the development of the phases two and three of Shangdu project, including design, construction, promotion and sales activities and property management. Accordingly, all the risks and rewards associated with the phase one of Shangdu project is solely borne by Huayuan and Shangcheng while those associated with the phases two and three of Shangdu project go to the Company.

Jianhua is accounted for as a subsidiary of the Company and its financial statements are consolidated into the Company's consolidated financial statements since 30 July 2004, the acquisition date. According to the co-operation framework agreement and the related supplementary agreements, the profits and net assets relating to the phase one of Shangdu project, which are attributable to Huayuan and Shangcheng, are presented as minority interests in the Company's consolidated financial statements.

The assets and liabilities relating to the phase one of Shangdu project which are attributable to minority interests as at 31 December 2004, 2005 and 2006 and 31 March 2007 are as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Restricted bank deposits (non-current)	16,927	57,908	56,974	56,696
Properties under development and completed properties held for sale	610,834	269,294	28,156	28,156
Trade and loan receivables	22,511	7,262	42,263	2,147
Prepaid expenses and other receivables	19,564	5,768	5,160	6,513
Amounts due from and advances to related parties	5,375	209,629	182,726	198,494
Cash and cash equivalents	300,102	17,922	20,747	14,033
Total assets	975,313	567,783	336,026	306,039
Liabilities				
Accrued construction expenditure and other payables	358,683	317,115	192,748	166,188
Sales deposits	284,768	62,490	185	1,285
Amounts due to and advances from related parties	257,726	—	2,344	2,344
Income tax payable	39,371	78,531	106,315	104,410
Total liabilities	940,548	458,136	301,592	274,227
Net assets attributable to minority interests	34,765	109,647	34,434	31,812

The cash flows from the phase one of Shangdu project for each of the years ended 31 December 2004, 2005 and 2006, and the three months ended 31 March 2006 and 2007 are as follows:

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash (used in)/generated from operating activities	(117,991)	223,427	137,271	24,869	38,776
Net cash generated from/(used in) investing activities	125,954	(247,881)	27,837	9,109	(15,490)
Net cash generated from/(used in) financing activities	61,200	(257,726)	(162,283)	—	(30,000)
Net cash generated from/(used in) the phase one of Shangdu project	69,163	(282,180)	2,825	33,978	(6,714)

Although Huayuan and Shangcheng have agreed to indemnify the Company for all damages and losses relating to the phase one of Shangdu project, the Company will remain responsible for all damages and losses relating to the phase one of Shangdu if Huayuan and Shangcheng breach their agreement with the Company.

The pre-acquisition financial information of Jianhua is disclosed as follows:

(a) INCOME STATEMENT

	For the period from 1 January to 30 July 2004
	RMB'000
Turnover	—
Cost of properties sold	—
Gross profit	—
Other operating revenue	47
Selling expenses	(4,430)
Administrative expenses	(10,888)
Loss from operations	(15,271)
Interest income	2
Finance costs	(4)
Loss before taxation	(15,273)
Income tax	—
Loss for the period	(15,273)

(b) BALANCE SHEET

	At 30 July 2004
	RMB'000
Non-current assets	
Restricted bank deposits	12,681
Total non-current assets	12,681
Current assets	
Properties under development	1,645,652
Prepaid expenses and other receivables	337
Amounts due from and advances to related parties	137,795
Cash and cash equivalents	230,939
Total current assets	2,014,723
Current liabilities	
Accrued construction expenditure and other payables	641,927
Sales deposits	339,248
Amounts due to and advances from related parties	979,904
Income tax payable	—
Total current liabilities	1,961,079
Net current liabilities	53,644
Total assets less current liabilities	66,325
NET ASSETS	66,325
CAPITAL AND RESERVES	
Share capital	103,970
Reserves	(37,645)
TOTAL EQUITY	66,325

(c) STATEMENT OF CHANGE IN EQUITY

	RMB'000
Total equity at 1 January 2004	81,598
Loss for the period from 1 January to 30 July 2004	(15,273)
Total equity at 30 July 2004	66,325

(d) CASH FLOW STATEMENT

	For the period from 1 January to 30 July 2004
	RMB'000
Operating activities	
Loss before taxation	(15,273)
Adjustments for:	
— Interest income	(2)
Operating loss before changes in working capital	(15,275)
Decrease in prepaid expenses and other receivables	3,595
Increase in properties under development	(573,594)
Increase in amounts due from related parties	(130,200)
Decrease in amounts due to related parties	(25,997)
Increase in accrued construction expenditure and other payables	418,602
Increase in sales deposits	246,143
Cash used in operation	(76,726)
Interest received	2
Income tax paid	(1,116)
Net cash used in operating activities	(77,840)
Cash flows from investing activities	
Increase in restricted bank deposits	(12,681)
Net cash used in investing activities	(12,681)
Cash flows from financing activities	
Advances from related parties	1,378,527
Repayments to related parties	(1,091,375)
Net cash generated from financing activities	287,152
Net increase in cash and cash equivalents	196,631
Cash and cash equivalents at beginning of period	34,308
Cash and cash equivalents at end of period	230,939

(ii) *Beijing Redstone Newtown Real Estate Co., Ltd.*

On 1 January 2003, Beijing SOHO Properties Management Co., Ltd. entered into a consulting service agreement with Beijing Redstone Newtown Real Estate Co., Ltd. ("Redstone Newtown") in connection with the development, construction, marketing, sale, management and funding of the Commune by the Great Wall project. The consulting service agreement effectively gives the Company the unilateral ability to direct the policies and management that guide the ongoing activities, obtain decision-making powers, receive major operating benefits and bear substantive operating risks of Redstone Newtown. As a result, Redstone Newtown is effectively controlled by the Company and its financial statements are consolidated with those of the Company since 1 January 2003. As part of the restructuring of the Group, the Company's interest in Redstone Newtown was changed to 95% on 14 September 2007.

(iii) *Beijing Redstone Jianwai Real Estate Development Co., Ltd.*

The Group acquired 5% equity interest in Beijing Redstone Jianwai Real Estate Development Co., Ltd. ("Redstone Jianwai") from Beijing Redstone Industry Co., Ltd. ("Redstone Industry"), a company controlled by Mr. Pan Shiyi, on 15 February 2007. As a result, the equity interest of Redstone Jianwai held by the Group increased to 95%.

(iv) *SOHO China Leasing Co., Ltd.*

The Group acquired 20% equity interest in SOHO China Leasing Co., Ltd. ("SOHO China Leasing") from Beijing Liteng Property Consultants Company Limited ("Beijing Liteng"), a company controlled by Mr. Pan Shiyi, on 14 February 2007. As a result, the equity interest of SOHO China Leasing held by the Group increased to 100%.

(v) *Beijing Shanshi Real Estate Co., Ltd.*

Beijing Shanshi Real Estate Co., Ltd. ("Shanshi Company"), 80% owned by Mr. Pan and 20% owned by Ms. Yan Yan, the Company's executive Director and chief financial officer, was set up as a limited liability company in the PRC for property development purposes. Pursuant to an arrangement between the Company and Shanshi Company starting from 1 January 2005, which was subsequently confirmed in writing on 15 February 2007, the Company has obtained effective control on Shanshi Company, receives all operating benefits and bears all operating risks of Shanshi Company. Accordingly, Shanshi Company's financial statements have been consolidated with those of the Company since 1 January 2005. As part of the restructuring of the Group, the Company's interest in Shanshi Company was changed to 95% on 14 September 2007.

(vi) *Beijing SOHO Real Estate Co., Ltd.*

Beijing SOHO Real Estate Co., Ltd. ("Beijing SOHO"), 80% owned by Mr Pan and 20% owned by Ms Yan Yan, the Company's executive Director and chief financial officer, was set up as a limited liability company in the PRC for property development purposes. Pursuant to an arrangement between the Company and Beijing SOHO starting from 1 January 2005, which was subsequently confirmed in writing on 15 February 2007, the Company has obtained effective control on Beijing SOHO, receives all operating benefits and bears all operating risks of Beijing SOHO. Accordingly, Beijing SOHO's financial statements have been consolidated with those of the Company since 1 January 2005. As part of the restructuring of the Group, the Company's interest in Beijing SOHO was changed to 95% on 14 September 2007.

B FINANCIAL INFORMATION

1 CONSOLIDATED INCOME STATEMENTS

	Section C	Years ended 31 December			Three months ended 31 March	
	Note	2004	2005	2006	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Turnover	2	2,332,149	3,842,449	1,740,312	576,685	154,812
Cost of properties sold		(1,359,172)	(1,997,147)	(819,173)	(270,731)	(79,064)
Gross profit		972,977	1,845,302	921,139	305,954	75,748
Other operating revenue	3	19,630	26,461	67,249	6,032	13,775
Selling expenses		(83,518)	(113,439)	(89,561)	(24,109)	(20,427)
Administrative expenses		(83,102)	(98,211)	(92,732)	(21,918)	(27,549)
Other operating expenses		(19,634)	(13,615)	(34,855)	(4,725)	(13,388)
Profit from operations		806,353	1,646,498	771,240	261,234	28,159
Interest income		8,830	15,831	22,159	5,185	4,518
Finance costs	4(a)	(8,113)	(8,837)	(6,202)	(51)	(185)
Government grants	5	1,711	82	—	—	—
Profit before taxation		808,781	1,653,574	787,197	266,368	32,492
Income tax	6(a)	(384,408)	(788,526)	(377,467)	(130,695)	(22,956)
Profit for the year/period		424,373	865,048	409,730	135,673	9,536
Attributable to:						
Equity shareholders of the Company		317,898	709,641	340,852	116,879	11,028
Minority interests		106,475	155,407	68,878	18,794	(1,492)
Profit for the year/period		424,373	865,048	409,730	135,673	9,536
Dividends payable to equity shareholders of the Company attributable to the year/period:						
Final dividend proposed after the balance sheet date	8	78,183	33,866	—	—	—
Basic and diluted earnings per share (RMB)	9	0.085	0.189	0.091	0.031	0.003

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED BALANCE SHEETS

	Section C	At 31 December			At 31 March
	Note	2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property and equipment	12(a)	176,958	281,265	441,105	439,634
Investment		16,522	16,522	16,522	16,522
Restricted bank deposits	17(a)	278,932	311,767	340,875	338,136
Total non-current assets		472,412	609,554	798,502	794,292
Current assets					
Properties under development and completed properties held for sale	15	3,701,310	3,396,931	5,737,577	6,919,282
Trade and loan receivables	16	45,422	36,151	135,396	55,685
Prepaid expenses and other receivables		547,970	222,154	298,383	383,916
Amounts due from and advances to related parties	26(a)	88,949	353,818	378,733	868,014
Restricted bank deposits	17(b)	130,350	—	—	—
Cash and cash equivalents	18	1,409,370	1,309,484	1,081,050	1,470,053
Total current assets		5,923,371	5,318,538	7,631,139	9,696,950
Current liabilities					
Short-term bank loans	19(a)	274,134	—	—	—
Accrued construction expenditure and other payables	20	939,000	949,427	628,803	981,470
Sales deposits	21	3,995,850	2,623,620	4,078,715	4,684,994
Amounts due to and advances from related parties	26(b)	290,905	28,944	50,391	14,924
Income tax payable	14(a)	405,602	1,052,410	1,281,451	1,255,256
Total current liabilities		5,905,491	4,654,401	6,039,360	6,936,644
Net current assets		17,880	664,137	1,591,779	2,760,306
Total assets less current liabilities		490,292	1,273,691	2,390,281	3,554,598

The accompanying notes form part of the Financial Information.

	Section C Note	At 31 December 2004	At 31 December 2005	At 31 December 2006	At 31 March 2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Contract retention payables		28,082	66,287	67,501	53,284
Long-term bank loan	19(b)	—	—	800,000	2,000,000
Total non-current liabilities		28,082	66,287	867,501	2,053,284
NET ASSETS		462,210	1,207,404	1,522,780	1,501,314
CAPITAL AND RESERVES	22(a)				
Share capital		79,642	79,642	79,642	79,642
Reserves		264,993	896,451	1,280,541	1,288,843
Total equity attributable to equity shareholders of the Company		344,635	976,093	1,360,183	1,368,485
Minority interests		117,575	231,311	162,597	132,829
TOTAL EQUITY		462,210	1,207,404	1,522,780	1,501,314

The accompanying notes form part of the Financial Information.

3 BALANCE SHEETS OF THE COMPANY

	Section C Note	At 31 December 2004	At 31 December 2005	At 31 December 2006	At 31 March 2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property and equipment	12(b)	56,671	53,523	127,700	125,934
Investments in subsidiaries	13	154,702	198,818	198,818	240,624
Total non-current assets		211,373	252,341	326,518	366,558
Current assets					
Prepaid expenses		—	—	—	1,672
Amounts due from subsidiaries		899,617	844,168	804,850	721,366
Cash and cash equivalents	18	24,845	2,402	2,328	3,072
Total current assets		924,462	846,570	807,178	726,110
Current liabilities					
Short-term bank loans	19(a)	124,134	—	—	—
Other payables		4,254	2,528	2,560	1,471
Amounts due to subsidiaries		810,496	765,071	754,270	713,123
Total current liabilities		938,884	767,599	756,830	714,594
Net current (liabilities)/assets		(14,422)	78,971	50,348	11,516
Total assets less current liabilities		196,951	331,312	376,866	378,074
NET ASSETS		196,951	331,312	376,866	378,074
CAPITAL AND RESERVES	22(b)				
Share capital		79,642	79,642	79,642	79,642
Reserves		117,309	251,670	297,224	298,432
TOTAL EQUITY		196,951	331,312	376,866	378,074

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section C	Years ended 31 December			Three months ended 31 March	
	Note	**2004**	**2005**	**2006**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Total equity at 1 January		185,351	462,210	1,207,404	1,207,404	1,522,780
Profit for the year/period		424,373	865,048	409,730	135,673	9,536
Net income recognised directly in equity:						
— Revaluation surplus		—	—	77,104	—	—
Total recognised income for the year/period		424,373	865,048	486,834	135,673	9,536
Attributable to						
— Equity shareholders of the Company		317,898	709,641	417,956	116,879	11,028
— Minority interests		106,475	155,407	68,878	18,794	(1,492)
		424,373	865,048	486,834	135,673	9,536
Capital contributions from minority interests		—	30,250	—	—	—
Decrease in minority interests through acquisition of a subsidiary		(37,645)	—	—	—	—
Acquisitions of minority interests		—	—	—	—	(12,580)
Dividends approved and paid during the year/period (Note 8)		(88,343)	(78,183)	(33,866)	—	—
Distributions to minority interests		(21,526)	(71,921)	(137,592)	—	(18,422)
Total equity at 31 December/31 March	22(a)	462,210	1,207,404	1,522,780	1,343,077	1,501,314

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	Section C	Years ended 31 December			Three months ended 31 March	
	Note	2004	2005	2006	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before taxation		808,781	1,653,574	787,197	266,368	32,492
Adjustments for:						
— Depreciation		12,650	18,432	18,737	5,048	7,254
— Interest expenses		6,565	8,130	1,180	—	—
— Interest income		(8,830)	(15,831)	(22,159)	(5,185)	(4,518)
— Write-off of property and equipment		63	244	2,234	—	—
Operating profit before changes in working capital		819,229	1,664,549	787,189	266,231	35,228
(Increase)/decrease in trade and loan receivables		(32,974)	9,271	(99,245)	15,340	79,711
(Increase)/decrease in prepaid expenses and other receivables		(267,629)	325,816	(76,229)	(65,485)	(85,533)
Decrease/(increase) in properties under development and completed properties held for sale		35,330	188,216	(2,418,209)	478,747	(1,159,498)
Decrease/(increase) in amounts due from related parties		8,044	(30,850)	(35,911)	(4,576)	107,299
(Decrease)/increase in amounts due to related parties		(783,911)	(4,235)	21,447	2,482	(48,047)
(Decrease)/increase in accrued construction expenditure, other payables and contract retention payables		(331,594)	(1,763)	(294,719)	(500,159)	448,485
Increase/(decrease) in sales deposits		1,383,269	(1,372,230)	1,455,095	(55,589)	606,279
Cash generated from/(used in) operation		829,764	778,774	(660,582)	136,991	(16,076)
Interest received		7,799	15,139	22,159	5,185	4,518
Interest paid		(27,270)	(8,130)	(3,560)	—	(17,663)
Income tax paid		(121,324)	(141,718)	(148,426)	(33,989)	(49,151)
Net cash generated from/(used in) operating activities		688,969	644,065	(790,409)	108,187	(78,372)

The accompanying notes form part of the Financial Information.

	Section C Note	Years ended 31 December 2004 RMB'000	2005 RMB'000	2006 RMB'000	Three months ended 31 March 2006 RMB'000 (unaudited)	2007 RMB'000
Cash flows from investing activities						
Capital expenditure		(3,519)	(6,820)	(23,764)	(1,176)	(5,783)
Net cash inflow arising from the acquisition of a subsidiary	23	126,969	—	—	—	—
Decrease/(increase) in restricted bank deposits		37,830	97,515	(29,108)	(9,736)	2,739
Advances to related parties		(23,701)	(1,715,816)	(421,522)	(22,116)	(699,118)
Repayments from related parties		130,200	1,482,489	432,518	5,003	102,538
Net cash generated from/(used in) investing activities		267,779	(142,632)	(41,876)	(28,025)	(599,624)
Cash flows from financing activities						
Capital contribution from minority interests		—	30,250	—	—	—
Dividends paid		(88,343)	(78,183)	(33,866)	—	—
Distributions to minority interests		(18,923)	(21,526)	(122,283)	—	(103,001)
Proceeds from bank loans		150,000	—	800,000	—	1,200,000
Repayment of bank loans		(498,293)	(274,134)	—	—	—
Repayment of advances from a third party		—	—	(40,000)	—	(30,000)
Advances from related parties		233,369	—	—	—	—
Repayments to related parties		(147,316)	(257,726)	—	—	—
Net cash (used in)/generated from financing activities		(369,506)	(601,319)	603,851	—	1,066,999
Net increase/(decrease) in cash and cash equivalents		587,242	(99,886)	(228,434)	80,162	389,003
Cash and cash equivalents at beginning of year/period		822,128	1,409,370	1,309,484	1,309,484	1,081,050
Cash and cash equivalents at end of year/period	18	1,409,370	1,309,484	1,081,050	1,389,646	1,470,053

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with significant accounting policies set out below. These accounting policies are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations (hereafter collectively referred to as "New HKFRSs") that are effective for accounting periods beginning on or after 1 January 2005 and require or allow retrospective application. The Financial Information of the Group has been prepared in accordance with these New HKFRSs throughout the Relevant Period.

In particular, the Group has elected to early adopt HK Interpretation 3, Revenue — Pre-completion contracts for the sale of development properties at the beginning of the Relevant Period and applies this Interpretation to all pre-completion contracts for the sale of development properties entered into before 1 January 2004.

(b) Basis of presentation of the Financial Information

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company. It is prepared on the historical cost basis, except for office premises which are stated at their revalued amount (see Note 1(e)) as explained in the accounting policies set out below.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next period are discussed in Note 28.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Investments in other equity securities

Investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see Note 1(f)).

Investments are recognised/derecognised on the date of the Group commits to purchase / sell the investments or they expire.

(e) Property and equipment

Office premises are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Hotel properties, that are owner-occupied properties from which the Group earns hotel service income, and other items of equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 1(f)).

Changes arising on the revaluation of office premises are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Office premises	20 years
Hotel properties	20 years
Office equipment	5 years
Motor vehicles	8 years

Where components of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the components and each component is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Impairment of assets

(i) *Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than properties carried at revalued amounts) may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(g) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(q)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see Note 1(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see Note 1(f)).

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured as described in Note 1(n)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under relevant PRC laws and regulations are charged to profit or loss when incurred.

(m) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of properties*

Revenue from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(iv) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(p) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(q) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(s) Related parties

For the purposes of this report, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format for the purposes of this Financial Information. As the operations of the Group are all in the PRC, no geographical segment information is presented.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include properties under development and completed properties held for sale, and trade receivables. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

2 TURNOVER AND SEGMENT REPORTING

Turnover represents revenue from the sale of property units, net of business tax.

The Group's operating segments are as follows:

(i) Shangdu — phase one

The phase one of Shangdu project is not developed under the brand name of "SOHO". As described in Section A, all the risks and rewards associated with the development of the phase one of Shangdu project is solely borne by Huayuan and Shangcheng which manage the phase one of Shangdu project. The profits and net assets relating to the phase one of Shangdu project are included in minority interests.

(ii) SOHO properties

SOHO properties represented other projects which are developed under the brand name of "SOHO". These projects are managed by the directors of the Company.

The operating segments are determined primarily because these projects are managed separately and the properties are developed under different brand names.

	SOHO properties	Shangdu phase one	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2004				
Turnover	1,936,133	396,016	—	2,332,149
Cost of properties sold	(1,104,194)	(254,978)	—	(1,359,172)
Gross profit	831,939	141,038	—	972,977
Other operating revenue	19,630	—	—	19,630
Selling expenses	(75,531)	(7,987)	—	(83,518)
Administrative expenses	(71,082)	(12,020)	—	(83,102)
Other operating expenses	(19,634)	—	—	(19,634)
Profit from operations	685,322	121,031	—	806,353
Interest income	8,814	16	—	8,830
Finance costs	(1,543)	(6,570)	—	(8,113)
Government grants	1,711	—	—	1,711
Profit before taxation	694,304	114,477	—	808,781
Income tax	(342,341)	(42,067)	—	(384,408)
Profit for the year	351,963	72,410	—	424,373
Depreciation charged for the year	12,650	—	—	12,650
Segment assets	5,425,470	975,313	(5,000)	6,395,783
Segment liabilities	4,998,025	940,548	(5,000)	5,933,573
Capital expenditure incurred during the year	3,519	—	—	3,519

	SOHO properties	Shangdu phase one	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2005				
Turnover	3,322,402	520,047	—	3,842,449
Cost of properties sold	(1,660,479)	(336,668)	—	(1,997,147)
Gross profit	1,661,923	183,379	—	1,845,302
Other operating revenue	25,960	501	—	26,461
Selling expenses	(103,687)	(9,752)	—	(113,439)
Administrative expenses	(72,320)	(25,891)	—	(98,211)
Other operating expenses	(13,615)	—	—	(13,615)
Profit from operations	1,498,261	148,237	—	1,646,498
Interest income	14,222	1,609	—	15,831
Finance costs	(540)	(8,297)	—	(8,837)
Government grants	82	—	—	82
Profit before taxation	1,512,025	141,549	—	1,653,574
Income tax	(721,859)	(66,667)	—	(788,526)
Profit for the year	790,166	74,882	—	865,048
Depreciation charged for the year	18,432	—	—	18,432
Segment assets	5,365,309	567,783	(5,000)	5,928,092
Segment liabilities	4,267,552	458,136	(5,000)	4,720,688
Capital expenditure incurred during the year	6,820	—	—	6,820

	SOHO properties	Shangdu phase one	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2006				
Turnover	1,443,688	296,624	—	1,740,312
Cost of properties sold	(627,170)	(192,003)	—	(819,173)
Gross profit	816,518	104,621	—	921,139
Other operating revenue	62,682	4,567	—	67,249
Selling expenses	(80,134)	(9,427)	—	(89,561)
Administrative expenses	(79,533)	(13,199)	—	(92,732)
Other operating expenses	(34,825)	(30)	—	(34,855)
Profit from operations	684,708	86,532	—	771,240
Interest income	21,360	799	—	22,159
Finance costs	(6,110)	(92)	—	(6,202)
Profit before taxation	699,958	87,239	—	787,197
Income tax	(337,298)	(40,169)	—	(377,467)
Profit for the year	362,660	47,070	—	409,730
Depreciation charged for the year	18,737	—	—	18,737
Segment assets	8,098,615	336,026	(5,000)	8,429,641
Segment liabilities	6,610,269	301,592	(5,000)	6,906,861
Capital expenditure incurred during the year	23,764	—	—	23,764

	SOHO properties	Shangdu phase one	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2006 (unaudited)				
Turnover	538,828	37,857	—	576,685
Cost of properties sold	(246,227)	(24,504)	—	(270,731)
Gross profit	292,601	13,353	—	305,954
Other operating revenue	6,032	—	—	6,032
Selling expenses	(23,223)	(886)	—	(24,109)
Administrative expenses	(19,582)	(2,336)	—	(21,918)
Other operating expenses	(4,725)	—	—	(4,725)
Profit from operations	251,103	10,131	—	261,234
Interest income	5,185	—	—	5,185
Finance costs	(49)	(2)	—	(51)
Profit before taxation	256,239	10,129	—	266,368
Income tax	(125,900)	(4,795)	—	(130,695)
Profit for the period	130,339	5,334	—	135,673
Depreciation charged for the period	5,048	—	—	5,048
Segment assets	5,088,600	523,605	(5,000)	5,607,205
Segment liabilities	3,860,504	408,624	(5,000)	4,264,128
Capital expenditure incurred during the period	1,176	—	—	1,176

	SOHO properties	Shangdu phase one	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2007				
Turnover	154,812	—	—	154,812
Cost of properties sold	(79,064)	—	—	(79,064)
Gross profit	75,748	—	—	75,748
Other operating revenue	13,731	44	—	13,775
Selling expenses	(20,393)	(34)	—	(20,427)
Administrative expenses	(24,780)	(2,769)	—	(27,549)
Other operating expenses	(13,386)	(2)	—	(13,388)
Profit from operations	30,920	(2,761)	—	28,159
Interest income	4,376	142	—	4,518
Finance costs	(182)	(3)	—	(185)
Profit before taxation	35,114	(2,622)	—	32,492
Income tax	(22,956)	—	—	(22,956)
Profit for the period	12,158	(2,622)	—	9,536
Depreciation charged for the period	7,254	—	—	7,254
Segment assets	10,190,203	306,039	(5,000)	10,491,242
Segment liabilities	8,720,701	274,227	(5,000)	8,989,928
Capital expenditure incurred during the period	5,783	—	—	5,783

3 OTHER OPERATING REVENUE

		Years ended 31 December			Three months ended 31 March	
		2004	2005	2006	2006	2007
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Income arising from hotel operations		12,146	15,215	18,157	2,425	4,126
Rental income		4,972	7,409	7,777	2,627	1,232
Commission income	(i)	—	—	35,914	—	5,903
Others		2,512	3,837	5,401	980	2,514
		19,630	26,461	67,249	6,032	13,775

(i) Commission income represented the income from the property agency services.

4 PROFIT BEFORE TAXATION

(a) Finance costs

The Group capitalises interest cost as a component of the cost of properties under development.

The following is a summary of interest cost incurred and bank charges:

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	27,270	8,130	3,560	—	22,207
Less: Borrowing costs capitalised into properties under development*	(20,705)	—	(2,380)	—	(22,207)
	6,565	8,130	1,180	—	—
Bank charges and others	1,548	707	5,022	51	185
	8,113	8,837	6,202	51	185

* The borrowing costs were capitalised at a rate of 3%-6% per annum and 6.3% per annum, for the years ended 31 December 2004 and 2006, respectively, and at a rate of 6.3% per annum for the three months ended 31 March 2007.

(b) Staff costs

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages and other benefits	57,245	66,297	61,674	14,807	17,724
Contributions to defined contribution retirement plan	3,344	5,140	5,631	1,026	1,501
	60,589	71,437	67,305	15,833	19,225

(c) Other items

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Depreciation	12,650	18,432	18,737	5,048	7,254
Auditors' remuneration					
— audit services	2,285	2,396	2,255	583	285
— other services	—	—	—	—	844
Operating lease charges	804	2,025	1,748	480	480
Provision/(reversal) of impairment losses on trade and loan receivables	3,888	(2,279)	(621)	(345)	(223)

5 GOVERNMENT GRANTS

The Group received government grants from Huairou County Finance Bureau during the Relevant Period pursuant to the local regulations issued by Beijing Municipality Huairou County Government in relation to the SOHO Newtown project. As the Group has substantially completed the SOHO Newtown project, the Group does not expect to receive additional significant amounts of government grants in respect of such project in the future. There is no assurance that the Group will receive government grants in the future in respect of any of the Group's other projects.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Provision for the year/period					
— PRC Enterprise Income Tax (Note 14(a))	207,899	425,733	215,098	71,144	8,664
— Land Appreciation Tax (Note 14(a))	176,509	362,793	162,369	59,551	14,292
	384,408	788,526	377,467	130,695	22,956

The provision for income tax comprised PRC Enterprise Income Tax and Land Appreciation Tax.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The provision for PRC Enterprise Income Tax for the Group's subsidiaries in the PRC is based on a statutory rate of 18% to 33% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the Relevant Period.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	808,781	1,653,574	787,197	266,368	32,492
Income tax computed by applying the tax rate of 33% to profit before taxation	266,898	545,679	259,775	87,901	10,722
Tax effect of Land Appreciation Tax deductible for PRC Enterprise Income Tax propose . . .	(58,247)	(119,722)	(53,582)	(19,652)	(4,716)
Effect of differential tax rate on loss/(income) .	8,238	(7,275)	(779)	121	(390)
Tax effect of unused losses not recognised . .	(10,771)	6,859	8,558	2,774	2,033
Tax effect of non-deductible expenses	1,781	192	1,126	—	1,015
Provision for Land Appreciation Tax for the year/period	176,509	362,793	162,369	59,551	14,292
Actual tax expense	384,408	788,526	377,467	130,695	22,956

7 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB26,950,000, RMB9,538,000 and RMB7,058,000, for the years ended 31 December 2004, 2005 and 2006, respectively, and RMB1,213,000 (unaudited) and RMB1,113,000 for the three months ended 31 March 2006 and 2007, respectively, which has been dealt with in the financial statements of the Company.

8 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year/period

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Final dividend proposed after the balance sheet date of RMB0.10, RMB0.05, and RMB nil, per share for the years ended 31 December 2004, 2005 and 2006, respectively, and RMB nil (unaudited) and RMB nil for the three months ended 31 March 2006 and 2007, respectively	78,183	33,866	—	—	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year/period

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year/period of RMB0.12, RMB0.10 and RMB0.05 per share for the years ended 31 December 2004, 2005 and 2006, respectively, and RMB nil (unaudited) and RMB nil for the three months ended 31 March 2006 and 2007, respectively	88,343	78,183	33,866	—	—

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB317,898,000, RMB709,641,000 and RMB340,852,000, for the years ended 31 December 2004, 2005 and 2006, respectively, and RMB116,879,000 (unaudited) and RMB11,028,000 for the three months ended 31 March 2006 and 2007, respectively, and the number of 3,750,000,000 ordinary shares.

Pursuant to a written resolution of all the members of the board of the Company passed on 29 May 2007, the Company split ordinary shares at par value of HK$0.10 each into ordinary shares at par value of HK$0.02 each. The basic earnings per share for the Relevant Period is computed based on 3,750,000,000 shares as if the split of shares had taken place at the beginning of the Relevant Period.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding during the Relevant Period.

10 DIRECTORS' EMOLUMENTS

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2004					
Chairman					
Pan Shiyi	—	1,610	1,676	20	3,306
Executive directors					
Pan Zhang Xin Marita	—	1,894	1,970	—	3,864
Yan Yan	—	1,020	1,062	19	2,101
Cheng Lilan (resigned on 1 July 2004)	—	702	732	—	1,434
Independent non-executive directors					
Simon Murray (resigned on 15 July 2004)	—	—	—	—	—
Robert Howard Lessin (resigned on 15 July 2004)	—	—	—	—	—
	—	5,226	5,440	39	10,705
Year ended 31 December 2005					
Chairman					
Pan Shiyi	—	3,155	—	23	3,178
Executive directors					
Pan Zhang Xin Marita	—	3,071	—	—	3,071
Yan Yan	—	1,611	—	23	1,634
	—	7,837	—	46	7,883
Year ended 31 December 2006					
Chairman					
Pan Shiyi	547	2,364	—	27	2,938
Executive directors					
Pan Zhang Xin Marita	547	2,251	—	—	2,798
Yan Yan	—	1,389	—	27	1,416
	1,094	6,004	—	54	7,152

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2006 (unaudited)					
Chairman					
Pan Shiyi	63	458	—	6	527
Executive directors					
Pan Zhang Xin Marita	63	450	—	—	513
Yan Yan	—	240	—	6	246
	126	1,148	—	12	1,286
Three months ended 31 March 2007					
Chairman					
Pan Shiyi	—	1,121	—	7	1,128
Executive directors					
Pan Zhang Xin Marita	—	1,114	—	—	1,114
Yan Yan	—	575	—	7	582
Su Xin (appointed on 23 February 2007)	—	478	—	7	485
	—	3,288	—	21	3,309

During the Relevant Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the Relevant Period.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four, three and three, for the years ended 31 December 2004, 2005 and 2006, respectively, and three (unaudited) and four for the three months ended 31 March 2006 and 2007, respectively, are directors whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the other individuals are as follows:

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	809	2,539	2,255	376	475
Discretionary bonuses	841	—	—	—	—
Retirement scheme contributions	20	46	54	12	7
	1,670	2,585	2,309	388	482

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	Years ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
RMB nil to RMB1,000,000	—	—	—	2	1
RMB1,000,001 to RMB1,500,000	1	2	2	—	—

During the Relevant Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 PROPERTY AND EQUIPMENT

(a) The Group

	Office premises	Hotel properties	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation:					
At 1 January 2004	64,841	125,415	9,755	2,277	202,288
Additions	—	—	3,519	—	3,519
Disposals	—	—	(59)	(174)	(233)
Adjustment to original cost *	—	(1,957)	—	—	(1,957)
At 31 December 2004	64,841	123,458	13,215	2,103	203,617
Representing:					
Cost	—	123,458	13,215	2,103	138,776
Valuation — 2002	64,841	—	—	—	64,841
	64,841	123,458	13,215	2,103	203,617
At 1 January 2005	64,841	123,458	13,215	2,103	203,617
Additions	—	4,306	2,514	—	6,820
Transfer from properties under development and completed held for sale	—	116,163	—	—	116,163
Disposals	—	—	(945)	—	(945)
At 31 December 2005	64,841	243,927	14,784	2,103	325,655
Representing:					
Cost	—	243,927	14,784	2,103	260,814
Valuation — 2002	64,841	—	—	—	64,841
	64,841	243,927	14,784	2,103	325,655

	Office premises	Hotel properties	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	64,841	243,927	14,784	2,103	325,655
Additions	—	20,021	2,911	832	23,764
Revaluation surplus	77,104	—	—	—	77,104
Transfer from properties under development and completed held for sale	—	79,943	—	—	79,943
Disposals	—	—	(2,593)	(251)	(2,844)
At 31 December 2006	141,945	343,891	15,102	2,684	503,622
Representing:					
Cost	—	343,891	15,102	2,684	361,677
Valuation — 2006	141,945	—	—	—	141,945
	141,945	343,891	15,102	2,684	503,622
At 1 January 2007	141,945	343,891	15,102	2,684	503,622
Additions	—	4,387	264	1,132	5,783
At 31 March 2007	141,945	348,278	15,366	3,816	509,405
Representing:					
Cost	—	348,278	15,366	3,816	367,460
Valuation — 2006	141,945	—	—	—	141,945
	141,945	348,278	15,366	3,816	509,405
Accumulated depreciation:					
At 1 January 2004	4,849	6,271	2,175	884	14,179
Depreciation	3,321	6,222	2,830	277	12,650
Written back on disposals	—	—	(5)	(165)	(170)
At 31 December 2004	8,170	12,493	5,000	996	26,659
At 1 January 2005	8,170	12,493	5,000	996	26,659
Depreciation	3,148	12,011	3,036	237	18,432
Written back on disposals	—	—	(701)	—	(701)
At 31 December 2005	11,318	24,504	7,335	1,233	44,390
At 1 January 2006	11,318	24,504	7,335	1,233	44,390
Depreciation	2,927	12,589	3,034	187	18,737
Written back on disposals	—	—	(512)	(98)	(610)
At 31 December 2006	14,245	37,093	9,857	1,322	62,517

	Office premises	Hotel properties	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	14,245	37,093	9,857	1,322	62,517
Depreciation	1,766	3,997	1,459	32	7,254
At 31 March 2007	16,011	41,090	11,316	1,354	69,771
Net book value:					
At 31 December 2004	56,671	110,965	8,215	1,107	176,958
At 31 December 2005	53,523	219,423	7,449	870	281,265
At 31 December 2006	127,700	306,798	5,245	1,362	441,105
At 31 March 2007	125,934	307,188	4,050	2,462	439,634

* It represented an adjustment to the original cost of the hotel properties upon final settlement of construction costs.

(b) The Company

	Office premises
	RMB'000
Cost or valuation:	
At 1 January 2004, and 31 December 2004, 2005	64,841
Representing:	
Valuation — 2002	64,841
At 1 January 2006	64,841
Revaluation surplus	77,104
At 31 December 2006 and 31 March 2007	141,945
Representing:	
Valuation — 2006	141,945
Accumulated depreciation:	
At 1 January 2004	4,849
Depreciation	3,321
At 31 December 2004	8,170
At 1 January 2005	8,170
Depreciation	3,148
At 31 December 2005	11,318

	Office premises
	RMB'000
At 1 January 2006	11,318
Depreciation	2,927
At 31 December 2006	14,245
At 1 January 2007	14,245
Depreciation	1,766
At 31 March 2007	16,011
Net book value:	
At 31 December 2004	56,671
At 31 December 2005	53,523
At 31 December 2006	127,700
At 31 March 2007	125,934

(c) The Group's office premises were revalued as at 30 June 2002 by Vigers Hong Kong Limited, a firm of independent qualified valuer in Hong Kong, at their open market value. The revaluation surplus of RMB20,082,000 has been transferred to the revaluation reserve of the Group.

The Group's office premises were revalued as at 31 December 2006 by CB Richard Ellis Ltd., a firm of independent qualified valuer in Hong Kong, at their open market value. The revaluation surplus of RMB77,104,000 has been transferred to the revaluation reserve of the Group.

The carrying amount of the office premises of the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007 would have been RMB39,099,000, RMB36,956,000, RMB35,034,000 and RMB34,635,000, respectively, had they been carried at cost less accumulated depreciation.

(d) The net book values of office premises and hotel properties in aggregate of RMB167,636,000, RMB272,946,000, RMB434,498,000 and RMB433,122,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively, were under medium-term leases in the PRC.

13 INVESTMENTS IN SUBSIDIARIES

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	154,702	198,818	198,818	240,624

The list of subsidiaries which principally affected the results, assets or liabilities of the Group is disclosed in Section A.

14 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax payable in the consolidated balance sheet represents:

	At as 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC Enterprise Income Tax payable				
At the beginning of the year/period	47,740	156,573	457,655	550,724
Provision for the year/period (Note 6(a))	207,899	425,733	215,098	8,664
Tax paid	(99,066)	(124,651)	(122,029)	(39,950)
At the end of the year/period	156,573	457,655	550,724	519,438
Land Appreciation Tax payable				
At the beginning of the year/period	94,778	249,029	594,755	730,727
Provision for the year/period (Note 6(a))	176,509	362,793	162,369	14,292
Tax paid	(22,258)	(17,067)	(26,397)	(9,201)
At the end of the year/period	249,029	594,755	730,727	735,818
Total income tax payable at the end of the year/period	405,602	1,052,410	1,281,451	1,255,256

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(m), the Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB66,343,000, RMB73,868,000, RMB99,801,000 and RMB105,962,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant subsidiary. As at 31 March 2007, RMB16,026,000, RMB30,961,000, RMB5,903,000, RMB17,525,000, RMB29,386,000 and RMB6,161,000 of these tax losses expire in 2007, 2008, 2009, 2010, 2011 and 2012, respectively.

(c) Deferred tax liabilities not recognised

There were no significant temporary differences relating to deferred tax liability not provided for as at 31 December 2004, 2005 and 2006 and 31 March 2007.

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	2,639,234	2,177,295	5,182,050	6,379,770
Completed properties held for sale	1,062,076	1,219,636	555,527	539,512
	3,701,310	3,396,931	5,737,577	6,919,282

(a) The analysis of carrying value of leasehold land included in properties under development for sale and completed properties held for sale is as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In PRC				
— long lease	958,680	575,899	419,170	1,389,434
— medium-term lease	1,421,080	1,806,078	4,090,114	4,179,635
	2,379,760	2,381,977	4,509,284	5,569,069

(b) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	1,218,461	1,503,862	2,964,708	4,000,817

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) The cost of properties sold for each of the years ended 31 December 2004, 2005 and 2006 amounted to RMB1,359,172,000, RMB1,997,147,000 and RMB819,173,000, respectively, and for the three months ended 31 March 2006 and 2007 amounted to RMB270,731,000 (unaudited) and RMB79,064,000, respectively.

(d) Certain portion of the Group's properties under development for sale and completed properties held for sale were pledged against the bank loans at respective Relevant Period end, details are set out in Note 19.

16 TRADE AND LOAN RECEIVABLES

		At 31 December			At 31 March
		2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	(i)	45,422	36,151	135,396	55,685
Loan receivables	(ii)	6,298	4,019	3,398	3,175
		51,720	40,170	138,794	58,860
Less: impairment losses on bad and doubtful accounts		(6,298)	(4,019)	(3,398)	(3,175)
		45,422	36,151	135,396	55,685

(i) These trade receivables are expected to be recovered within one year.

The ageing analysis of trade receivables are as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current or less than 1 month overdue	24,962	8,931	109,115	763
1 to 6 months overdue	7,733	3,106	15,366	41,421
6 months to 1 year overdue	705	11,861	2,280	5,428
Overdue more than 1 year	12,022	12,253	8,635	8,073
	45,422	36,151	135,396	55,685

The Group's credit policy is set out in Note 27(a).

(ii) Loan receivables were arising from the long-term financing arrangements provided by a subsidiary of the Company, Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian"), to certain property unit buyers to fund a portion of the initial down payment of the purchase price of the property units. The buyer is thereafter responsible to obtain third party bank financing to pay the remaining balance of the purchase price. The amounts are unsecured, interest bearing and repayable by monthly instalments over a maximum period of 10 years. Interest is charged on the outstanding amount at the prevailing mortgage rate quoted by the People's Bank of China ("PBOC"). An impairment loss on bad and doubtful accounts has been made for the whole carrying amount of the loan receivables as at each balance sheet date during the Relevant Period.

17 RESTRICTED BANK DEPOSITS

(a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. The Group generally makes a deposit as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the subsidiary to repay the outstanding balance to the extent that the deposit balance is insufficient.

(b) Restricted bank deposits as at 31 December 2004 included in current assets mainly represented the deposits pledged to secure the short-term bank loans of US$15,000,000 as at 31 December 2004 (Note 19(a)(ii)).

18 CASH AND CASH EQUIVALENTS

	The Group				The Company			
	At 31 December			At 31 March	At 31 December			At 31 March
	2004	2005	2006	2007	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	2,075	2,050	2,138	2,120	—	—	—	—
Cash at bank	1,391,181	1,107,434	877,817	1,267,933	24,845	2,402	2,328	3,072
Term deposits	16,114	200,000	201,095	200,000	—	—	—	—
	1,409,370	1,309,484	1,081,050	1,470,053	24,845	2,402	2,328	3,072

Included in cash and cash equivalents in the consolidated balance sheet and the Company's balance sheet as at 31 December 2004, 2005 and 2006 and 31 March 2007 the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	The Group				The Company			
	At 31 December			At 31 March	At 31 December			At 31 March
	2004	2005	2006	2007	2004	2005	2006	2007
US$	15,778,000	6,345,000	2,173,000	6,832,000	3,001,000	298,000	298,000	399,000
HK$	—	97,000	2,196,000	2,225,000	—	—	—	—

19 BANK LOANS

(a) Short-term bank loans

		The Group				The Company			
		At 31 December			At 31 March	At 31 December			At 31 March
		2004	2005	2006	2007	2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans									
— Unsecured	(i)	150,000	—	—	—	—	—	—	—
— Secured	(ii)	124,134	—	—	—	124,134	—	—	—
		274,134	—	—	—	124,134	—	—	—

(i) The unsecured bank loan as at 31 December 2004, bearing a fixed annual interest rate of 5.742%, was repaid in January 2005.

(ii) As at 31 December 2004, a bank loan of US$15,000,000 (equivalent to RMB124,134,000) was secured by term deposits of RMB130,000,000 (Note 17(b)). The bank loan, bearing interest at LIBOR+1.2%, was repaid in June 2005.

(b) Long-term bank loan

The loan balance as at 31 December 2006 represented RMB800,000,000 bank loan from CITIC Industrial Bank, which was secured by the land use rights of Guanghualu SOHO project and Commune by the Great Wall project with an aggregate carrying value of RMB706,488,000 and guaranteed by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, Jianhua and Beijing Chaowai SOHO Real Estate Co., Ltd. ("Beijing Chaowai"). The interest rate was 6.30% per annum and the loan was repayable in December 2008.

The loan balance as at 31 March 2007 represented RMB2,000,000,000 bank loan from CITIC Industrial Bank, which was secured by the land use rights of Guanghualu SOHO project, Sanlitun SOHO project, Chaowai SOHO project and Commune by the Great Wall project with an aggregate carrying value of RMB5,323,280,000 and guaranteed by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, Jianhua, Beijing Chaowai and Redstone Jianwai. The interest rate was 6.30% per annum for the first quarter of 2007, and was adjusted to 6.57% per annum for the second quarter of 2007 and 6.75% after 1 July 2007. RMB1,000,000,000 and RMB1,000,000,000 of the bank loans were repayable in December 2008 and February 2009, respectively.

20 ACCRUED CONSTRUCTION EXPENDITURE AND OTHER PAYABLES

		At 31 December			At 31 March
		2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenditure on land and construction	(i)	560,467	543,458	275,855	730,837
Advances from a third party	(ii)	214,784	214,784	174,784	144,784
Welfare expenses payable		13,693	13,748	11,138	10,973
Staff and workers' bonus and welfare fund		22,267	22,267	22,267	22,267
Other taxes payable	(iii)	3,751	8,609	12,015	12,487
Other payables		102,512	74,640	45,514	57,471
Distribution payable to minority interests		21,526	71,921	87,230	2,651
		939,000	949,427	628,803	981,470

(i) These accrued expenditure payables on land and construction are expected to be settled within a year.

The ageing analysis of accrued expenditure on land and construction is as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	101,481	78,151	45,124	40,394
Due after 1 month but within 3 months	458,986	465,307	230,731	690,443
	560,467	543,458	275,855	730,837

(ii) The balance represented advances from Jinghua Trust and Investment Co., Ltd. to Jianhua relating to the phase one of Shangdu project, which were interest free, unsecured and had no fixed terms of repayment.

(iii) Other taxes payable comprised urban real estate tax payable, real estate tax payable and withholding tax payable.

21 SALES DEPOSITS

Sales deposits represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

22 CAPITAL AND RESERVES

(a) The Group

	Share capital (Note 22(i))	Share premium	General reserve fund (Note 22(ii))	Revaluation reserve	(Accumulated losses) /Retained earnings	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2004	79,642	75,059	31,121	20,082	(90,824)	115,080	70,271	185,351
Profit for the year	—	—	—	—	317,898	317,898	106,475	424,373
Decrease in minority interests through acquisition of a subsidiary	—	—	—	—	—	—	(37,645)	(37,645)
Transfer to general reserve fund	—	—	10,196	—	(10,196)	—	—	—
Dividends (Note 8)	—	—	—	—	(88,343)	(88,343)	—	(88,343)
Distribution to minority interests	—	—	—	—	—	—	(21,526)	(21,526)
At 31 December 2004	79,642	75,059	41,317	20,082	128,535	344,635	117,575	462,210
At 1 January 2005	79,642	75,059	41,317	20,082	128,535	344,635	117,575	462,210
Profit for the year	—	—	—	—	709,641	709,641	155,407	865,048
Capital contribution from minority interests	—	—	—	—	—	—	30,250	30,250
Transfer to general reserve fund	—	—	41,486	—	(41,486)	—	—	—
Dividends (Note 8)	—	—	—	—	(78,183)	(78,183)	—	(78,183)
Distribution to minority interests	—	—	—	—	—	—	(71,921)	(71,921)
At 31 December 2005	79,642	75,059	82,803	20,082	718,507	976,093	231,311	1,207,404
At 1 January 2006	79,642	75,059	82,803	20,082	718,507	976,093	231,311	1,207,404
Profit for the year	—	—	—	—	340,852	340,852	68,878	409,730
Surplus on revaluation of office premises	—	—	—	77,104	—	77,104	—	77,104
Transfer to general reserve fund	—	—	28,107	—	(28,107)	—	—	—
Dividends (Note 8)	—	—	—	—	(33,866)	(33,866)	—	(33,866)
Distribution to minority interests	—	—	—	—	—	—	(137,592)	(137,592)
At 31 December 2006	79,642	75,059	110,910	97,186	997,386	1,360,183	162,597	1,522,780
At 1 January 2006	79,642	75,059	82,803	20,082	718,507	976,093	231,311	1,207,404
Profit for the period (unaudited)	—	—	—	—	116,879	116,879	18,794	135,673
Transfer to general reserve fund (unaudited)	—	—	9,971	—	(9,971)	—	—	—
At 31 March 2006 (unaudited)	79,642	75,059	92,774	20,082	825,415	1,092,972	250,105	1,343,077

	Share capital (Note 22(i))	Share premium	General reserve fund (Note 22(ii))	Revaluation reserve	(Accumulated losses) /Retained earnings	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	79,642	75,059	110,910	97,186	997,386	1,360,183	162,597	1,522,780
Profit for the period	—	—	—	—	11,028	11,028	(1,492)	9,536
Transfer to general reserve fund	—	—	782	—	(782)	—	—	—
Acquisitions of minority interests (Note 22(v))	—	—	—	—	(2,726)	(2,726)	(9,854)	(12,580)
Distribution to minority interests	—	—	—	—	—	—	(18,422)	(18,422)
At 31 March 2007	79,642	75,059	111,692	97,186	1,004,906	1,368,485	132,829	1,501,314

(b) The Company

	Share capital (Note 22(i))	Share premium	Revaluation reserve	(Accumulate losses)/ Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2004	79,642	75,059	20,082	(32,846)	141,937
Profit for the year	—	—	—	143,357	143,357
Dividends (Note 8)	—	—	—	(88,343)	(88,343)
At 31 December 2004	79,642	75,059	20,082	22,168	196,951
At 1 January 2005	79,642	75,059	20,082	22,168	196,951
Profit for the year	—	—	—	212,544	212,544
Dividends (Note 8)	—	—	—	(78,183)	(78,183)
At 31 December 2005	79,642	75,059	20,082	156,529	331,312
At 1 January 2006	79,642	75,059	20,082	156,529	331,312
Profit for the year	—	—	—	2,316	2,316
Surplus on revaluation of office premises	—	—	77,104	—	77,104
Dividends (Note 8)	—	—	—	(33,866)	(33,866)
At 31 December 2006	79,642	75,059	97,186	124,979	376,866
At 1 January 2006	79,642	75,059	20,082	156,529	331,312
Profit for the period (unaudited)	—	—	—	412	412
At 31 March 2006 (unaudited)	79,642	75,059	20,082	156,941	331,724
At 1 January 2007	79,642	75,059	97,186	124,979	376,866
Profit for the period	—	—	—	1,208	1,208
At 31 March 2007	79,642	75,059	97,186	126,187	378,074

(i) Share capital

As at 31 December 2004, 2005 and 2006 and 31 March 2007, share capital represented issued and fully paid 750,000,000 ordinary shares of par value HK$0.10 each. The authorised share capital of the Company throughout the Relevant Period amounted to HK$150,000,000 which represented 1,500,000,000 ordinary shares of par value HK$0.10 each.

Pursuant to a written resolution of all the members of the board of the Company passed on 29 May 2007, it was resolved that every issued and unissued ordinary share of par value HK$0.10 each in the capital of the Company was subdivided into 5 ordinary shares of par value HK$0.02 each such that the Company has thereafter an authorised share capital of HK$150,000,000 divided into 7,500,000,000 ordinary shares of par value HK$0.02 each and an issued share capital of HK$75,000,000 divided into 3,750,000,000 ordinary shares of par value HK$0.02 each.

(ii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) Restrictions on payments of dividends

Upon the formation of the Company, the Company will rely on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders and on repatriation of dividends out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

(iv) Distributability of reserves

As at 31 December 2004, 2005 and 2006 and 31 March 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company were RMB22,168,000, RMB156,529,000, RMB124,979,000 and RMB126,187,000, respectively.

(v) During the three months ended 31 March 2007, the Group acquired the minority interests on certain subsidiaries with an aggregate book value of RMB9,854,000 at a total consideration of RMB12,580,000. The excess of consideration over the book value of RMB2,726,000 were treated as equity transactions.

23 ACQUISITION OF A SUBSIDIARY

On 30 July 2004, the Group acquired the equity interest in Jianhua. Thereupon, Jianhua became a subsidiary of the Group. Pre-acquisition carrying amounts of the assets and liabilities of Jianhua determined based on HKFRSs immediately before the acquisition as at 30 July 2004 approximated their estimated fair value recognised on acquisition in the consolidated financial statements, as set out below:

Net assets of Jianhua as at 30 July 2004 acquired

	RMB'000
Properties under development	1,645,652
Prepaid expenses and other receivables	337
Amounts due from and advances to related parties	137,795
Restricted bank deposits	12,681
Cash and bank balances	230,939
Accrued construction expenditure and other payables	(641,927)
Sales deposits	(339,248)
Amounts due to and advances from related parties	(979,904)
Minority interests	37,645
Net identifiable assets and liabilities	103,970
Total purchase price paid, satisfied in cash	(103,970)
Cash of the subsidiary acquired	230,939
Net cash inflow arising from the acquisition of a subsidiary	126,969

24 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau for its staff. The Group was required to make contributions to the retirement scheme at 20% of the gross salaries of its staff during the Relevant Period.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

(i) As at each balance sheet date during the Relevant Period, the Group had the following commitments in respect of properties under development not provided for in the financial statements:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	—	931,908	411,343	808,541
Authorised but not contracted for	507,317	234,284	2,418,591	2,327,826
	507,317	1,166,192	2,829,934	3,136,367

(ii) As at each balance sheet date during the Relevant Period, the Group had the following commitments in respect of the capital contribution to its equity investments:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	274,000	101,700	98,390	103,936
Authorised but not contracted for	—	—	—	673,786
	274,000	101,700	98,390	777,722

(iii) During the Relevant Period, the Group had no significant operating lease commitments.

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. For some mortgage loans, the agreements with the banks stipulate that the guarantee periods are generally 7 to 17 years from the effective date of the mortgage loan contract. The amount of guarantees relating to such agreements was approximately RMB56,016,000, RMB43,538,000, RMB39,110,000 and RMB37,640,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries, including the amount of guarantees with guarantee periods of generally 7 to 17 years mentioned above was RMB3,263,213,000, RMB2,588,710,000, RMB2,823,217,000 and RMB2,741,291,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

(c) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(d) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Amounts due from and advances to related parties, and corresponding transactions

Amounts due from and advances to related parties, included in current assets, comprise:

		At 31 December			At 31 March
		2004	**2005**	**2006**	**2007**
		RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Redstone Industry	(i)	35,032	38,097	37,314	—
China Link Group Ltd.	(ii)	16,822	39,407	69,999	15,520
Beijing Hongyun Co., Ltd.	(iii)	6,231	6,231	6,231	6,231
Hainan Liteng Property Management Co., Ltd.	(iv)	491	8,326	15,321	—
Jingtai Xingang City	(v)	8,672	7,876	—	—
Beijing Huayuan Property Agent Co., Ltd.	(vi)	5,375	2,729	—	—
Mr. Pan Shiyi	(vii)	15,029	42,252	63,306	—
Mrs. Pan Zhang Xin Marita	(vii)	—	2,000	131	—
Huayuan	(viii)	—	206,900	182,726	198,494
Beijing Danshi Investment Management Co., Ltd.	(ix)	—	—	—	644,118
Others		1,297	—	3,705	3,651
		88,949	353,818	378,733	868,014

(i) The balances as at the balance sheet dates represented the advances and related interest of RMB22,196,000, RMB22,886,000 and RMB22,103,000 as at 31 December 2004, 2005, and 2006, respectively, due from Redstone Industry, and expenses of RMB12,836,000, RMB15,211,000 and RMB15,211,000 as at 31 December 2004, 2005 and 2006, respectively, paid by the Group on behalf of Redstone Industry.

Redstone Industry has borrowed RMB21,165,000 from the Group since 2003. The advances bore interests at 5.49% and 5.58% for the years ended 31 December 2004 and 2005, respectively, and were interest free for the year ended 31 December 2006 and the three months ended 31 March 2007. The related interests incurred for the years ended 31 December 2004 and 2005 were RMB1,031,000 and RMB690,000, respectively. The advances were unsecured and had no fixed terms of repayment.

The Group paid expenses of RMB84,000, RMB2,375,000, and RMB nil on behalf of Redstone Industry for the years ended 31 December 2004, 2005 and 2006, respectively, and the related balances were interest free, unsecured and had no fixed terms of repayment.

During the three months ended 31 March 2007, the balance of RMB37,314,000 as at 31 December 2006 was fully repaid by Redstone Industry to the Group.

(ii) China Link Group Ltd. ("China Link") is a company controlled by Mrs. Pan Zhang Xin Marita, Chief Executive Officer of the Company. China Link has set up a bank account in Hong Kong through which overseas buyers of property units of the Group can settle the sales transactions through China Link.

During the years ended 31 December 2004, 2005, and 2006, sales proceeds of RMB118,142,000, RMB62,777,000, and RMB35,417,000 were received by China Link on behalf of the Group, respectively. The outstanding balance of RMB16,822,000, RMB39,407,000, RMB69,999,000 and RMB15,520,000, as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively, were interest free, unsecured and had no fixed terms of repayment.

During the three months ended 31 March 2006 (unaudited) and 2007, no sales proceeds were received by China Link on behalf of the Group and RMB54,479,000 was repaid by China Link to the Group during the three months ended 31 March 2007.

(iii) The balance of RMB6,231,000 throughout the Relevant Period was in connection with certain property units purchased by Beijing Hongyun Co., Ltd. ("Beijing Hongyun"), an investor of ZhongHongTian, from ZhongHongTian during the year ended 31 December 2002. The balance was interest free, unsecured and had no fixed terms of repayment.

(iv) The balance represented the advances to Hainan Liteng Property Management Co., Ltd. ("Hainan Liteng"), a company controlled by Mr. Pan Shiyi.

The Group advanced RMB491,000, RMB7,950,000, RMB7,265,000 and RMB5,162,000 (unaudited) to Hainan Liteng and the Group received repayment of RMB nil, RMB115,000, RMB270,000 and RMB107,000 (unaudited) from Hainan Liteng during the years ended 31 December 2004, 2005 and 2006, and the three months ended 31 March 2006, respectively. The advances were interest free, unsecured and had no fixed terms of repayment. During the three months ended 31 March 2007, the balance of RMB15,321,000 was fully repaid by Hainan Liteng to the Group.

(v) The balances as at 31 December 2004 and 2005 were related to the advances of RMB8,672,000 made during the year ended 31 December 2004 to Beijing Jingtai Xingang City Real Estate Co., Ltd. ("Jingtai Xingang City"), a jointly controlled entity of the Company which had not commenced operation since its establishment in 2004 and was de-registered in 2006.

Jingtai Xingang City repaid an amount of RMB796,000, RMB7,876,000 and RMB55,000 (unaudited) of the advances to the Group during the years ended 31 December 2005 and 2006 and the three months ended 31 March 2006, respectively. The advances were interest free, unsecured and had no fixed terms of repayment.

(vi) The balances as at 31 December 2004 and 2005 represented prepaid sales commission to Beijing Huayuan Property Agent Co., Ltd., a subsidiary of Huayuan. The balances were interest free, unsecured and had no fixed terms of repayment.

Beijing Huayuan Property Agent Co., Ltd. provides sales promotion service to Jianhua relating to the phase one of Shangdu project of RMB4,607,000, RMB7,195,000, and RMB6,670,000, RMB885,000 (unaudited) and RMB nil for the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2006 and 2007, respectively, from the Group.

(vii) The balances as at each balance sheet date represented the advances to Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, which were interest free, unsecured and had no fixed terms of repayment.

The Group advanced RMB15,029,000, RMB33,012,000, RMB66,822,000, RMB20,116,000 (unaudited) and RMB nil to Mr. Pan Shiyi and received repayment of RMB nil, RMB5,789,000, RMB45,768,000, RMB nil (unaudited) and RMB63,306,000 from Mr. Pan Shiyi for the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2006 and 2007, respectively.

The Group advances RMB2,000,000, RMB2,898,000, RMB nil (unaudited) and RMB nil to Mrs. Pan Zhang Xin Marita and received the repayment of RMB nil, RMB4,767,000, RMB nil (unaudited) and RMB131,000 from Mrs. Pan Zhang Xin Marita for the years ended 31 December 2005, 2006 and the three months ended 31 March 2006 and 2007, respectively.

(viii) The balances as at 31 December 2005 and 2006 and 31 March 2007 represented advances to Huayuan by Jianhua in relation to the phase one of Shangdu project. The advances were interest free, unsecured and had no fixed terms of repayment.

Jianhua advanced RMB1,682,804,000, RMB354,700,000, RMB nil (unaudited) and RMB55,000,000 to Huayuan during the years ended 31 December 2005 and 2006 and the three months ended 31 March 2006 and 2007, respectively, and received repayment of RMB1,475,904,000, RMB378,874,000, RMB4,948,000 (unaudited) and RMB39,232,000 from Huayuan during the years ended 31 December 2005 and 2006 and the three months ended 31 March 2006 and 2007, respectively.

(ix) The balance as at 31 March 2007 represented the advances to Beijing Danshi Investment Management Co., Ltd., a company controlled by Mr. Pan Shiyi. The balance was interest free, unsecured and had no fixed terms of repayment.

(x) The maximum balances of the advances made to Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita and companies controlled by them during the years ended 31 December 2004, 2005 and 2006, and the three months ended 31 March 2007 are as follows:

	Years ended 31 December			Three months ended 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beijing Redstone Industry Co., Ltd.	35,032	38,097	38,097	37,314
China Link Group Ltd.	29,590	45,425	69,999	69,999
Hainan Liteng Property Management Co., Ltd.	491	8,326	15,321	15,321
Mr. Pan Shiyi	15,029	42,252	63,306	63,306
Mrs. Pan Zhang Xin Marita	—	2,000	2,000	131

(b) Amounts due to and advances from related parties, and corresponding transactions

Amounts due to and advances from related parties, included in current liabilities, comprise:

		At 31 December			At 31 March
	Note	2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jingtai Xingang City	(i)	24,853	—	—	—
Huayuan	(ii)	257,726	—	—	—
China Link Group Ltd.	(iii)	—	20,446	48,047	—
Redstone Industry	(iv)	—	—	—	12,414
Beijing Liteng Property Consultants Co., Ltd.	(v)	—	—	—	166
Others		8,326	8,498	2,344	2,344
		290,905	28,944	50,391	14,924

(i) The balance of RMB24,853,000 as at 31 December 2004 represented an advance from Beijing Holdings Investment Management Co., Ltd., an investor of Jingtai Xingang City, received on behalf of Jingtai Xingang City. The balance was interest free, unsecured and had no fixed terms of repayment. The Group repaid the advance in 2005.

(ii) The balance of RMB257,726,000 as at 31 December 2004 represented the advances from and related interest due to Huayuan by Jianhua for the phase one of Shangdu project. The advances bore interest at 6.6%, unsecured and had no fixed terms of repayment.

The related interest incurred for these advances were RMB13,772,000 and RMB8,130,000 for the years ended 31 December 2004 and 2005, respectively. The Group repaid the advances and related interests in 2005.

(iii) The balances of RMB20,446,000 and RMB48,047,000 as at 31 December 2005 and 2006, respectively, represented the advances received from China Link. The balances were interest free, unsecured and had no fixed terms of repayment.

During the years ended 31 December 2005 and 2006 and the three months ended 31 March 2006 and 2007, the Group received advances of RMB183,393,000, RMB32,152,000, RMB2,980,000 (unaudited) and RMB nil, respectively, from China Link, and repaid RMB162,947,000, RMB4,551,000, RMB945,000 (unaudited) and RMB48,047,000, respectively, to China Link.

(iv) The balance as at 31 March 2007 represented the consideration payable to Redstone Industry for the acquisition of 5% equity interest in Redstone Jianwai from Redstone Industry.

(v) The balance as at 31 March 2007 represented consideration payable to Beijing Liteng for the acquisition of 20% equity interest in SOHO China Leasing from Beijing Liteng.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11 is as follows:

	Years ended 31 December			**Three months ended 31 March**	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000 (unaudited)***	***RMB'000***
Short-term employee benefits	16,174	12,678	11,402	2,179	4,560
Post-employment benefits	119	138	162	36	41
	16,293	12,816	11,564	2,215	4,601

Total remuneration is included in "Staff costs" (see Note 4(b)).

(d) Other related party transactions

Redstone Industry has entered into agreements with certain banks with respect to guarantees for mortgage loans provided to certain buyers of the Group's properties. Redstone Industry provided guarantees amounting to RMB148,667,000, RMB103,038,000, RMB94,425,000 and RMB93,380,000 for these buyers as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively. The guarantee period generally ranged from 2 to 17 years.

Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita entered into guarantee agreements with CITIC Industrial Bank with respect to the long-term bank loan amounted to RMB800,000,000 as at 31 December 2006 and RMB2,000,000,000 as at 31 March 2007 (Note 19(b)) provided by CITIC Industrial Bank to the Group. The guarantees were released on 21 June 2007.

27 FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

As at each balance sheet date during the Relevant Period, the Group had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

(c) Interest rate risk

The interest rates of the Group's bank loans and interest-bearing advances to/from related parties are disclosed in Note 19 and Note 26, respectively. The annual interest rates of the Group's deposits at bank, ranged from 0.72% to 1.62%, 0.72% to 1.44%, 0.72% to 1.44% and 0.72% to 1.44% as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

(d) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through PBOC or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than Renminbi. Depreciation or appreciation of the Renminbi against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2004, 2005 and 2006 and 31 March 2007.

28 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment for trade and loan receivables

The Group estimates impairment losses for trade and loan receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and loan receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(c) Provision for properties under development and completed properties held for sale

As explained in Note 1(g), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of property and equipment as described in Note 1(f)(ii). The carrying amounts of property and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD BEGINNING 1 JANUARY 2007

Up to the date of issue of this report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period beginning 1 January 2007 and which have not been adopted in this report:

	Effective for accounting periods beginning on or after
HK(IFRIC) 11 "HKFRS 2 — Group and treasury share transactions"	1 March 2007
HK(IFRIC) 12 "Service concession arrangements"	1 January 2008
HKFRS 8 "Operating segments"	1 January 2009
HKAS 23 (Revised) "Borrowing costs"	1 January 2009

The Group has made an assessment of what the impact of these amendments, new standards and new interpretations is expected to be, in the period of initial application and has so far concluded that these new HKFRSs would not have a significant impact on the Group's results of operations and financial position.

30 ULTIMATE HOLDING COMPANY

At 31 March 2007, the directors consider the ultimate holding company to be Capevale Limited, which is incorporated in Cayman Islands. This entity does not produce financial statements available for public use.

D SUBSEQUENT EVENTS

(a) Share option scheme

Pursuant to the written resolutions of the Company's shareholders passed on 14 September 2007, the Company has adopted the Pre-IPO Share Option Scheme and conditionally adopted the Share Option Scheme, respectively. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in Appendix IX to the Prospectus.

(b) Group restructuring

The Group carried out a restructuring in contemplation of the listing of the Company's shares on the Main Board. Further details of the restructuring are set out in the section headed "Our Restructuring" in the Prospectus. As a result of the restructuring, the Company changed its shareholdings on certain of its subsidiaries.

(c) Proposed Acquisition of the Tiananmen South (Qianmen) Project

Beijing Tianjie Real Estate Development Company Limited ("Beijing Tianjie"), 49% owned by Beijing Danshi Investment Management Co., Ltd. ("Beijing Danshi"), a PRC entity controlled by Mr. Pan Shiyi, is the project company developing the Tiananmen South (Qianmen) Project. The Group has entered into a series of agreements with Beijing Tianjie, Beijing Danshi and the other two equity owners holding 51% equity interests in Beijing Tianjie (the "Agreements"), pursuant to which the Group agreed to acquire, amongst other things, all the rights and liabilities relating to certain land parcels currently held by Beijing Danshi in the Tiananmen South (Qianmen) Project. Pursuant to the Agreements, the Group agreed to acquire Beijing Danshi's 49% equity interest in Beijing Tianjie for a consideration of RMB144.1 million. In addition, the Group agreed to bear the obligations to make entrustment loans of RMB 3,150 million to Beijing Tianjie, as well as to assume Beijing Tianjie's bank loans in the amount of RMB 2,100 million, together an aggregate amount of RMB 5,250 million. This acquisition including the provision of entrustment loans of RMB3,150 million and the assumption of Beijing Tianjie's bank loans in the total amount of RMB2,100 million is subject to government approvals. Details of this acquisition are set out in the accountants' report on Beijing Tianjie in Appendix IB to the Prospectus.

(d) China's new unified income tax law

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Company's subsidiaries in the PRC except for Hainan Redstone Industry Co., Ltd. will be reduced from 33% to 25%, while that applicable to Hainan Redstone Industry Co., Ltd. will gradually increase from 18% to the standard rate of 25% over a five-year transition period, from 1 January 2008. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2007.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of the Companies and Available for Inspection — Documents available for inspection" in Appendix X to this prospectus, a copy of the following accountants' report is available for inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 September 2007

The Directors
SOHO China Limited
The Hongkong and Shanghai Banking Corporation Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Beijing Tianjie Real Estate Development Company Limited (the "Company") including income statements, statements of changes in equity and cash flow statements of the Company for the period from 14 August 2004 (date of incorporation) to 31 December 2004, each of the two years ended 31 December 2005 and 2006, and the three months ended 31 March 2007 (the "Relevant Period") and the balance sheets of the Company as at 31 December 2004, 2005 and 2006 and 31 March 2007, together with explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of SOHO China Limited ("SOHO China") dated 21 September 2007 (the "Prospectus") in connection with the initial listing of SOHO China's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The Company was incorporated in the People's Republic of China (the "PRC") on 14 August 2004. The principal activity of the Company is the development of Tiananmen South (Qianmen) Project.

The statutory financial statements of the Company for the period from 14 August 2004 to 31 December 2004 and for each of the two years ended 31 December 2005 and 2006 were prepared in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and were audited by Beijing Zhong Run Da Accountants Firm Company Limited (北京中潤達會計師事務所有限公司), a firm of certified public accountants registered in the PRC.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the Company, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements or, where appropriate, unaudited management accounts of the Company for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Company in respect of any period subsequent to 31 March 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2004, 2005 and 2006 and 31 March 2007 and of the Company's profits and cash flows for the Relevant Period.

Unaudited financial information for the three months ended 31 March 2006

For the purpose of this report, we have also reviewed the unaudited financial information of the Company including the income statement, statement of changes in equity and cash flow statement for the three months ended 31 March 2006, together with the notes thereon (the "31 March 2006 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of company management and applying analytical procedures to the 31 March 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31 March 2006 Corresponding Information.

On the basis of our review of the 31 March 2006 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the three months ended 31 March 2006.

A ORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the PRC on 14 August 2004 by Tianrun Jinbai Group ("Tianrun Jinbai") and Chong Yuan Investment Co., Ltd. ("Chongyuan") with total paid-in capital amounting to RMB 150 million.

The Company's principal place of business is at No.70, Xidamochang, Chongwen District, Beijing, the PRC.

The Company is engaged in the development and construction of Tiananmen South (Qianmen) Project which is located in Qianmen Avenue, Beijing, the PRC.

In June 2006, Tianrun Jinbai transferred all of its equity interest in the Company amounting to RMB 142.5 million to State-owned Assets Supervision and Administration Commission under the People's Government of Chongwen District of Beijing ("District SASAC").

Beijing Redstone Industry Co., Ltd. ("Redstone Industry"), a PRC entity controlled by Mr. Pan Shiyi, entered into a cooperation agreement with District SASAC, Chongyuan and the Company on 9 March 2007 (the "Cooperation Agreement"), pursuant to which Redstone Industry agreed to acquire, amongst other things, all the rights and liabilities relating to certain land parcels in the Tiananmen South (Qianmen) Project. Pursuant to the Cooperation Agreement, Redstone Industry agreed to acquire a 49% equity interest in the Company through a capital contribution of RMB144.1 million. In addition, Redstone Industry agreed to make payments to the Company in the total amount of RMB 3,150 million in the form of entrustment loans, as well as assume the Company's existing bank loans in the amount of RMB 2,100 million, together an aggregate amount of RMB 5,250 million.

Pursuant to a supplemental agreement between all the parties to the Cooperation Agreement and Beijing Danshi Investment Management Co., Ltd. ("Beijing Danshi"), another PRC entity controlled by Mr. Pan Shiyi, dated 19 March 2007 (the "Supplemental Agreement"), all the rights and liabilities of Redstone Industry under the Cooperation Agreement have been transferred to Beijing Danshi.

After entering into the Supplemental Agreement, Beijing Danshi injected a total sum of RMB 144.1 million into the Company, as a result of which the registered capital of the Company was increased from RMB150 million to RMB 294.1 million and Beijing Danshi held a 49% equity interest in the Company. District SASAC and Chongyuan together hold the remaining 51% equity interest in the Company.

On 16 May 2007, SOHO China, through its subsidiaries (together with SOHO China hereinafter referred as "SOHO China Group"), entered into an equity transfer agreement with Beijing Danshi, District SASAC and Chongyuan (the "Equity Transfer Agreement"), under which Beijing Danshi agreed to transfer to SOHO China Group its 49% equity interest in the Company for a consideration of RMB 144.1 million. On 14 May 2007, SOHO China Group entered into a second supplemental agreement (the "Second Supplemental Agreement") with Beijing Danshi, District SASAC, Chongyuan and the Company, pursuant to which all the rights and liabilities of Beijing Danshi under the Cooperation Agreement, as amended by the Second Supplemental Agreement, would be transferred to SOHO China Group and the obligations of Beijing Danshi to provide the entrustment loans to the Company and to assume the Company's bank loans, in aggregate of RMB 5,250 million, are borne by SOHO China Group. All the rights and benefits of Beijing Danshi will be enjoyed by SOHO China Group.

Pursuant to the Cooperation Agreement, the Supplemental Agreement, the Equity Transfer Agreement and the Second Supplemental Agreement, SOHO China Group is responsible for, among others, completing the work of development, design and construction, as well as marketing, leasing and operating of certain land parcels in the Tiananmen South (Qianmen) Project. All the risks and rewards generated from the foregoing works will be borne and enjoyed solely by SOHO China Group. However, the acquisition of the equity interest in the Company by SOHO China Group is subject to government approval.

B FINANCIAL INFORMATION

1 INCOME STATEMENTS

	Section C	Period from 14 August to 31 December	Years ended 31 December		Three months ended 31 March	
	Note	2004	2005	2006	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Administrative expenses . . .		(546)	(617)	(619)	(123)	(175)
Other operating revenue . . .		—	—	200	—	12
Loss from operations		(546)	(617)	(419)	(123)	(163)
Interest income		123	—	—	—	—
Finance costs	2(a)	—	(1)	(4)	—	(1)
Loss before taxation	2	(423)	(618)	(423)	(123)	(164)
Income tax	3	—	—	—	—	—
Loss for the period/year . .		(423)	(618)	(423)	(123)	(164)

The accompanying notes form part of the Financial Information.

2 BALANCE SHEETS

	Section C	At 31 December			At 31 March
	Note	2004	2005	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Equipment	6	16	906	926	1,280
Total non-current assets		16	906	926	1,280
Current assets					
Properties under development	7	124,750	1,033,229	2,978,385	3,575,238
Other receivables		513	2,673	11,190	10,984
Amounts due from related parties	12(a)	29,089	99,857	1,857	1,857
Cash and cash equivalents	8	10,408	845,385	152,104	240,004
Total current assets		164,760	1,981,144	3,143,536	3,828,083
Current liabilities					
Short-term bank loans	9(a)	—	996,000	936,000	936,000
Loans from related parties	12(b)	—	—	641,000	641,000
Accrued construction expenditure and other payables	10	13,646	87,283	192,936	152,898
Amounts due to related parties	12(b)	1,553	15,808	61,990	642,975
Total current liabilities		15,199	1,099,091	1,831,926	2,372,873
Net current assets		149,561	882,053	1,311,610	1,455,210
Total assets less current liabilities		149,577	882,959	1,312,536	1,456,490
Non-current liabilities					
Long-term bank loans	9(b)	—	304,000	1,164,000	1,164,000
Loans from related parties	12(b)	—	430,000	—	—
Total non-current liabilities		—	734,000	1,164,000	1,164,000
NET ASSETS		149,577	148,959	148,536	292,490
CAPITAL AND RESERVES					
Pain-in capital		150,000	150,000	150,000	294,118
Accumulated losses		(423)	(1,041)	(1,464)	(1,628)
TOTAL EQUITY		149,577	148,959	148,536	292,490

The accompanying notes form part of the Financial Information.

3 STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 14 August 2004	150,000	—	150,000
Loss for the period	—	(423)	(423)
At 31 December 2004	150,000	(423)	149,577
At 1 January 2005	150,000	(423)	149,577
Loss for the year	—	(618)	(618)
At 31 December 2005	150,000	(1,041)	148,959
At 1 January 2006	150,000	(1,041)	148,959
Loss for the year	—	(423)	(423)
At 31 December 2006	150,000	(1,464)	148,536
At 1 January 2006	150,000	(1,041)	148,959
Loss for the period (unaudited)	—	(123)	(123)
At 31 March 2006 (unaudited)	150,000	(1,164)	148,836
At 1 January 2007	150,000	(1,464)	148,536
Capital contribution*	144,118	—	144,118
Loss for the period	—	(164)	(164)
At 31 March 2007	294,118	(1,628)	292,490

* On 30 March 2007, Beijing Danshi injected RMB144.1 million into the Company and thereafter held 49% equity interest in the Company. The remaining 51% equity interest in the Company was held by District SASAC and Chongyuan.

The accompanying notes form part of the Financial Information.

4 CASH FLOW STATEMENTS

	Section C Note	Period from 14 August to 31 December 2004	Years ended 31 December 2005	Years ended 31 December 2006	Three month ended 31 March 2006	Three month ended 31 March 2007
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Loss before taxation		(423)	(618)	(423)	(123)	(164)
Adjustments for:						
— Interest income		(123)	—	—	—	—
Operating loss before changes in working capital . .		(546)	(618)	(423)	(123)	(164)
(Increase)/decrease in other receivables		(513)	(2,160)	(8,517)	(78,955)	206
Increase in properties under development		(124,750)	(882,030)	(1,791,946)	(727,064)	(553,766)
(Increase)/decrease in amounts due from related parties		(29,089)	(70,768)	98,000	—	—
Increase in amounts due to related parties		1,553	1,595	13,290	2,086	626,537
Increase/(decrease) in accrued construction expenditure and other payables . . .		13,646	71,625	103,464	(63,582)	(42,050)
Cash (used in)/ generated from operation		(139,699)	(882,356)	(1,586,132)	(867,638)	30,763
Interest received . . .		123	5,203	5,240	2,380	569
Interest paid		—	(16,865)	(123,142)	(26,504)	(87,135)
Net cash used in operating activities		(139,576)	(894,018)	(1,704,034)	(891,762)	(55,803)

	Section C Note	Period from 14 August to 31 December 2004	Years ended 31 December 2005	Years ended 31 December 2006	Three month ended 31 March 2006	Three month ended 31 March 2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from investing activities						
Capital expenditure .		(16)	(1,005)	(247)	(120)	(415)
Net cash used in investing activities		(16)	(1,005)	(247)	(120)	(415)
Cash flows from financing activities						
Capital contribution from an equity holder		150,000	—	—	—	144,118
Proceeds from bank loans		—	1,300,000	1,796,000	860,000	936,000
Repayments of bank loans		—	—	(996,000)	—	(936,000)
Proceeds from loans from related parties		—	430,000	211,000	—	—
Net cash generated from financing activities		150,000	1,730,000	1,011,000	860,000	144,118
Net increase/ (decrease) in cash and cash equivalents		10,408	834,977	(693,281)	(31,882)	87,900
Cash and cash equivalents at beginning of period/year		—	10,408	845,385	845,385	152,104
Cash and cash equivalents at end of period/year . . .	8	10,408	845,385	152,104	813,503	240,004

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with significant accounting policies set out below. These accounting policies are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations (hereafter collectively referred to as "New HKFRSs") that are effective for accounting periods beginning on or after 1 January 2005 and require or allow retrospective application. The Financial Information of the Company has been prepared in accordance with these New HKFRSs throughout the Relevant Period.

(b) Basis of preparation of the financial statements

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company. It is prepared on the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 14.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

(c) Equipment

Equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 1(d)).

Cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipment	5 years
Motor vehicles	6 years

Where parts of an item of equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(d) Impairment of assets

(i) *Impairment of other receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that equipment and intangible assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the recoverable amount is estimated. The asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest company of assets that generates cash inflows independently (i.e. cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(e) Properties under development

Properties under development in respect of property development activities are carried at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(m)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(f) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see Note 1(d)), except where the receivables are interest-free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see Note 1(d)).

(g) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under relevant PRC laws and regulations are charged to profit or loss when incurred.

(k) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(n) Operating lease payments

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(o) Related parties

For the purposes of this report, a party is considered to be related to the Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

(ii) the Company and the party are subject to common control;

(iii) the party is an associate of the Company or a joint venture in which the Company is a venturer;

(iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 LOSS BEFORE TAXATION

(a) Finance costs

The Company capitalises interest cost as a component of the cost of properties under development.

The following is a summary of interest cost incurred and bank charges:

	Period from 14 August to 31 December 2004	Years ended 31 December		Three months ended 31 March	
		2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	—	31,208	75,149	20,113	23,710
Interest on other loans	—	329	83,074	10,598	19,885
Less: Borrowing costs capitalised into properties under development*	—	(31,537)	(158,223)	(30,711)	(43,595)
	—	—	—	—	—
Bank charges and others	—	1	4	—	1
	—	1	4	—	1

* The borrowing costs were capitalised at a rate of 5.58%-6.12% per annum and 5.58%-6.84% per annum for the years ended 31 December 2005 and 2006, respectively, and at a rate of 5.58%-6.39% per annum (unaudited) and 6.12%-7.11% per annum for the three months ended 31 March 2006 and 2007, respectively.

(b) Other items

	Period from 14 August to 31 December 2004	Years ended 31 December		Three months ended 31 March	
		2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating lease charges	450	450	338	113	—
Auditors' remuneration-audit services	—	—	58	—	—

3 INCOME TAX IN THE INCOME STATEMENT

In accordance with the PRC Enterprise Income Tax Law, since the Company had operating losses before taxation during the Relevant Period, there was no provision for income tax.

4 DIRECTORS' EMOLUMENTS

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period from 14 August 2004 to 31 December 2004					
Chairman					
He Dagang	—	—	—	—	—
Executive directors					
Yang Boxian	—	—	—	—	—
Wang Sen	—	—	—	—	—
Lin Xi	—	—	—	—	—
Luan Yongliang	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2005					
Chairman					
He Dagang	—	—	—	—	—
Executive directors					
Liu Fuzhen (appointed on 15 April 2005)	—	21	1	1	23
Yang Boxian	—	—	—	—	—
Wang Sen	—	—	—	—	—
Lin Xi	—	—	—	—	—
Luan Yongliang	—	—	—	—	—
	—	21	1	1	23
Year ended 31 December 2006					
Chairman					
Ye Jingsheng (appointed on 5 June 2006)	—	65	1	3	69
He Dagang (resigned on 5 June 2006)	—	—	—	—	—

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Liu Fuzhen	—	93	3	3	99
Luan Yongliang	—	—	—	—	—
Shen Ping (appointed on 5 June 2006)	—	—	—	—	—
Wei Liangpei (appointed on 5 June 2006)	—	54	3	4	61
Yang Boxian (resigned on 5 June 2006)	—	—	—	—	—
Wang Sen (resigned on 5 June 2006)	—	—	—	—	—
Lin Xi (resigned on 5 June 2006)	—	—	—	—	—
	—	212	7	10	229
Three months ended 31 March 2006 (unaudited)					
Chairman					
He Dagang	—	—	—	—	—
Executive directors					
Liu Fuzhen	—	27	2	1	30
Yang Boxian	—	—	—	—	—
Wang Sen	—	—	—	—	—
Lin Xi	—	—	—	—	—
Luan Yongliang	—	—	—	—	—
	—	27	2	1	30
Three months ended 31 March 2007					
Chairman					
Tian Yun (appointed on 28 March 2007)	—	—	—	—	—
Ye Jingsheng (resigned on 28 March 2007)	—	24	2	3	29
Executive directors					
Pan Shiyi (appointed on 28 March 2007)	—	—	—	—	—
Pan Zhang Xin Marita (appointed on 28 March 2007)	—	—	—	—	—
Yan Yan (appointed on 28 March 2007)	—	—	—	—	—
Su Xin (appointed on 28 March 2007)	—	—	—	—	—
Liu Fuzhen (resigned on 28 March 2007)	—	25	2	3	30

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Luan Yongliang (resigned on 28 March 2007)	—	—	—	—	—
Shen Ping (resigned on 28 March 2007)	—	—	—	—	—
Wei Liangpei (resigned on 28 March 2007)	—	16	2	1	19
	—	65	6	7	78

During the Relevant Period, no emoluments were paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the Relevant Period.

5 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, nil, nil and two for the period/years ended 31 December 2004, 2005 and 2006, respectively, and nil (unaudited) and two for the three months ended 31 March 2006 and 2007, respectively, are directors whose emoluments are disclosed in Note 4. The aggregate of the emoluments in respect of the other individuals are as follows:

	Period from 14 August to 31 December 2004	Years ended 31 December		Three months ended 31 March	
		2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other emoluments	—	129	432	228	114
Discretionary bonuses	—	18	3	—	6
Retirement scheme contributions	—	7	14	—	8
	—	154	449	228	128

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	Period from 14 August to 31 December 2004	Years ended 31 December		Three months ended 31 March	
		2005	2006	2006	2007
	Number of Individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
RMB Nil to RMB 1,000,000 . . .	—	5	3	5	3

During the Relevant Period, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

6 EQUIPMENT

	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 14 August 2004	—	—	—
Additions	16	—	16
At 31 December 2004	16	—	16
At 1 January 2005	16	—	16
Additions	784	221	1,005
At 31 December 2005	800	221	1,021
At 1 January 2006	800	221	1,021
Additions	247	—	247
At 31 December 2006	1,047	221	1,268
At 1 January 2007	1,047	221	1,268
Additions	78	337	415
At 31 March 2007	1,125	558	1,683
Accumulated depreciation:			
At 14 August 2004	—	—	—
Depreciation	—	—	—
Written back on disposals	—	—	—
At 31 December 2004	—	—	—
At 1 January 2005	—	—	—
Depreciation	97	18	115
Written back on disposals	—	—	—
At 31 December 2005	97	18	115
At 1 January 2006	97	18	115
Depreciation	192	35	227
Written back on disposals	—	—	—
At 31 December 2006	289	53	342

	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	289	53	342
Depreciation	52	9	61
Written back on disposals	—	—	—
At 31 March 2007	341	62	403
Net book value:			
At 31 December 2004	16	—	16
At 31 December 2005	703	203	906
At 31 December 2006	758	168	926
At 31 March 2007	784	496	1,280

7 PROPERTIES UNDER DEVELOPMENT

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	124,750	1,033,299	2,978,385	3,575,238

All of the amounts of properties under development are expected to be recovered after more than one year.

Properties under development as at 31 March 2007 included leasehold land of RMB 148,649,000 under medium-term lease in the PRC. No leasehold land was included in the balance as at 31 December 2004, 2005 and 2006.

8 CASH AND CASH EQUIVALENTS

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	28	47	53	41
Cash at bank	10,380	845,338	152,051	239,963
	10,408	845,385	152,104	240,004

9 BANK LOANS

(a) Short-term bank loans

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured bank loans	—	996,000	936,000	936,000

The unsecured bank loan as at 31 December 2005, bearing a fixed annual interest rate of 5.58%, was repaid in March 2006.

As at 31 December 2006 and 31 March 2007, the unsecured bank loan, bearing a floating interest rate at base lending rate of the People's Bank of China ("**PBOC**"), was guaranteed by the People's Government of Chongwen District of Beijing.

(b) Long-term bank loans

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured bank loans	—	304,000	1,164,000	1,164,000

The unsecured bank loans as at 31 December 2005 and 2006 and 31 March 2007 bore a floating interest rate at base lending rate of the PBOC, were guaranteed by the People's Government of Chongyuan District of Beijing and had maturities from 2008 through 2017.

10 ACCRUED CONSTRUCTION EXPENDITURE AND OTHER PAYABLES

		At 31 December			At 31 March
	Note	2004	2005	2006	2007
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued construction expenditure	(i)	13,646	80,218	184,714	142,696
Other payables		—	7,065	8,222	10,202
		13,646	87,283	192,936	152,898

(i) These accrued construction expenditure are expected to be settled within a year.

The ageing analysis of accrued construction expenditure is as follows:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	—	58,761	—	—
Due after 1 month but with 3 months	—	—	—	—
Due after 3 month but within 6 months	13,646	21,457	184,714	142,696
	13,646	80,218	184,714	142,696

11 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

As at each balance sheet date during the Relevant Period, the Company had the following commitments in respect of properties under development not provided for in the financial statements:

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	468	5,967	101,447	78,108
	468	5,967	101,447	78,108

(b) Legal contingencies

The Company is the named party in certain lawsuits in proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Company.

12 MATERIAL RELATED PARTY TRANSACTIONS

(a) Amounts due from related parties and corresponding transactions

The balances represented the demolition compensation costs paid on behalf of related parties, and were interest free, unsecured and had no fixed terms of repayment. During the period ended 31 December 2004, RMB 29,089,000 was paid on behalf of Housing Authority of Chongwen District of Beijing (the "Authority"), a government institution in Chongwen district of Beijing. This balance was taken up by Beijing Qianmen Investment and Management Co., Ltd. ("Beijing Qianmen"), a fellow subsidiary of District SASAC in 2005.

During the year ended 31 December 2005, a further of RMB 70,768,000 was paid on behalf of Beijing Qianmen. Beijing Qianmen repaid RMB 98,000,000 to the Company during the year ended 31 December 2006.

(b) Amounts due to/loans from related parties, and corresponding transactions

	Note	At 31 December			At 31 March
		2004	2005	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Amount due to related parties					
The Authority	(i)	1,553	3,148	16,438	5,836
Accrued loan interests of government borrowings	(ii)	—	12,660	45,552	—
Beijing Danshi	(iii)	—	—	—	500,000
Land costs payable to Finance Bureau of Beijing	(iv)	—	—	—	137,139
		1,553	15,808	61,990	642,975
Loans from related parties					
Government borrowings:	(ii)				
— Repayable within 1 year		—	—	641,000	641,000
— Repayable after 1 year but within 2 years		—	430,000	—	—
		—	430,000	641,000	641,000

(i) The balances represented the outstanding balances of demolition costs payables to the Authority, and were interest free, unsecured and had no fixed terms of repayment.

(ii) It represented unsecured borrowings from Financial Bureau of Chongwen District of Beijing for demolition compensation payment purpose. The balances as at 31 December 2005 and 2006 and 31 March 2007 bore an annual interest rate at a floating rate at base lending rate of the PBOC, and were repayable on 31 December 2007. The Company paid interests of RMB51,825,000 during the three months ended 31 March 2007.

(iii) The balance as at 31 March 2007 represented the first instalment of funds received from Beijing Danshi pursuant to the Cooperation Agreement entered into on 9 March 2007.

(iv) The balance as at 31 March 2007 represented the amount payable to Finance Bureau of Beijing for the acquisition of land use rights. The balance was interest free and unsecured, and was paid on 10 April 2007.

(c) Transactions with other state-controlled entities in the PRC

During the Relevant Period, the equity holders of the Company, District SASAC and Chongyuan, are state-controlled enterprises. The Company operated in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities"), and other state-controlled enterprises were related parties of the Company.

Apart from transactions with equity holders, the Company had transactions with other state-controlled entities include but not limited to the following:

Rendering and receiving services;

Depositing and borrowing money; and

Use of public utilities.

These transactions were conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not state-controlled. The Company has established its procurement policies, pricing strategy and approval process for procurements of products and services which do not depend on whether the counterparties are state-controlled entities or not.

Having considered the transactions potentially affected by related party relationships, the Company's procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the Financial Information, other than those as disclosed elsewhere in the Financial Information, the directors are of the opinion that the transactions with state-controlled banks require disclosure of numeric details which are set out as below:

	Period from 14 August to 31 December	Years ended 31 December		Three months ended 31 March	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest expenses	—	18,877	125,331	24,492	37,322

	At 31 December			At 31 March
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	—	996,000	936,000	936,000
Long-term bank loans	—	304,000	1,164,000	1,164,000

13 FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

(a) Credit risk

The Company's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

As at each balance sheet date during the Relevant Period, the Company had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(b) Liquidity risk

The company's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The interest rates of the Company's bank loans and interest-bearing advances from related parties are disclosed in Note 9 and Note 12 (b), respectively. The annual interest rates of the Company's deposits at bank, ranged from 0.60% to 1.44%, 0.60% to 1.44%, 0.60% to 1.44% and 0.72% to 1.44% as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

(d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2004, 2005 and 2006 and 31 March 2007.

14 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment for other receivables

The Company estimates impairment losses for other receivables resulting from the inability of the customers to make the required payments. The Company bases the estimates on the aging of the other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(b) Provision for properties under development

As explained in Note 1(e), the Company's properties under development are stated at the lower of cost and net realisable value. Based on management's recent experience and the nature of the subject properties, the Company makes estimates of the selling prices, the costs of completion and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD BEGINNING 1 JANUARY 2007

Up to the date of issue of this report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period beginning 1 January 2007 and which have not been adopted in this report:

	Effective for accounting periods beginning on or after
HK(IFRIC) 11 "HKFRS 2 — Group and treasury share transactions"	1 March 2007
HK(IFRIC) 12 "Service concession arrangements"	1 January 2008
HKFRS 8 "Operating segments"	1 January 2009
HKAS 23 (Revised) "Borrowing costs"	1 January 2009

The Company has made an assessment of what the impact of these amendments, new standards and new interpretations is expected to be, in the period of initial application and has so far concluded that these new HKFRSs would not have a significant impact on the Company's results of operations and financial position.

D SUBSEQUENT EVENTS

(a) New tax rule

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("**the new tax law**") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Company in the PRC will be reduced from 33% to 25% from 1 January 2008. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 March 2007.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

Beijing Danshi, a PRC entity controlled by Mr. Pan who is also one of our founders and an Executive Director of the Company, acquired a 49% equity interest in Beijing Tianjie in March 2007. Beijing Tianjie has received the Construction Land Planning Permit and Construction Planning Opinion for the Tiananmen South (Qianmen) Project. It also received Work Commencement Permits to enable it to commence refurbishment and construction work on ten projects within the Tiananmen South (Qianmen) Project area.

We do not currently hold any interest in the Tiananmen South (Qianmen) Project but we have recently entered into a series of agreements with a view to ensuring that we acquire Beijing Danshi's interest in Beijing Tianjie. Such acquisition is subject to PRC Government approvals as described in more detail below. In the event that we do not obtain the requisite approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings.

Overview of the Tiananmen South (Qianmen) Project

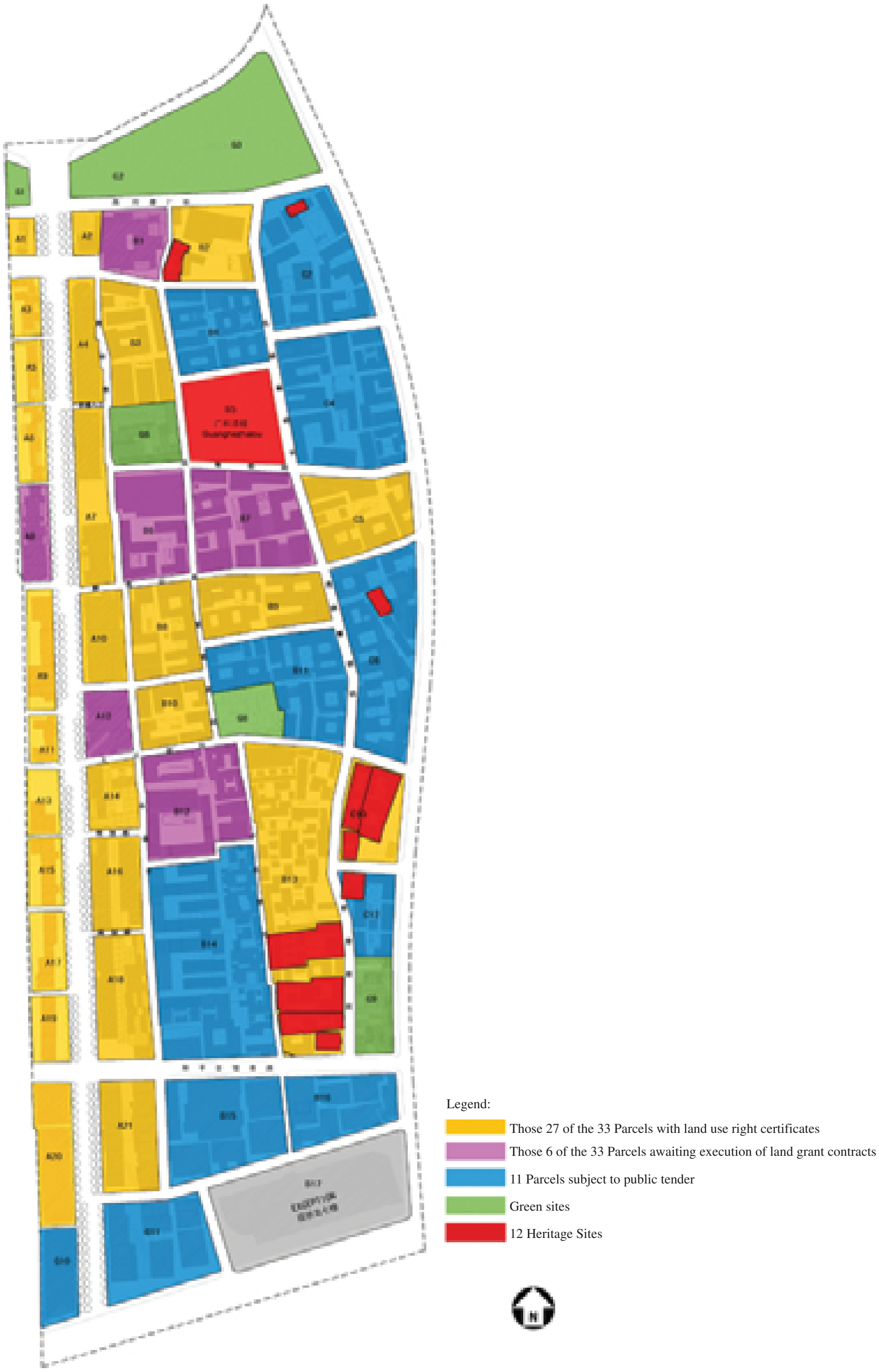
Assuming that we receive all approvals for and complete our acquisition of the 49% equity interest in Beijing Tianjie, and except as set out below with respect to the 12 Heritage Sites, the Cooperation Agreement, as amended, generally provides that (1) we will develop, design, construct, sell, lease and operate all of the 44 parcels of land that Beijing Tianjie may acquire (the "**44 Parcels**") and (2) we will be entitled, as referred to in more detail below, to all of the income generated by, less all the costs and expenses incurred by, Beijing Tianjie that are related to any of the 44 Parcels.

Beijing Tianjie has already acquired the land use rights to 27 of the 44 Parcels and is awaiting the execution of land grant contracts with the Beijing Municipal office of the State Land and Resources Bureau for a further 6 land parcels (together the "**33 Parcels**"). We expect that Beijing Tianjie will receive the land use right certificates for these remaining 6 land parcels prior to the end of October 2007. The 33 Parcels total approximately 74,300 sq.m. of site area with a total planned GFA of approximately 165,000 sq.m., substantially all of which is for commercial use.

The 44 Parcels include 11 land parcels with a site area of approximately 52,700 sq.m. and a planned GFA of approximately 195,000 sq.m. which we expect to be put up for open tender by the Beijing Municipal office of the State Land and Resources Bureau in late 2007 (the "**11 Parcels**"). We currently intend to tender for the 11 Parcels through BVI-9. In the event that BVI-9 is successful in tendering for any or all of the 11 Parcels, we will enter into land grant contracts and apply for the Land Use Right Certificates for the relevant land parcels.

The parties have agreed that we may, and we currently intend to, use BVI-9 rather than Beijing Tianjie to bid for the 11 Parcels in which case Beijing Tianjie will develop, design, construct, sell, lease and operate the 33 Parcels and BVI-9's subsidiary will develop, design, construct, sell, lease and operate the 11 Parcels. However, in the event we obtain the relevant PRC Government approvals and acquire the 49% equity interest in Beijing Tianjie prior to the date of the open tender, we may consider using Beijing Tianjie rather than BVI-9 to bid for the 11 Parcels at open tender, in which case the economic interest in and responsibility for such parcels will be acquired by us through our ownership of the 49% equity interest in Beijing Tianjie.

A site plan of the Tiananmen South (Qianmen) Project is set out below showing each of the land parcels within the Tiananmen South (Qianmen) Project and their status, as further described below.



References in this prospectus to Tiananmen South (Qianmen) Project accordingly refer to the development of the 33 Parcels plus such number of the 11 Parcels as we or Beijing Tianjie may acquire through the open tender process. Any references to our interest in any of the 33 Parcels is subject to our obtaining all necessary PRC Government approvals for the transfer of the 49% equity interest in Beijing Tianjie to us and all references to the 11 Parcels are subject to us directly obtaining through BVI-9, or indirectly through Beijing Tianjie obtaining, such land parcels pursuant to open tender. All site area and GFA data related to the 11 Parcels included in this prospectus is premised on the assumption that two lots with a site area of approximately 5,230 sq.m. which are currently zoned for green space are rezoned for commercial use. Based on our discussions with District SASAC and Chongyuan, we understand that the municipal government has agreed that the land use of such lots will be rezoned. All site area and GFA data throughout the prospectus relating to the 33 Parcels comprises area situated both above ground and on the basement level and excludes that attributable to the 12 Heritage Sites.

Beijing Tianjie is in the process of applying for the required Construction Works Planning Permits and Work Commencement Permits, although preliminary construction and renovation of certain parcels which already have the relevant permits began in the third quarter of 2007. The Tiananmen South (Qianmen) Project is expected to be completed in phases with the first phase of completion expected by the fourth quarter of 2008 and the last phase of completion expected by the third quarter of 2009. Pre-sales are expected to commence in the first half of 2008. Subject to the successful acquisition of the 49% equity interest in this project, we currently plan to sell less than 50% of the saleable GFA and retain the remaining properties, which we expect will be comprised principally of retail properties, for medium to long term investment purposes.

Government approvals required for the transfer of the interest in Beijing Tianjie

Our acquisition of the 49% equity interest in Beijing Tianjie is subject to a number of PRC Government approvals, in particular approval from the Beijing Development and Reform Commission; the Beijing Bureau of Commerce; registration at Central MOFCOM; obtaining a business licence from the Beijing Administration for Industry and Commerce and approval from Municipal SAFE for the transfer of foreign funds for payment of the consideration and other contractual obligations. We have yet to obtain such approvals. We have previously provided all the documents requested by the Beijing Development and Reform Commission, which is the next stage of the approval process. The Beijing Development and Reform Commission will grant approval if it is satisfied that the application meets certain PRC economic and social criteria. In particular, our PRC legal advisers have advised that the following criteria will be considered; namely that the acquisition:

(i) fully complies with all applicable legislation and rules and in particular the “Guidelines on Foreign Invested Industries”;

(ii) complies with the needs for national economic growth, long term planning of social development, industry sector planning and PRC policies in developing industrial structure;

(iii) complies with rules and regulations concerning public interest and anti-trust legislation;

(iv) complies with the requirements of land use planning, overall city planning and environmental protection policies;

(v) complies with industry and technology requirements; and

(vi) complies with the relevant rules of capital account administration and foreign debts administration.

The Beijing Development and Reform Commission has the sole right to determine whether the acquisition meets the criteria set out above and whether the approval should be granted, but our PRC legal advisers have confirmed that there is no legal impediment to obtaining the approval from Beijing Development and Reform Commission under normal procedures. Our PRC legal advisers have also advised that, although the Beijing Bureau of Commerce has the right to determine whether to grant the approval, once the approval from the Beijing Development and Reform Commission is obtained and we have provided the documents which are requested by the Beijing Bureau of Commerce, under normal procedures there will be no legal impediment to obtaining the approval from the Beijing Bureau of Commerce in respect of the acquisition of 49% equity interest in Beijing Tianjie by BVI-9. The Beijing Bureau of Commerce will be responsible for completing the registration at Central MOFCOM after it has granted the approval. Our PRC legal advisers have advised that, after obtaining all the approvals mentioned above, there will be no legal impediment to obtaining the business license from the Beijing Administration for Industry and Commerce and the approval from Municipal SAFE for the transfer of equity of foreign funds. However, in the event that we do not obtain the required approvals, we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale, which could have a material impact on our future earnings.

Arrangements regarding the 11 Parcels

The 11 Parcels will be separately put up for open tender, which we expect to occur in late 2007. Most of the 11 Parcels are located at the eastern side of the development area, furthest from Qianmen Avenue and interspersed amongst the 33 Parcels to which Beijing Tianjie already has rights. Depending on whether BVI-9 or Beijing Tianjie is used to tender for the 11 Parcels, and on how many of the 11 Parcels either may acquire, we have agreed with District SASAC and Chongyuan that adjustments will be made to the consideration payable for the 49% interest in Beijing Tianjie pursuant to the Cooperation Agreement, as amended. See below “Arrangements regarding the 11 Parcels” and “History and the Agreements Relating to the Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture — Consideration.”

In the event that a third party developer is successful in tendering for any or all of the 11 Parcels such developer will be obliged to develop those parcels in accordance with the master design plan provided by the Beijing government and to which the development of the 33 Parcels by Beijing Tianjie, and any of the 11 Parcels acquired by us, are also subject. Development of any of the 11 Parcels by a third party developer would take place alongside the development by Beijing Tianjie of the 33 Parcels and us of such (if any) of the 11 Parcels as we may acquire and would not necessitate any direct cooperation between Beijing Tianjie or us and such third party developer. If we acquire any or all of the 11 Parcels but do not receive the necessary PRC Government approvals to acquire Beijing Danshi’s interest in the Tiananmen South (Qianmen) Project, we will work independently of Beijing Tianjie, but in accordance with the Beijing government’s master design plan, to develop such parcels. If our tender for any of the 11 Parcels is unsuccessful, we do not expect that this would have any material adverse effect on our overall development plan for the Tiananmen South (Qianmen) Project except that we will not have available for sale a total saleable GFA of approximately 120,000 sq.m. to be constructed on the 11 Parcels. We understand that any successful tender for the 11 Parcels by a third party developer would also need to include payment for the relocation costs already incurred which would be reimbursed to Beijing Tianjie.

We currently intend to use BVI-9 to tender for the 11 Parcels in the open tender that is expected to take place in late 2007. Subject to a successful bid for all or any of the 11 Parcels, BVI-9’s subsidiaries will enter into land grant contracts with the land bureau with respect to such land parcels. District SASAC and Chongyuan have agreed that the amount paid by BVI-9 for the 11 Parcels (or such number of the 11 Parcels as it is able to acquire) will be deducted from the total consideration payable under the Cooperation Agreement, as amended. If BVI-9 is unable to acquire any or all of the 11 Parcels we expect that there may be further adjustments to be made to the consideration payable under the Cooperation Agreement, as amended. We expect such adjustments to be separately agreed between the parties to the Cooperation Agreement, as amended, to reflect the consideration paid by BVI-9 for such number of the 11 Parcels as it acquires and the value and GFA of any of the 11 Parcels which BVI-9 fails to acquire and which are acquired by the third party. See "History and the Agreements Relating to the Proposed Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture — Consideration". The Company has agreed with BVI-9 that if funds are required to pay a deposit or make full payment for the 11 Parcels pursuant to the open tender, the Company will lend money to BVI-9 in the form of an intra-group loan to pay for the deposit or make full payment as necessary.

In the event that we receive the relevant PRC Government approvals and acquire the 49% equity interest in Beijing Tianjie prior to the date of the open tender, we may consider using Beijing Tianjie rather than BVI-9 to tender for the 11 Parcels, in which case the economic interest in and responsibility for such parcels will be acquired by us through our ownership of the 49% equity interest in Beijing Tianjie. In these circumstances, and in the event that Beijing Tianjie acquires all of the 11 Parcels, we will be obliged to pay the fourth instalment of the RMB3,150 million entrustment loan, in the amount of RMB1,070 million, referred to below (see Consideration below). Should Beijing Tianjie tender for the 11 Parcels at open tender and not acquire all 11 Parcels, we expect that there may be adjustments made to the total consideration payable under the Cooperation Agreement, as amended. We expect the amount of such adjustments to be agreed separately between the parties to the Cooperation Agreements, as amended, based on the consideration paid by Beijing Tianjie for such number of the 11 Parcels as it acquires and the value and GFA of any of the 11 Parcels which Beijing Tianjie fails to acquire and which are acquired by a third party.

In the event that any of the 11 Parcels is acquired by a third party at open tender the relocation costs will be repaid by such third party as part of the open tender procedure, but neither the Cooperation Agreement nor any of the supplemental agreements specifies how the costs of construction of the municipal infrastructure and other similar costs may be allocated or shared with any third party who may successfully bid for any or all of the 11 Parcels. It is the expectation of the Directors, based on their prior dealings with District SASAC and Chongyuan, that mutually acceptable supplemental arrangements to address these issues would be agreed in the event that any of the 11 Parcels that are to be tendered are not obtained by us.

History and the Agreements Relating to the Proposed Acquisition and Operation of the Beijing Tianjie Cooperative Joint Venture

Prior to the various parties agreeing to enter into the transactions that contemplate us owning a 49% equity interest in Beijing Tianjie, its only shareholders were the local Chongwen district office of the State Owned Asset Supervision and Administration Commission, or District SASAC, and a company wholly-owned by District SASAC, namely Chongyuan. These government instrumentalities, through Beijing Tianjie, commenced preparatory work for the project in 2005, including the relocation of the existing residents and tenants of the project area. As of the date of this prospectus, all residents and tenants have been relocated out of the development area and renovation of a few buildings and construction of a portion of the municipal infrastructure has commenced.

Beijing Danshi, an entity controlled by Mr. Pan, has purchased a 49% equity interest in Beijing Tianjie through a capital contribution of RMB144,117,647 (equivalent to approximately HK$147,504,412) into Beijing Tianjie. Beijing Danshi has agreed to transfer its interest in Beijing Tianjie to us. Such transfer remains subject to PRC Government approvals and in the event we do not obtain the required approvals we may not be entitled to any economic interest in this project and will not have access to any of the associated GFA for development or sale. Key terms of these existing agreements include the following:

- ***Economic interests in the various land parcels and management rights.*** The operations of Beijing Tianjie have consisted of, and will continue to consist of, more than just the development of the Tiananmen South (Qianmen) Project. District SASAC and

Chongyuan have been pursuing the site preparations and construction of municipal infrastructure, through Beijing Tianjie. Also, within the development area are 12 lots designated as heritage sites upon which sit historical and cultural buildings which are over 100 years old and which are regarded as important to Beijing's cultural heritage (the "**12 Heritage Sites**").

The 12 Heritage Sites consist of 11 buildings that are located on and within the 33 Parcels plus an additional 34th land parcel (the Guanghezhalou land parcel). The 12 Heritage Sites occupy a relatively small area within the project; the 11 buildings comprise a GFA of approximately 4,660 sq.m. and the Guanghezhalou land parcel a GFA of approximately 5,300 sq.m. overground plus a further GFA of 1,800 sq.m. underground, compared to a total GFA of approximately 360,000 sq.m. for the Tiananmen South (Qianmen) Project. Please refer to the site plan of the Tiananmen South (Qianmen) Project to see the location and area of the 12 Heritage Sites.

Because of the special cultural and historical importance of the 12 Heritage Sites, District SASAC and Chongyuan will ultimately be responsible for them and, other than as described below with respect to the Guanghezhalou land parcel, the district land bureau will retain the title to the 11 buildings comprising 11 of the 12 Heritage Sites. However, we and Beijing Danshi have agreed with District SASAC and Chongyuan that, irrespective of whether the transfer of Beijing Danshi's equity interest in Beijing Tianjie is approved and completed or whether we successfully acquire any of the 11 Parcels, they can, through Beijing Tianjie, repair and operate the 12 Heritage Sites (including the development of the Guanghezhalou land parcel until it is transferred out of Beijing Tianjie to Tianshi Property, which is expected to occur before 30 June 2008) and that they can generally refurbish, operate, maintain and manage the redevelopment of the Tiananmen South (Qianmen) Project's municipal infrastructure within and through Beijing Tianjie.

The 11 buildings that comprise 11 out of the 12 Heritage Sites are of mainly cultural and historical rather than commercial value. Following their restoration and redevelopment, District SASAC and Chongyuan will maintain and operate each of the 12 Heritage Sites as sites of cultural interest for the benefit of visitors and users to those sites, and will be entitled to any revenues deriving from their operation.

Beijing Tianjie will have the responsibility to operate and manage the Guanghezhalou land parcel for a limited period before it, and the related operations, are transferred out of Beijing Tianjie to Tianshi Property. Title to the 11 buildings will be granted directly to the local land bureau and will not be held at any time by Beijing Tianjie.

Accordingly, to reflect the fact that District SASAC and Chongyuan will be responsible for the expenses and economic risks as well as any revenues associated with the 12 Heritage Sites, there will exist within Beijing Tianjie segregated accounting records; one set of accounting records for which we or Beijing Danshi will be responsible that relate to such number of the 44 Parcels that we will be developing through Beijing Tianjie and the net income related thereto, and another set of accounting records that will be the responsibility of, and will be maintained by, District SASAC and Chongyuan, for as long as the 12 Heritage Sites are operated through Beijing Tianjie, consisting of the municipal infrastructure and the 12 Heritage Sites that District SASAC and Chongyuan will be repairing and operating and the net income related thereto.

District SASAC and Chongyuan have agreed that arrangements will be made to ensure that we (or Beijing Danshi prior to the transfer of its 49% equity interest in Beijing Tianjie), as shareholders of Beijing Tianjie, will have the right to access all Beijing Tianjie's financial information. We therefore expect that any future audits of Beijing Tianjie would be conducted with full access to all the financial information of Beijing Tianjie, including those accounts maintained by District SASAC and Chongyuan. It has also been agreed to buy insurance, paid for out of the accounts of Beijing Tianjie that will be maintained by District SASAC and Chongyuan, to cover any third party liability which may be incurred during the repair and operation of the 12 Heritage Sites by Beijing Tianjie.

In addition, Mr. Pan and Ms. Zhang have executed an undertaking pursuant to which, after completion of the acquisition of the 49% equity interest in Beijing Tianjie by BVI-9, they will indemnify BVI-9 in respect of any losses or damages suffered by BVI-9 through Beijing Tianjie arising out of the development of the 12 Heritage Sites by Beijing Tianjie, which are not otherwise indemnified by District SASAC and Chongyuan. As a result we do not believe that, following the receipt of the relevant approvals and completion of the proposed transfer of the 49% equity interest to us, the Group will be subject to any material risk as a result of Beijing Tianjie's role in the development and operation of the 12 Heritage Sites.

Our (or Beijing Danshi's prior to the transfer to us of its interest), District SASAC's and Chongyuan's respective rights to the profits of Beijing Tianjie that relate to the 44 Parcels, the 12 Heritage Sites and the municipal infrastructure are set out in the Cooperation Agreement, as amended, which generally provides that we (or Beijing Danshi prior to the transfer to us of its interest) shall be entitled to all of the net income from the 44 Parcels (excluding the 12 Heritage Sites and to the extent that land use right certificates are obtained by Beijing Tianjie for the 33 Parcels and subject to BVI-9 or Beijing Tianjie tendering for and acquiring the 11 Parcels at open tender), such net income consisting of all income, expenses, liabilities and risks relating to all of such land parcels (including, without limitations, the payment of land transfer fee, demolition and relocation expenses, development and construction expenses, and the assumption of related bank debts). The Cooperation Agreement, as amended, also generally provides that, subject to our obtaining the requisite approvals for our acquisition of the equity interest in Beijing Tianjie, and excluding the 12 Heritage Sites, we will develop, design, construct, sell, lease and operate all of the 44 Parcels that Beijing Tianjie may acquire.

Subject to our receipt of the relevant approvals for, and our acquisition of, the 49% equity interest in Beijing Tianjie, we do not currently intend for Beijing Tianjie to own or operate any assets other than those described above, and it is our understanding that the net income generated or expenses incurred from any operations other than these would require the parties to reach a further agreement before they could be distributed or allocated. Neither the Cooperation Agreement nor any of the supplemental agreements to it specifies explicitly how the parties should address a situation where the revenues from the assets under the control of a party are insufficient to cover the costs or liabilities of developing, operating or maintaining the assets for which that party is responsible. However, based on our financial projections for Beijing Tianjie, the Directors consider it unlikely such a scenario will arise. In particular, with respect to the 12 Heritage Sites, the District SASAC and Chongyuan have told us that they have allocated a total budget of no less than RMB50 million for the preservation operation and management of the 12 Heritage Sites (excluding the Guanghezhalou land parcel which is expected to be transferred out of Beijing Tianjie before 30 June 2008), which the Directors believe is sufficient to cover the cost or liabilities of the District SASAC and Chongyuan with respect to the 12 Heritage Sites. In addition, based on their prior dealings with District SASAC and Chongyuan, the Directors believe that if the situation where fee revenues are insufficient to cover a party's costs or liabilities did arise, a mutually acceptable supplemental arrangement to address the above would be agreed.

- ***Acquisition of equity interests.*** We have entered into a series of agreements to purchase, for the consideration described below, a 49% equity interest in Beijing Tianjie from Beijing Danshi, which acquired the interest through a capital contribution of RMB144,117,647 (equivalent to approximately HK$147,504,412) into Beijing Tianjie. Subject to the receipt of the relevant approvals for, and upon our acquisition of, this 49% equity interest we will convert Beijing Tianjie into a sino-foreign cooperative joint venture. The acquisition of this 49% equity interest is subject to PRC Government approvals. If we do not obtain the requisite approvals we may not be entitled to any economic interest in this project. Our planning is based on the expectation that all necessary PRC Government approvals will be obtained before the end of 2007.

  Subject to and subsequent to the acquisition of the 49% equity interest after obtaining the requisite PRC Government approvals and depending on the progress of construction of the project, our equity interest in Beijing Tianjie may be raised to 95% at some point in the future. The timing of such transfer will be mutually agreed between the parties at a later date and, whilst we expect that District SASAC and Chongyuan will agree to such a transfer requisite and the method of such transfer only after certain milestones have been met in the development of this project so that they can be assured of its full and satisfactory completion, the details of such milestones have not been agreed between the parties. Although the Cooperation Agreement, as amended, does not specify any additional consideration for the 46% interest, under PRC law an increase in our equity interest through an equity transfer or a capital increase requires an asset appraisal of the value of the interest being transferred to be carried out and the report to be filed with the state-owned asset administration office, and, in the case of an equity transfer, also an open tender with minimum tender prices based on the results of the asset appraisal report.

  Except as described in this Appendix IC with respect to the 12 Heritage Sites, and subject to our obtaining the necessary approvals for the transfer, all economic interests and revenues with respect to the 44 Parcels (to the extent that land use right certificates are obtained by Beijing Tianjie and that Beijing Tianjie acquires the 11 Parcels at open tender) will be transferred to us with the 49% equity interest and the transfer of the 46% equity interest will not therefore affect the allocation of such revenues or the respective economic liabilities between the parties. However, if we do not obtain the required approvals we may not be entitled to any economic interest in any of the 44 Parcels acquired by Beijing Tianjie.

- ***Consideration.*** As consideration for the acquisition of Beijing Danshi's interest in Beijing Tianjie and the economic rights which we will enjoy under the Cooperation Agreement, as amended, in the event that such acquisition is completed, we have agreed to pay consideration in the aggregate sum of RMB5.25 billion which is made up of (1) a four instalment loan to Beijing Tianjie, the first and second instalments of which are to be provided by Redstone Jianwai (one of our subsidiaries) to Beijing Danshi for the benefit of Beijing Tianjie and the third and fourth instalments of which are to be provided, conditional upon our obtaining the necessary approvals for the transfer of the 49% equity interest, by Redstone Jianwai to Beijing Tianjie and (2) repayment of outstanding bank loans of Beijing Tianjie in the principal amount of RMB2,100 million (equivalent to approximately HK$2,149 million) together with, in the event that the relevant PRC Government approvals are provided by 6 p.m. on 31 October 2007, interest from 1 April 2007. If the PRC Government approvals for the transfer of the 49% equity interest in Beijing Tianjie are not acquired by 6 p.m. on 31 October 2007, we will not be liable for unpaid interest accrued prior to such approvals being provided.

  In addition, we are required to pay RMB144,117,647 (equivalent to approximately HK$147,504,412) to Beijing Danshi as a reimbursement of its RMB144,117,647 (equivalent to approximately HK$147,504,412) capital contribution to Beijing Tianjie. In the event that the 49% equity interest is not transfered to us, we will not be liable to pay Beijing Danshi this RMB144,117,647 nor will we be obliged to make available the third and fourth instalments (amounting to a total of RMB2,150,000,000 (equivalent to approximately HK$2,200,525,000) of the RMB3,150 million entrustment loan.

The principal amount of the entrustment loan is RMB3,150 million (equivalent to approximately HK$3,224 million) and such amount will be made available to District SASAC and Chongyuan to enable them to fulfill their obligations under their agreements with us. The final amount to be made available to District SASAC and Chongyuan is subject to adjustment as described above depending on how many of the 11 Parcels we may acquire. We consider that, the RMB3,150 million entrustment loan we will make available for the benefit of Beijing Tianjie and our obligation to repay the principal of outstanding bank loans owed by Beijing Tianjie, in the sum of RMB2,100 million and (provided that the relevant PRC Government approvals are provided by 6 p.m. on 31 October 2007) the interest accruing thereon since 1 April 2007, in each case subject to the acquisition of the 49% equity interest, to be part of the consideration for our acquisition of the Tiananmen South (Qianmen) Project. The proceeds therefrom will be used by District SASAC and Chongyuan but its repayment will be our (or Beijing Danshi's in the event that the relevant PRC Government approvals are not provided) responsibility and, subject to receipt of the relevant PRC Government Approvals for the transfer of the 49% equity interest, will constitute one of the expenses that relates to the land parcels that we develop.

The first and second instalments of the RMB3,150 million (equivalent to approximately HK$3,224 million) entrustment loan have previously been advanced by Redstone Jianwai to Beijing Danshi but are expected to be repaid to Redstone Jianwai by Beijing Danshi within one week of Listing. The repayment will reduce our exposure to any credit risk with respect to Beijing Danshi and avoid such amounts payable by Beijing Danshi, a connected party, being left outstanding. In order to effect this repayment of the first and second instalments by Beijing Danshi, it is expected that the proceeds from the sale of the Sale Shares by the Controlling Shareholders as part of the International Offering will be distributed to Ms. Zhang by HSBC Trustee and will then be used by Ms. Zhang to secure bank loans to be used by Beijing Danshi, together with separate funds of Beijing Danshi, to make the repayment to Redstone Jianwai. Ms. Zhang has also provided a letter of undertaking in favour of Redstone Jianwai to procure the repayment of the entrustment loan by Beijing Danshi. The amount of these instalments will only subsequently become repayable by us, or Redstone Jianwai, to Beijing Danshi, upon the receipt of the relevant PRC Government approvals for the transfer of its 49% equity interest in Beijing Tianjie.

We expect to extend the third and fourth instalment of our loan to Beijing Tianjie (subject to adjustment as set out above to reflect the outcome of the tender for the 11 Parcels) in an amount of RMB 1,080 million (equivalent to approximately HK$1,105 million) and RMB 1,070 million (equivalent to approximately HK$1,095 million) respectively by the end of 2007, subject to the receipt of all the relevant PRC Government approvals for the transfer of Beijing Danshi's equity interest in Beijing Tianjie to us.

Assuming that we receive all the necessary PRC Government approvals, then the total consideration of RMB5.25 billion provided by us (subject to adjustment as set out above to reflect the outcome of the tender for the 11 Parcels) will be as required by our agreements with District SASAC and Chongyuan to be used for, among other things, the payment of relocation and other land clearance and preparation costs related to, among others, the 44 Parcels, payment of land grant fees for, among others, the 44 Parcels, and to fund the construction and development costs of much of the required municipal infrastructure. District SASAC and Chongyuan are responsible for applying for and obtaining the Land Use Right Certificates for the 33 Parcels and the payment of all required land grant fees.

As at the Latest Practicable Date, the liabilities of Beijing Tianjie included the full amounts of the RMB 2,100 million (equivalent to approximately HK$2,149 million) long term bank loans and a RMB 641 million (equivalent to approximately HK$656 million) loan from the Chongwen District Bureau of Finance plus outstanding interest.

In the event that approval for the transfer to us of the 49% equity interest in Beijing Tianjie is not forthcoming, we have entered into contingency arrangements with Beijing Danshi, as set out in the Interim Agreement, to safeguard our interest in the Tiananmen South (Qianmen) Project and to seek to ensure that the transfer might be made at a later date or, in the event that the transfer cannot be made, to allow us to share in Beijing Danshi's economic interest in the Tiananmen South (Qianmen) Project. Prior to the transfer being made, any rights and benefits enjoyed by Mr. Pan and Beijing Danshi in respect of Tiananmen South (Qianmen) Project shall be held for the benefit of BVI-9 and any risks and liabilities of Beijing Danshi or Mr. Pan, with respect to their ownership of the 49% equity interest in BVI-9, shall, on the other hand and subject to the PRC Government approvals being received, be indemnified by BVI-9. Furthermore, it has been agreed that no dividends will be declared by Beijing Tianjie in the interim period. Should approval for the transfer of the interest in Beijing Tianjie not be obtainable, Mr. Pan and Beijing Danshi have agreed that BVI-9 will have the option to decide that either (i) the terms of the Equity Transfer Agreement will nevertheless remain in force to enable the transfer to be completed subject to a successful re-application for approval, or (ii) the Equity Transfer Agreement will terminate and Mr. Pan and Beijing Danshi will enter into an agreement with us to transfer Beijing Danshi's right to receive revenues from the Tiananmen South (Qianmen) Project to BVI-9 or another member of the Group with effect from the date of termination of the Equity Transfer Agreement, to the fullest extent and in the manner permitted by Hong Kong and PRC laws and regulations (as applicable) and in full compliance with the Listing Rules.

We have further agreed that should the approval for the transfer of the 49% equity interest in Beijing Tianjie not be provided prior to the issue of a pre-sale permit with respect to any phase of the Tiananmen South (Qianmen) Project or within two years from the date of the Interim Agreement we shall negotiate in good faith with Mr. Pan and Beijing Danshi with a view to restructuring the transaction to put us in the same position as we would have been in if we had acquired Beijing Danshi's interests in Beijing Tianjie. Such arrangements shall be made to the extent and in the manner permitted by Hong Kong and PRC laws and regulations and in full compliance with the Hong Kong Listing Rules and will be subject to approval by the independent non-executive Directors and by the independent Shareholders (excluding Mr. Pan and Ms. Zhang and their respective associates).

Our Subsidiary Beijing SOHO Properties has separately entered into the Project Management Agreement with Beijing Danshi, pursuant to which we will be the exclusive provider of project management and consultancy services, including design and planning, construction and engineering, sales and leases, marketing and promotion and property management services with respect to the Tiananmen South (Qianmen) Project. The service fee payable under the Project Management Agreement is fixed at an amount equal to five per cent of the estimated total construction costs for the project during the term of the agreement and will be adjusted based on the total construction costs finally payable. See "Relationship with our Controlling Shareholders — Connected Transactions — Interim agreement between Mr. Pan, Ms. Yan Yan, Beijing Danshi, Redstone Jianwai, BVI-9 and the Company" and "Project management agreement between Beijing SOHO Properties and Beijing Danshi" for further details.

- ***Corporate governance.*** In the event that we obtain the necessary PRC Government approvals for the transfer to us of the 49% equity interest in Beijing Tianjie, it is intended that the proposed articles of association of Beijing Tianjie, which are subject to PRC Government approval and which we expect to be adopted upon the acquisition of the 49% equity interest by us, will provide that, with limited exceptions, decisions relating to management of Beijing Tianjie will be made with the approval of a majority of the directors of its board.

  Under the current proposed articles of association, we will be entitled to appoint four of the seven directors to Beijing Tianjie's board and District SASAC and Chongyuan will be entitled to appoint the remaining three directors, one of whom will serve as Chairman and the legal representative of Beijing Tianjie. Not less than two thirds of the directors must attend a board meeting in order to form a quorum and upon receipt of notice of a board meeting directors may not without good reason refuse to attend a board meeting or else appoint a representative to attend on their behalf. The proposed articles of association require that certain decisions of the board, such as the creation of any mortgage over assets of Beijing Tianjie, must be approved unanimously by the board.

In addition, decisions relating to strategic positioning of the Tiananmen South (Qianmen) Project, as well as those relating to investments and financing of Beijing Tianjie, require unanimous approval of the Beijing Tianjie board. The legal representative of Beijing Tianjie, who is a director appointed by District SASAC and Chongyuan, also has certain powers, including the ability to execute documents on behalf of Beijing Tianjie with legal and binding force.

As this is a highly visible project in Beijing in which the District SASAC and Chongyuan are currently the majority shareholders, we consequently expect significant and continuing PRC Government interest in the project. We also expect Beijing Tianjie's legal representative to be a director appointed by District SASAC and Chongyuan for the foreseeable future. In addition, we have agreed to develop in accordance with the government approved master plan for the development and to duly consider the views of District SASAC and Chongyuan on such matters as the style and features of the project. Our PRC legal advisers have advised us that neither District SASAC nor Mr. Pan is able to amend unilaterally the articles of association of Beijing Tianjie as any amendments require the unanimous consent of all directors.

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide information on how the Global Offering might have affected our unaudited pro forma net tangible assets as at 31 March 2007 as if the Global Offering had occurred on 31 March 2007 and how the proposed acquisition of Beijing Tianjie Real Estate Development Co., Ltd. resulting in the formation of an enlarged group might have affected our financial information as if the proposed acquisition had completed on 1 January 2007.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of our financial position following the Global Offering.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Company is prepared based on our consolidated net assets as at 31 March 2007 as set out in "Appendix IA — Accountants' Report on the Group" adjusted as described below:

	Audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2007	Add: Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	RMB in millions(1)	RMB in millions(2)	RMB in millions	RMB(3)
Based on an Offer Price of HK$6.30 per Share	1,368	7,226	8,594	1.72
Based on an Offer Price of HK$8.30 per Share	1,368	9,565	10,933	2.19

(1) Audited consolidated net tangible assets attributable to equity shareholders of the Company are derived from the "Accountants' Report on the Group" as set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$6.30/HK$8.30 per Share, after deduction of the underwriting fees and other relevant expenses payable by the Company and do not take into account of any Shares that may be issued upon the exercise of the Over-allotment Option or upon the exercise of any options which have been granted or may be granted under the Share Option Schemes.

(3) The unaudited pro forma consolidated net tangible asset value per Share is based on 5,000,000,000 Shares assumed to be in issue immediately following the Global Offering before the exercise of the Over-allotment Option and the exercise of any options which have been granted or may be granted under the Share Option Schemes.

(4) Details of valuations of the Group's properties as at 30 June 2007 are set out in Appendix IV to this prospectus. According to the Group's accounting policies, hotel properties are stated at costs less accumulated depreciation and impairment losses, and will not incorporate any revaluation surplus. Had the revaluation surplus of the Group's hotel properties been recorded, an additional depreciation charge of approximately RMB68 million per annum would be incurred.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the forecast earnings per share. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007[1] . . . . not less than RMB1,624 million (equivalent to approximately HK$1,674 million)

Unaudited pro forma forecast earnings per Share

Fully diluted[2] . . . . RMB0.324 (equivalent to approximately HK$0.334)

Weighted average[3] . . . . RMB0.401 (equivalent to approximately HK$0.413)

(1) The forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 is extracted from the section headed "Financial Information — Profit Forecast For The Year Ending 31 December 2007". The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 assuming that the Company had been listed since 1 January 2007 and a total of 5,012,058,000 Shares were in issue during the entire year, comprising the 5,000,000,000 Shares assumed to be in issue immediately following completion of the Global Offering before exercise of the Over-allotment Option, and the 12,058,000 Shares assumed to be in issue pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme on 1 January 2007, without taking into account of any Shares which may be issued pursuant to the exercise of any options under the Share Option Scheme.

(3) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 and a weighted average number of 4,051,369,863 Shares in issue during the year ending 31 December 2007 following completion of the Global Offering, without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options under the Share Option Schemes.

C. UNAUDITED PRO FORMA COMBINED INCOME STATEMENT, COMBINED BALANCE SHEET AND COMBINED CASH FLOW STATEMENT

On 16 May 2007, the Group entered into a series of agreements pursuant to which the Group agreed to acquire a 49% equity interest in Beijing Tianjie for a consideration (the "Acquisition") of RMB144 million, resulting in the formation of an enlarged group (the "Enlarged Group"). The Acquisition is subject to PRC Government approvals. If the Group does not obtain these required approvals the Group may not be entitled to any economic interest in this project, which could have a material impact on the Group's future earnings. See "Appendix IC — Tiananmen South (Qianmen) Project".

Set out below is the pro forma combined income statement, combined balance sheet and combined cash flow statement of the Enlarged Group (collectively "Unaudited Pro Forma Combined Financial Statements") prepared in accordance with Rule 4.29 of the Listing Rules for illustration only, following the consummation of the capital injection, as if the capital injection had been completed on 1 January 2007. The Unaudited Pro Forma Combined Financial Statements have been prepared based on the Accountants' Report of the Group and Beijing Tianjie for the three months ended 31 March 2007, and after making certain pro forma combination adjustments as set out below.

The Unaudited Pro Forma Combined Financial Statements has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Enlarged Group following the Group's obtaining the necessary PRC Government approvals for and the completion of the Acquisition.

1 Unaudited Pro Forma Combined Income Statement

For the three months ended 31 March 2007

	The Group Historical	Beijing Tianjie Historical	Pro forma Adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	154,812	—	—	154,812
Cost of properties sold	(79,064)	—	—	(79,064)
Gross profit	75,748	—	—	75,748
Other operating revenue	13,775	12	—	13,787
Selling expenses	(20,427)	—	—	(20,427)
Administrative expenses	(27,549)	(175)	—	(27,724)
Other operating expenses	(13,388)	—	—	(13,388)
Profit/(loss) from operation	28,159	(163)	—	27,996
Interest income	4,518	—	—	4,518
Finance costs	(185)	(1)	—	(186)
Profit/(loss) before taxation	32,492	(164)	—	32,328
Income tax	(22,956)	—	—	(22,956)
Profit/(loss) for the period	9,536	(164)	—	9,372
Attributable to:				
Equity holders of the Company	11,028	(164)	—	10,864
Minority interests	(1,492)	—	—	(1,492)
	9,536	(164)	—	9,372

2 **Unaudited Pro Forma Combined Balance Sheet**
At 31 March 2007

	The Group Historical	Beijing Tianjie Historical	Pro forma Adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	439,634	1,280	—	440,914
Investment	16,522	—	—	16,522
Restricted bank deposits	338,136	—	—	338,136
Total non-current assets	794,292	1,280	—	795,572
Current assets				
Properties under development and completed properties held for sale	6,919,282	3,575,238	—	10,494,520
Trade and loan receivables	55,685	—	—	55,685
Prepaid expenses and other receivables	383,916	10,984	—	394,900
Amounts due from and advances to related parties	868,014	1,857	—	869,871
Cash and cash equivalents	1,470,053	240,004	—	1,710,057
Total current assets	9,696,950	3,828,083	—	13,525,033
Current liabilities				
Short-term bank loans	—	936,000	—	936,000
Loans from related parties	—	641,000	—	641,000
Accrued construction expenditure and other payables	981,470	152,898	144,118	1,278,486
Sales deposits	4,684,994	—	—	4,684,994
Amounts due to and advances from related parties	14,924	642,975	—	657,899
Income tax payable	1,255,256	—	—	1,255,256
Total current liabilities	6,936,644	2,372,873	144,118	9,453,635
Net current assets	2,760,306	1,455,210	(144,118)	4,071,398

	The Group Historical	Beijing Tianjie Historical	Pro forma Adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities	3,554,598	1,456,490	(144,118)	4,866,970
Non-current liabilities				
Contract retention payables	53,284	—	—	53,284
Long-term bank loans	2,000,000	1,164,000	—	3,164,000
Total non-current liabilities	2,053,284	1,164,000	—	3,217,284
Net assets	1,501,314	292,490	(144,118)	1,649,686
Capital and reserves				
Share capital	79,642	294,118	(294,118)	79,642
Reserves	1,288,843	(1,628)	—	1,287,215
Total equity attributable to equity shareholders of the Company	1,368,485	292,490	(294,118)	1,366,857
Minority interests	132,829	—	150,000	282,829
Total equity	1,501,314	292,490	(144,118)	1,649,686

3 **Unaudited Pro Forma Combined Cash Flow Statement**
For the three months ended 31 March 2007

	The Group Historical	Beijing Tianjie Historical	Pro forma Adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Profit/(loss) before taxation	32,492	(164)	—	32,328
Adjustments for:				
— Depreciation	7,254	—	—	7,254
— Interest income	(4,518)	—	—	(4,518)
Operating profit/(loss) before changes in working capital	35,228	(164)	—	35,064
Decrease in trade and loan receivables	79,711	—	—	79,711
(Increase)/decrease in prepaid expense and other receivables	(85,533)	206	—	(85,327)
Increase in properties under development and completed properties held for sale	(1,159,498)	(553,766)	—	(1,713,264)
Decrease in amounts due from related parties	107,299	—	—	107,299
(Decrease)/increase in amounts due to related parties	(48,047)	626,537	144,118	722,608
Increase/(decrease) in accrued construction expenditure, other payables and contract retention payables	448,485	(42,050)	—	406,435
Increase in sales deposits	606,279	—	—	606,279
Cash (used in)/generated from operation	(16,076)	30,763	144,118	158,805
Interest received	4,518	569	—	5,087
Interest paid	(17,663)	(87,135)	—	(104,798)
Income tax paid	(49,151)	—	—	(49,151)
Net cash (used in)/generated from operating activities	(78,372)	(55,803)	144,118	9,943
Cash flows from investing activities				
Capital expenditure	(5,783)	(415)	—	(6,198)
Decrease in restricted bank deposits	2,739	—	—	2,739
Advances to related parties	(699,118)	—	—	(699,118)
Repayments from related parties	102,538	—	—	102,538
Net cash used in investing activities	(599,624)	(415)	—	(600,039)

	The Group Historical	Beijing Tianjie Historical	Pro forma Adjustments	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Capital contribution from minority interests	—	144,118	(144,118)	—
Distributions to minority interests	(103,001)	—	—	(103,001)
Proceeds from bank loans	1,200,000	936,000	—	2,136,000
Repayments of bank loans	—	(936,000)	—	(936,000)
Repayments of advances from a third party	(30,000)	—	—	(30,000)
Net cash generated from financing activities	1,066,999	144,118	(144,118)	1,066,999
Net increase in cash and cash equivalents	389,003	87,900	—	476,903
Cash and cash equivalents at beginning of period	1,081,050	152,104	—	1,233,154
Cash and cash equivalents at end of period	1,470,053	240,004	—	1,710,057

D. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information to the Group:

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 September 2007

The Directors
SOHO China Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs

We report on the unaudited pro forma statement of adjusted net tangible assets, unaudited pro forma forecast earnings per share, and unaudited pro forma combined income statement, combined balance sheet and combined cash flow statement (the "**Unaudited Pro Forma Financial Information**") of SOHO China Limited (the "**Company**") together with its subsidiaries (the "**Group**") set out in Appendix II of the prospectus dated 21 September 2007 (the " **Prospectus** "), which have been prepared by the directors of the Company solely for illustrative purposes to provide information about how the global offering of the Company's shares and the proposed acquisition of Beijing Tianjie Real Estate Development Co., Ltd. ("**Beijing Tianjie**") resulting in the formation of an enlarged group (the "**Enlarged Group**") might have affected the financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in parts (A), (B) and (C) of Appendix II to the Prospectus.

RESPONSIBILITIES

It is solely the responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by Rule 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("**HKSIR**") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or financial results of the Group or the Enlarged Group as at and for periods ended 31 March 2007 or any future dates; or the forecast earnings per share of the Group or the Enlarged Group for the year ending 31 December 2007 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Future Plans and Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

(a) Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

(A) PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007

The forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 is set out in the section entitled "Financial Information — Profit Forecast for the Year Ending 31 December 2007".

Bases and assumptions

The forecast of the consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007 is based on our audited consolidated results for the three months ended 31 March 2007, our unaudited consolidated results for the three months ended 30 June 2007 and our forecast of the consolidated results of the Group for the remaining six months of the year ending 31 December 2007. The forecast for the year ending 31 December 2007 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants' Report on the Group set out in Appendix IA. The profit forecast does not include any potential revenues or liabilities arising from our proposed acquisition of the Tiananmen South (Qianmen) Project.

General assumptions

Our directors have adopted the following further assumptions in the preparation of the profit forecast:

- There will be no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which the Group currently operates or which are otherwise material to the Group's income.

- There will be no changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which the Group operates or has arrangements or agreements (including, but not limited to, those in relation to land acquisition, property development and taxation of sales income derived therefrom (including but not limited to LAT)), which may adversely affect the Group's business or operations. Further, with respect to the real estate industry in particular, the PRC Government will not impose material changes to, or impose, additional austerity measures to dampen the sales and prices of properties. Land certificates, sales permits, planning permits for construction works and permits for commencement of construction works related to properties under development will be granted to us before the commencement of sale of each related project.

- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which the Group operates.

- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as at the date of this prospectus.

- The Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

- Major contracts for the sales of properties will not be cancelled. Properties of the Group are developed in accordance with management's plans and there are no substantial variations of construction costs from budgeted amount. There are no substantial changes in development schedule due to relocation and Government approvals.

- No further equity capital will be raised by the Company during the forecast period.

(B) LETTERS

Set out below are texts of the letters, prepared for inclusion in this prospectus, received by the Directors and the Joint Sponsors from the Company's reporting accountants, KPMG, and received by the Directors from the Joint Sponsors in connection with the forecast of the consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2007.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 September 2007

The Directors
SOHO China Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs

We have reviewed the accounting policies and calculations adopted in arriving at the forecast consolidated profit attributable to equity shareholders of SOHO China Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ending 31 December 2007 (the "**Forecast**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set forth in the prospectus of the Company dated 21 September 2007 (the "**Prospectus**").

The Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the three months ended 31 March 2007, the unaudited consolidated results of the Group for the three months ended 30 June 2007 and a forecast of the consolidated results of the Group for the six months ending 31 December 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in Part A of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our accountants' report dated 21 September 2007, the text of which is set out in Appendix IA to the Prospectus.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

Goldman Sachs

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

HSBC

The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

21 September 2007

The Directors
SOHO China Limited

Dear Sirs

We refer to the forecast of the consolidated profit attributable to equity shareholders of SOHO China Limited ("**Company**") and its subsidiaries (together, the "**Group**") for the year ending 31 December 2007 (the "**Profit Forecast**") as set out in the section entitled "Financial Information — Profit Forecast for the Year Ending 31 December 2007" of the prospectus of the Company dated 21 September 2007 (the "**Prospectus**"). The Profit Forecast is prepared by the Directors based on the audited consolidated results of the Group for the three months ended 31 March 2007, the unaudited consolidated results of the Group for the three months ended 30 June 2007 and a forecast of the consolidated results of the Group for the six months ending 31 December 2007.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated 21 September 2007, addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and upon the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you, as directors of the company, are solely responsible, have been made after due and careful enquiry.

Yours faithfully

For and on behalf of
Goldman Sachs (Asia) L.L.C.

Henry Chen
Managing Director

For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited

Stephen J. Clark
Managing Director,
Asia-Pacific Investment Banking

The following is the text of a letter with the summary of values and valuation certificates received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at 30 June 2007 of all the property interests of the Group.

CBRE
CB RICHARD ELLIS
世邦魏理仕

34/F. Central Plaza
18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三十四樓
電話 852 2820 2800 傳真 852 2810 0830

21 September 2007

The Board of Directors
SOHO China Limited
No. 88 Jianguo Road, Chaoyang District,
Beijing City, the People's Republic of China

Dear Sirs,

In accordance with the instructions from SOHO China Limited (the "**Company**") for us to value the property interests held by the Company and its subsidiaries (hereinafter together know as the "**Group**") in the People's Republic of China ("**the PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30 June 2007 (the "**date of valuation**").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "**HKIS**"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

For the purpose of area measurement in our valuation, Saleable Gross Floor Areas (Saleable GFAs) refer to the internal floor areas and common areas exclusively allocated to that unit including balconies and other similar features of common areas such as staircases, lift lobbies. Non-saleable Gross Floor Areas (Non-saleable GFAs) refer to the floor areas of certain public ancillary facilities, including, among others, power distribution houses, guard houses and connecting corridors between apartment buildings. The Gross Floor Areas (GFAs) of a project or a phase of a project includes both saleable GFAs and Non-saleable GFAs but excludes GFAs for underground car parks.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at fair comparisons of values.

For the property interests in Group I, which are completed real estate developments held by the Group for sale in the PRC, we have valued each of these property interests by the direct comparison method assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making reference to comparable sale transactions as available in the relevant markets. For those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed, we have valued those property interests by considering the contracted prices.

For the purpose of our valuation, completed real estate developments are those the Completed Construction Works Certified Report of the building(s) thereof is (are) issued by the relevant local authority.

For the property interests in Group II, which are held by the Group under development in the PRC, we have valued the property interests on the basis that each of these properties will be developed and completed in accordance with the Group's latest development schemes shown to us. We have assumed that approvals for such schemes by the relevant authorities have been obtained. In arriving at our opinions we have adopted the direct comparison method by making reference to comparable sale evidences as available in the relevant markets and have also taken into account of the development costs already spent and to be spent which are provided by the Group, to reflect the qualities of the developments.

For the purpose of our valuation, real estate developments under development are those the Construction Works Commencement Permit(s) of the building(s) thereof has (have) been issued while the Completed Construction Works Certified Report of the building(s) thereof has (have) not been issued.

For the property interests in Group III, which are held by the Group for future developments in the PRC, we have also valued each of these property interests by the direct comparison method assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making reference to comparable sale transactions as available in the relevant markets.

For the purpose of our valuation, real estate developments for future development are those the Construction Works Commencement Permit(s) has (have) not been issued while the State-owned Land Use Rights Certificate(s) has (have) been obtained.

For the hotel developments in Group IV, which is held by the Group for occupation in the PRC, we have valued each of these property interests by the income approach that involves the capitalisation of the existing and reversionary income potential to arrive at the capital value. This approach is considered to be of greatest merit in terms of investment income producing properties and is typically applied through the application of capitalisation rates.

For the clubhouses and the offices in Group IV, which are held by the Group for occupation in the PRC, we have valued each of these property interests by the direct comparison method assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making reference to comparable sale transactions as available in the relevant markets.

For the property interests in Group V which are rented by the Group in the PRC, we have attributed no commercial value to the property interests due to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

For the property interests in Group VI, which are other property interests held by the Group in the PRC, we have attributed no commercial value to the property interests. For the purpose of our valuation, other property interests are those the Group has entered into agreements with the relevant owner of the property or government authorities, but for which the state-owned Land Use Rights Certificates have not been obtained and/or the payment of the land premium has not yet been fully settled as at the date of valuation.

In the course of our valuation of the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Haiwen & Partners ("**the PRC Legal Opinion**"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All such documents have been used for reference only.

We have assumed, unless otherwise instructed, that the Group has paid the land premium in respect of the sites of the property interests in Groups I, II, III and IV in full and that pursuant to various State-owned Land Use Rights Certificates, the Group has acquired the land use rights to those sites. During the terms of the land use rights, the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of those sites (save and except those parts which have been mortgaged) and the Group has the building ownership to all the property interests in this valuation report and is entitled to receive the sale proceeds of the property, occupy, use, transfer, lease and mortgage the property.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, the records of unsold units, planning approvals, statutory notices, easements, tenancies, floor plans, floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("**RMB**").

We enclose herewith a summary of valuation and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Kam Hung YU
BSc (Hons) FHKIS FRICS RPS(GP) FHIREA
Senior Managing Director
Valuation & Advisory Services

Note: *Mr. Yu is the Senior Vice President of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 25 years' valuation experience in Hong Kong, the PRC and Asia Pacific Region.*

SUMMARY OF VALUES

	Property Interests	Capital value in existing state as at 30 June 2007	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007
		(RMB)		(RMB)
Group I — Property interests held by the Group for sale in the PRC				
1.	Various office units, retail shops, storerooms, and car parking spaces, Phases I-VI, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	433,000,000	95%	411,350,000
2.	Various storerooms and car parking spaces, Phases II and III, SOHO Shangdu, No. 8 Dongdaqiao Road, Chaoyang District, Beijing City, the People's Republic of China	249,500,000	100%	249,500,000
3.	An apartment unit, 5 office units and various car parking spaces, SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China	297,900,000	54%	160,866,000
			Group I Sub-total:	821,716,000

	Property Interests	Capital value in existing state as at 30 June 2007 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007 (RMB)

Group II — Property interests held by the Group under development in the PRC

	Property Interests	Capital value in existing state as at 30 June 2007 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007 (RMB)
4.	Various office units, retail shops and car parking spaces, Phase VII, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	928,300,000	95%	881,885,000
5.	Various retail shops and office units, Phase III, SOHO Shangdu, No. 8 Dongdaqiao Road, Chaoyang District, Beijing City, the People's Republic of China	1,925,000,000	100%	1,925,000,000
6.	Various retail shops, office units, storerooms and car parking spaces, Chaowai SOHO, Chaoyangmenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	2,832,000,000	99.5%	2,817,840,000
7.	32 Houses, a Spa Centre and a Children's Club, Phase II, Commune by the Great Wall, Badaling, Yan Qing County, Beijing City, the People's Republic of China	851,000,000	95%	808,450,000

	Property Interests	Capital value in existing state as at 30 June 2007	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007
		(RMB)		(RMB)
8.	Various office units, retail shops and car parking spaces, Guanghualu SOHO, Guanghua Road, Chaoyang District, Beijing City, the People's Republic of China	1,511,000,000	95%	1,435,450,000
			Group II Sub-total:	7,868,625,000

Group III — Property interests held by the Group for future development in the PRC

	Property Interests	Capital value in existing state as at 30 June 2007	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007
9.	A Land Parcel, Sanlitun SOHO, Gongrentiyuguan Road North, Chaoyang District, Beijing City, the People's Republic of China	7,949,000,000	95%	7,551,550,000
			Group III Sub-total:	7,551,550,000

Group IV — Property interests held by the Group for occupation in the PRC

	Property Interests	Capital value in existing state as at 30 June 2007	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007
10.	A Convention Centre and various Houses of Kempinski Hotel Boao (also known as Canal Village), Bo'ao Town, Qionghai City, Hainan Province, the People's Republic of China	244,000,000	90%	219,600,000
11.	11 Houses and the Clubhouse of Phase I, Commune by the Great Wall, Badaling, Yan Qing County, Beijing City, the People's Republic of China	855,200,000	95%	812,440,000

	Property Interests	Capital value in existing state as at 30 June 2007 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007 (RMB)
12.	Clubhouse in Phase II and Clubhouse in Phase V, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	226,000,000	95%	214,700,000
13.	A Clubhouse in SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China	82,100,000	54%	44,334,000
14.	Office Unit 1805, whole of 19/F and 20/F, Block B, SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China			No commercial value *(Note i)*
			Group IV Sub-total:	1,291,074,000

Group V — Property interests rented by the Group in the PRC

	Property Interests	Capital value attributable to the Group as at 30 June 2007 (RMB)
15.	4 retail shops, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	No commercial value
	Group V Sub-total:	No commercial value

Property Interests	Capital value in existing state as at 30 June 2007	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007
	(RMB)		(RMB)

Group VI — Other property interests held by the Group in the PRC

Property Interests	Capital value in existing state as at 30 June 2007 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2007 (RMB)
16. Reserved Land Parcel, Tiananmen South (Qianmen), Qianmen Avenue, Chongwen District, Beijing City, the People's Republic of China			No commercial value *(Note ii)*
		Group VI Sub-total:	No commercial value
		Grand total:	17,532,965,000

Note i: Had the Company obtained a valid Building Ownership Certificate(s) or equivalent, the capital value of the property is estimated to be RMB127,700,000. Please refer to page IV-39 for the details of this property.

Note ii: The Group intends to enter into a series of agreements to acquire the economic interest in the parcels of land of the development project but such acquisition is subject to PRC Government approvals and the Group has not yet completed the acquisition. As at the date of 30 June 2007, had the Company completed the acquisition of the economic interest and obtained a valid State-owned Land Use Rights Certificate(s) or equivalent, the capital value of the land is estimated to be approximately RMB12,316,900,000. Please refer to page IV-41 for the details of this property.

Group I — Property interests held by the Group for sale in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
1.	Various office units, retail shops, storerooms, and car parking spaces, Phases I-VI, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	The property comprises 9 office units with total gross floor area of approximately 1,739 sq.m., 44 retail shops with total saleable gross floor area of approximately 6,956 sq.m., 9 storerooms with total gross floor area of approximately 1,517 sq.m. and 529 car parking spaces. Phases I to VI of Jianwai SOHO ("**the Development**") (of which the property and Property 12 set out in this property valuation form part), occupying a site with an area of approximately 84,318 sq.m. ("**the Site**"), have been developed into various office and residential buildings with total gross floor area and total saleable gross floor area of approximately 610,658 sq.m. and 476,038 sq.m. respectively. The property was completed in phases from 2003 to 2005. The Site is held for various land use terms with the earliest expiry date on 13 May 2042.	2 retail shops with a total saleable gross floor area of approximately 425 sq.m. were tenanted at a total monthly rental of RMB50,870 for various terms with the expiry dates on 18 May 2011 and 14 June 2012 respectively. The remaining portion of the property is currently vacant.	433,000,000 (95% interests attributable to the Group: RMB411,350,000)

Notes:

1. According to the Transfer Contract of Portion of Plant of Beijing First Machine Tool Plant entered by the Group dated 18 April 2002, the land use rights of a parcel of land, in which the Site is located, with an area of approximately 168,900 sq.m. was transferred to the Group at a consideration of RMB923,000,000.

2. Pursuant to the following State-owned Land Use Rights Grant Contracts and their supplementary agreements entered by the Group, the land use rights of the Development with a total site area of approximately 87,506.89 sq.m. have been re-granted to the Group for various land use terms at a total consideration of RMB807,882,818.

Land Use Rights Grant Contract Number	Site Area	User	Consideration
	(sq.m.)		(RMB)
Jing Di Chu (He) Zi (2002) 210	25,743.61	Apartment, Office, Retail, Underground Car Parking, Underground Office and Underground Retail	203,507,429
Jing Di Chu (He) Zi (2002) 430	8,887.70	Office, Retail, Underground Car Parking and Underground Storage	119,283,565
Jing Di Chu (He) Zi (2002) 431	6,018.67	Office and Retail	108,280,269
Jing Di Chu (He) Zi (2003) 077	22,242.30	Apartment, Retail and Underground Car Parking	178,724,886
Jing Di Chu (He) Zi (03) 1050	12,909.49	Apartment, Retail, Underground Retail and Underground Car Parking	91,302,679
Jing Di Chu (He) Zi (03) 1036	11,705.12	Apartment, Office, Retail, Underground Office, Underground Retail, Underground Car Parking and Underground Storage	106,783,990
Total:	**87,506.89**	**Total:**	**807,882,818**

3. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Development with a total site area of approximately 84,317.67 sq.m. is held by the Group for various land use terms.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area	User
		(sq.m.)	
Jing Shi Chao She Wai Guo Yong (2004 Chu) Zi 10178	2 July 2004	25,743.61	Apartment, Office, Retail, Underground Office, Underground Retail and Underground Car Parking
Jing Shi Chao She Wai Guo Yong (2004 Chu) Zi 10185	8 September 2004	8,887.70	Office, Retail, Underground Car Parking, Underground Storage
Jing Shi Chao She Wai Guo Yong (2004 Chu) Zi 10208	8 September 2004	6,018.67	Office and Retail
Jing Shi Chao She Wai Guo Yong (2006 Chu) Zi 10240	27 February 2006	19,053.08	Apartment, Retail, Underground Retail, Underground Car Park and Underground Storage
Jing Shi Chao She Wai Guo Yong (2006 Chu) 10301	10 August 2006	12,909.49	Apartment, Retail, Underground Retail and Underground Car Parking
Jing Shi Chao She Wai Guo Yong (2006 Chu) 10275	10 August 2006	11,705.12	Apartment, Retail, Office, Underground Retail, Underground Office, Underground Car Parking and Storage
	Total:	**84,317.67**	

4. Portions of the property comprising 9 office units and 33 retail shops with total gross floor areas of approximately 1,739 sq.m. and 5,681 sq.m. respectively have been contracted to be sold for the total purchase price of RMB245,452,522. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property according to the PRC law.

   (b) Beijing Redstone Jianwai Real Estate Development Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Group has a 95% equity interests.

6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	Yes
vii.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
2.	Various retail shops, storerooms and car parking spaces, Phases II and III, SOHO Shangdu, No. 8 Dongdaqiao Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises 17 retail shops with a total gross floor area of approximately 2,475 sq.m., 11 storerooms with a total gross floor area of approximately 758 sq.m. and 704 car parking spaces located in Phases II and III of SOHO Shangdu ("**the Development**"). The Development (of which the property and Property 5 set out in this property valuation form part), occupying a site with area of approximately 21,785 sq.m. ("**the Site**"), will be developed into Phase II and Phase III, with a total gross floor area of approximately 172,176 sq.m. and a total saleable gross floor area of approximately 121,332 sq.m.. The property was completed in 2006. The Site is held for various land use terms with the earliest expiry date on 27 July 2044.	The property is currently vacant.	249,500,000 (100% interests attributable to the Group: RMB249,500,000)

Notes:

1. According to a State-owned Land Use Rights Grant Contract No. Jing Fang Di Chu Rang (He) Zi (94) 054 entered into between Beijing Municipal Bureau of Real Estate Administration and Beijing Jianhua Real Estate Co., Ltd. dated 28 September 1994, the land use rights of a parcel of land with an area of approximately 33,800 sq.m., in which the Site is located, was granted to the Beijing Jianhua Real Estate Co., Ltd. at a consideration of RMB159,460,000.

2. According to supplementary agreement entered into between Beijing Municipal Bureau of Land Resources and Housing Administration and Beijing Jianhua Real Estate Co., Ltd. dated 25 March 2004, the land premium of the land use rights of the Site, with a total area of approximately 21,785.248 sq.m., have been changed to a lump sum of RMB103,776,792.

3. Pursuant to the following State-owned Land Use Rights Certificates issued by Beijing Municipal Bureau of State Land and Resources, the land use rights of the Development with a total site area of approximately 21,785.25 sq.m. is held by Beijing Jianhua Real Estate Co. Ltd. for various land use terms with the earliest expiry date on 27 July 2044.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area	User and Date of Expiry
		(sq.m.)	
Jing Shi Chao Qi Guo Yong (2004 Chu) Zi No.10162	28 July 2004	8,238.78	Apartment: 27 July 2074; Commercial: 27 July 2044; Office: 27 July 2054; Underground car park: 27 July 2054
Jing Shi Chao Qi Guo Yong (2004 Chu) Zi No.10168	28 July 2004	13,546.47	Apartment: 27 July 2074; Commercial 27 July 2044; Office: 27 July 2054; Underground car park: 27 July 2054
	Total:	**21,785.25**	

4. Portions of the property comprising 17 retail shops with total gross floor areas of approximately 2,475 sq.m. and 218 car parking spaces have been contracted to be sold for the total purchase price of RMB123,149,609. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) For the unsold units, after completion with relevant construction inspection and acceptance procedures completed, the Group does not have any legal impediment in obtaining the relevant Building Ownership Certificates. After obtaining the relevant Building Ownership Certificates, the Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property.

   (b) Beijing Jianhua Real Estate Co., Ltd., the owner of the property, is a cooperative Joint Venture established in accordance with the laws of the PRC, in which the Company has a 100% equity interests to the Development.

6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
3.	An apartment unit, 5 office units and various car parking spaces, SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises an apartment, 5 office units and 1,233 car parking spaces. The total saleable gross floor area excluding the 1,233 car parking spaces is approximately 860 sq.m.. SOHO Newtown ("**the Development**") (of which the property, Property 13 and Property 14 set out in this property valuation form part), occupying a site with an area of approximately 60,547 sq.m. ("**the Site**"), has been developed into 6 residential buildings, 4 office towers, a kindergarten and a car parking building with a total gross floor area and a total saleable gross floor area of approximately 471,300 sq.m. and 379,608 sq.m. respectively. The property was completed in 2001. The Site is held for various land use terms with the earliest expiry date on 24 September 2041.	625 car parking spaces were tenanted at a total monthly rent of RMB87,500 for a 4-year term from 1 October 2005 to 30 September 2009. The remaining portion of the property is currently vacant.	297,900,000 (54% interests attributable to the Group: RMB160,866,000)

Notes:

1. According to the Transfer Agreement dated 8 August 1997, the land use rights of a parcel of land, in which the Site is located, with a total area of approximately 73,000.00 sq.m. has been transferred to the Group for industrial use at a consideration of RMB400,000,000.

2. Pursuant to the following State-owned Land Use Rights Grant Contracts and their supplementary agreements, the land use rights of the Development with a total site area of approximately 55,810.47 sq.m. has been re-granted to the Group for various land use terms at a total consideration of RMB410,304,907.

Land Use Rights Grant Contract Number	Site Area	User	Consideration
	(sq.m.)		(RMB)
Jing Fang Di Chu Rang (He) Zi (98) 205	3,450.78	Domestic	28,863,331
Jing Fang Di Chu Rang (He) Zi (98) 204	5,059.27	Domestic	28,532,163
Jing Fang Di Chu (He) Zi (99) 072	5,176.00	Domestic	26,766,449
Jing Fang Di Chu (He) Zi (99) 433	4,350.88	Domestic	26,748,633
Jing Fang Di Chu (He) Zi (99) 206	5,335.08	Domestic	28,526,264
Jing Fang Di Chu (He) Zi (99) 341	4,350.88	Domestic	28,921,862
Jing Di Chu (He) Zi (2000) 181	21,508.95	Domestic and Comprehensive	229,272,282
Jing Di Chu (He) Zi (2001) 413	6,578.63	Car Parking	12,673,923
Total:	**55,810.47**	**Total:**	**410,304,907**

3. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Development with a total site area of approximately 60,547.39 sq.m. has been re-granted to the Group for various land use terms with the earliest expiry date on 24 September 2041.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area	Date of Expiry
		(sq.m.)	
Jing Chao Guo Yong (Di) Zi 000427	7 April 2000	3,450.78	7 December 2068
Jing Chao Guo Yong (Di) Zi 000344	7 January 2000	5,059.27	27 August 2068
Jing Chao Guo Yong (Di) Zi 000502	7 April 2000	6,400.00	4 April 2069
Jing Chao Guo Yong (2000 Chu) Zi 0014	1 February 2000	5,574.88	5 December 2069
Jing Chao Guo Yong (1999 Chu) Zi 00047	7 April 2000	6,400.00	8 July 2069
Jing Chao Guo Yong (1999 Chu) Zi 00120	1 February 2000	5,574.88	14 October 2069
Jing Shi Chao She Wai Guo Yong (2003 Chu) Zi 10242	9 July 2003	21,508.95	Domestic: 21 June 2070, Comprehensive: 21 June 2050
Jing Chao Guo Yong (2004 Chu) Zi 0152	7 April 2004	6,578.63	24 September 2041
	Total:	**60,547.39**	

4. There is no unit contracted to be sold.

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property according to the PRC law.

   (b) Beijing Zhonghongtian Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 54% equity interests.

6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	Yes
Vii.	Building Ownership Certificate	Yes

Group II — Property interests held by the Group under development in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
4.	Various office units, retail shops and car parking spaces, Phase VII, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	The property comprises two office towers accommodating 243 office units with a total saleable gross floor area of approximately 49,529 sq.m., 93 retail shops with a total saleable gross floor area of approximately 6,954 sq.m. and 49 car parking spaces. The total saleable gross floor area excluding the 49 car parking spaces is approximately 56,483 sq.m.. Phase VII of Jianwai SOHO ("**the Development**") occupying a site with area of approximately 14,987 sq.m. ("**the Site**") is being developed with a total gross floor area of approximately 73,163 sq.m. and a total saleable gross floor area of approximately 56,483 sq.m.. As advised by the Group, the estimated development costs to completion for the property is approximately RMB103,990,000 (excluding marketing cost). The property will be completed by the end of September 2007. The Site is held for various land use terms with the earliest expiry date on 30 August 2044.	The property is currently under development.	928,300,000 (95% interests attributable to the Group: RMB881,885,000)

Notes:

1. According to the Transfer Contract of Portion of Plant of Beijing First Machine Tool Plant entered by the Group dated 18 April 2002, the land use rights of a piece of land, in which the Site is located, with total site area of approximately 168,900 sq.m. has been transferred to the Group at a consideration of RMB923,000,000.

2. According to the State-owned Land Use Rights Grant Contract No. Jing Di Chu (He) Zi (2004) 0895 dated 31 August 2004 and its supplementary agreement dated 10 October 2005 entered by Beijing Municipal of State Land and Resources, the land use rights of the Development with site area of approximately 14,987.14 sq.m. have been re-granted to the Group for various land use terms at a consideration of RMB75,567,370.

3. According to the State-owned Land Use Rights Certificate No. Jing Shi Chao She Wai Guo Yong (2005 Chu) 10371 issued by Beijing Municipal People's Government dated 14 November 2005, the land use rights of the Development with a total site area of approximately 14,987.14 sq.m. has been re-granted to the Group for various land use terms with the earliest expiry date on 30 August 2044.

4. Portions of the property comprises 242 office units with total saleable gross floor area of approximately 49,376.71 sq.m., 56 retail shops with a total saleable gross floor area of 5,307.12 sq.m. and 17 car parking spaces have been contracted to be sold for the total purchase price of RMB1,084,540,597. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) After completion with relevant construction inspection and acceptance procedures completed, the Group should not have any legal impediment to obtain the relevant Building Ownership Certificates.

   (b) Regarding the units having been contracted to be sold but not handed over to the purchasers, the Group is entitled to receive from the purchasers the sale proceeds of those units and deliver the units to the purchasers in accordance with the sale and purchase agreements. The Group will not have any interests to the building and land use rights of the sold units after the purchasers of the sold units obtaining the corresponding Building Ownership Certificates.

   (c) The Group has obtained from the PRC Government all requisite approvals in respect of the construction of the property.

   (d) Beijing Redstone Jianwai Real Estate Development Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	N/A

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
5.	Various retail shops and office units, Phase III, SOHO Shangdu, No. 8 Dongdaqiao Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises two buildings in the development, accommodates 265 retail shops of a total saleable gross floor area of approximately 37,748 sq.m. and 232 offices of a total saleable gross floor area of approximately 59,232 sq.m.. The total saleable gross floor area of the property is approximately 96,980 sq.m. SOHO Shangdu ("**the Development**") (of which the property and Property 2 set out in this property valuation form part), occupying a site with area of approximately 21,785 sq.m. ("**the Site**"), will be developed into Phase II and Phase III, with a total gross floor area of approximately 172,176 sq.m. and a total saleable gross floor area of approximately 121,332 sq.m.. As advised by the Group, the estimated development costs to completion for the property is approximately RMB72,603,000 (excluding marketing cost). The property will be completed in 2007. The Site is held for various land use terms with the earliest expiry date on 27 July 2044.	The property is currently under development.	1,925,000,000 (100% interests attributable to the Group: RMB1,925,000,000)

Notes:

1. According to the State-owned Land Use Rights Grant Contract No. Jing Fang Di Chu Rang (He) Zi (94) 054 entered into between Beijing Municipal Bureau of Real Estate Administration and Beijing Jianhua Real Estate Co., Ltd. dated 28 September 1994, the land use rights of a parcel of land with an area of approximately 33,800 sq.m., in which the Site is located, was granted to the Beijing Jianhua Real Estate Co., Ltd. at a consideration of RMB159,460,000.

2. According to supplementary agreement entered into between Beijing Municipal Bureau of Land Resources and Housing Administration and Beijing Jianhua Real Estate Co. Ltd. dated 25 March 2004, the land premium of the land use rights of the Site, with a total area of approximately 21,785.248 sq.m., have been changed to a lump sum of RMB103,776,792.

3. Pursuant to the State-owned Land Use Rights Certificates as listed in Note 3 of Property 2 of this property valuation, the land use rights of the Development with a total site area of approximately 21,785.25 sq.m. is held by Beijing Jianhua Real Estate Co. Ltd. for various land use terms with the earliest expiry date on 27 July 2044.

4. Portions of the property comprising 230 offices and all the retail shops with total saleable gross floor areas of approximately 58,696.73 sq.m. and 37,748.46 sq.m. respectively have been contracted to be sold for the total purchase price of RMB2,251,019,892. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) After completion with relevant construction inspection and acceptance procedures completed, the Group should not have any legal impediment in obtaining the relevant Building Ownership Certificates.

   (b) Various units have been contracted to be sold but not yet handed over to the purchasers. The Group is entitled to receive from the purchaser the sale proceeds of those units and obliged to deliver the units in accordance with the sale and purchase agreements. The Group will not have any interests to the building and land use rights of the sold units after the purchasers of the sold units obtained the corresponding Building Ownership Certificates.

   (c) The Group has obtained from the PRC Government all requisite approvals in respect of the construction of the property.

   (d) Beijing Jianhua Real Estate Co. Ltd. , the owner of the property, is a cooperative joint venture established in accordance with the laws of the PRC, in which the Company has a 100% equity interests to the Development.

6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	N/A

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
6.	Various retail shops, office units, storerooms and car parking spaces, Chaowai SOHO, Chaoyangmenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	The property comprises a 28-storey commercial building including a 3-storey basement. The property will accommodate 218 office units with a saleable gross floor area of approximately 56,245 sq.m., 477 retail shops with a saleable gross floor area of approximately 64,318 sq. m., 3 storerooms with saleable gross floor area of approximately 463 sq.m. and 332 underground car parking spaces. Chaowai SOHO ("**the Development**"), occupying a site with an area of approximately 19,975 sq.m. ("**the Site**"), is being developed into a building with total gross floor area and total saleable gross floor area of approximately 151,168 sq.m. and 120,563 sq.m. respectively. As advised by the Group, the estimated development costs to completion for the property is approximately RMB259,508,000 (excluding marketing cost). The Development will be completed in 2007. The Site is held for land use terms with the expiry dates on 2 September 2044 and 2 September 2054 respectively.	The property is under development.	2,832,000,000 (99.5% interests attributable to the Group: RMB2,817,840,000)

Notes:

1. According to the State-owned Land Use Rights Grant Contract No. Jing Fang Di Chu (He) Zi (2004) 0747 dated 3 September 2004 and its two supplementary agreements dated 11 April 2005 and 11 July 2005 respectively entered into between Beijing Municipal Bureau of State Land and Resources and the Group, the land use rights of the Site with an area of approximately 19,975.06 sq.m. has been granted to the Group for retail, office, underground retail and underground car parking uses for a consideration of RMB294,102,632.

2. According to the State-owned Land Use Rights Certificate No. Jing Shi Chao She Wai Guo Yong (2005 Chu) 10386 issued by Beijing Municipal People's Government dated 24 October 2005, the land use rights of the Site with an area of 19,975.06 sq.m. is held by the Group for land use terms expiring on 2 September 2044 for retail use and expiring on 2 September 2054 for office and car parking uses.

3. Portions of the property comprising 196 offices and 472 retail shops with saleable gross floor area of approximately 44,268.39 sq.m. and 67,849.24 sq.m. respectively have been contracted to be sold for the total purchase price of RMB3,346,440,973. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

4. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   (a) After completion with relevant construction inspection and acceptance procedures completed, the Group should not have any legal impediment in obtaining the relevant Building Ownership Certificates.

   (b) Regarding the units having been contracted to be sold but not yet handed over to the purchasers, the Group is entitled to receive from the purchasers the sale proceeds of those units and obliged to deliver the units in accordance with the sale and purchase agreements. The Group will not have any interests to the building and land use rights of the sold units after the purchasers of the sold units obtaining the corresponding Building Ownership Certificates.

   (c) The Group has obtained from the PRC Government all requisite approvals in respect of the construction of the property.

   (d) Beijing Chaowai SOHO Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 90% equity interests and Beijing SOHO, a subsidiary with 95% equity interests owned by the Company, has a 10% equity interests.

5. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	N/A

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007
				(RMB)
7.	32 Houses, a Spa Centre and a Children's Club, Phase II, Commune by the Great Wall, Badaling, Yan Qing County, Beijing City, the People's Republic of China	The property comprises 32 houses, a spa centre and a children's club with total saleable gross floor area approximately 20,482 sq.m.. Commune by the Great Wall ("**the Development**") (of which the property and Property 11 set out in this property valuation form part), occupying a site with an area of approximately 20,824 sq.m. ("**the Site**"), is being developed into 43 houses, 2 clubhouses and a spa centre with total gross floor area of approximately 30,544 sq.m.. As advised by the Group, the estimated development costs to completion for the property is approximately RMB27,350,000 (excluding marketing cost). The property will be completed in 2007. The Site is held for land use terms with expiry dates on 12 April 2051 and 5 June 2072 respectively.	The property is under development.	851,000,000 (95% interests attributable to the Group: RMB808,450,000)

Notes:

1. Pursuant to the following State-Owned Land Use Rights Grant Contracts, the land use rights of the Site with a total area of approximately 20,823.61 sq.m. has been granted to the Group at total consideration of RMB624,708.

Land Use Rights Grant Contract Number	Site Area	Date of Contract	Term	Grantor	Consideration
	(sq.m.)				(RMB)
Jing Yan Fang Di Chu (He) Zi (2001) 019	8,410.21	13 April 2001	50 years	Yan Qing Housing and Land Administrative Bureau	252,306
Jing Yan Fang Di Chu (He) Zi (2002) 045	12,413.40	6 June 2002	70 years	Yan Qing Land Resources and Housing Administrative Bureau	372,402
Total:	**20,823.61**			**Total:**	**624,708**

2. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Development with a total site area of approximately 20,823.61 sq.m. is held by the Group.

State-owned Land Use Rights Certificate Number	Date of Issuance	Subject Site Area	Land Use	Date of Expiry
		(sq.m.)		
Jing Yan Guo Yong (2001) Zi 127	June 2001	8,410.21	Comprehensive	N/A
Jing Yan Guo Yong (2002 Chu) Zi 220	11 September 2002	12,413.40	Residential	5 June 2072
	Total	**20,823.61**		

3. Pursuant to the following Collective Land Use Certificates, the collective land use rights of the parcel of land beside the Development with an area of approximately 6,102,961 sq.m. is held by the Group.

Collective Land Use Certificate Number	Date of Issuance	Collective Land Area	Date of Expiry
		(sq.m.)	
Jing Yan Ji Yong (2001) 010	13 September 2002	2,197,000	13 March 2049
Jing Yan Ji Yong (2002) 022	September 2002	3,905,961	13 March 2049
	Total	**6,102,961**	

4. Pursuant to a Mortgage Agreement dated 14 December 2006, the property is mortgaged to CITIC Bank.

5. 27 houses, the spa centre and the children's club of the property with saleable gross floor area of approximately 16,410 sq.m. are ready to be held by the Group for occupation as at current date.

6. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

(a) After fulfilling the statutory requirement of completing the investment up to 25% of the total investment amount on the property, the group has the rights to transfer the land use rights and the buildings thereon, subject to the restrictions as listed in (b) and (c) below, and the fact of such mortgage should be disclosed to the buyer.

(b) According to the Mortgage Agreement dated 14 December 2006, the Group has mortgaged the property and Property 11 to CITIC Bank. For the mortgaged property, the Group still has the rights to occupy and use. If the Group transfer or lease the property, the prior written consent from the mortgagee should be obtained.

(c) According to the Kempinski Hotel Management Agreement of Commune by the Great Wall — Kempinski Hotel, the Group shall comply with the property transfer restrictions as listed in the agreement.

(d) After completion with relevant construction inspection and acceptance procedures completed, the Group should not have any legal impediment in obtaining the Building Ownership Certificate. After obtaining the Building Ownership Certificate, the Group will have the ownership to the property and will have the rights to occupy, use, transfer, mortgage and lease the property according to the PRC law, subject to the restrictions in (b) and (c) above.

(e) The current use of the property as hotel does not comply with the residential use as stated in the State-owned Land Use Rights Certificates. The Group is subject to the risk of penalty as the result of the unauthorised use.

(f) Beijing Redstone Newtown Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

7. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	N/A
vi.	Completed Construction Works Certified Report	N/A

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
8.	Various office units, retail shops and car parking spaces, Guanghualu SOHO, Guanghua Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises two office buildings on a commercial podium, accommodating 165 office units with a total saleable area of approximately 38,321 sq.m., 142 retail shops with a total saleable area of approximately 20,540 sq.m. and 220 car parking spaces. Guanghualu SOHO ("**the Development**"), occupying a site with a site area of approximately 10,189 sq.m. ("**the Site**"), will be developed into two buildings with total gross floor area and total saleable gross floor area of approximately 75,766 sq.m. and 58,861 sq.m. respectively. As advised by the Group, the estimated development costs to completion for the property is approximately RMB325,677,000 (excluding marketing cost). The Development will be completed in 2008. The Site is held for land use terms expiring on 17 January 2044 and 17 January 2054.	The property is currently under development.	1,511,000,000 (95% interests attributable to the Group: 1,435,450,000)

Notes:

1. According to the State-owned Land Use Rights Grant Contract No. Jing Di Chu (He) Zi (2004) 73 entered into between Beijing Municipal Bureau of Land Resources and Housing Management and Beijing Yong An Xing Ye Property Development Co., Ltd. dated 18 January 2004, the land use rights of the Site with an area of 10,592.3 sq.m. has been granted to Beijing Yong An Xin Sheng Property Development Co. Ltd. at a consideration of RMB111,171,904.

2. According to the State-owned Land Use Rights Transfer Contract entered into between Beijing Yong An Xing Ye Property Development Co., Ltd. and the Group dated 4 April 2006, the land use rights of the Site with an area of 10,189.01 sq.m. was transferred to the Group at a consideration of RMB438,794,565.91.

3. According to the supplementary agreement of the State-owned Land Use Rights Grant Contract as stated in Note 1 above entered into between the Group and the Beijing Municipal Bureau of Land Resources dated 1 February 2007, the land use rights of the Site was changed to that with gross floor area of 75,766 sq.m. for retail, office, underground retail, underground car parking and underground storage uses for a consideration of RMB117,519,396.

4. According to the State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2005 Chu) 0713 issued by Beijing Municipal People's Government dated 26 June 2006 and the note contained therein dated 12 February 2007, the land use rights of the Site with an area of 10,189.01 sq.m. is held by the Group for land use terms for retail and underground retail expiring on 17 January 2044 and for office, underground car parking and underground storage expiring on 17 January 2054.

5. Portions of the property comprising 142 office units and 126 retail shops with saleable gross floor area of approximately 32,620.68 sq.m. and 18,165.15 sq.m. respectively have been contracted to be sold for the total purchase price of RMB1,900,842,559. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase price of those portions.

6. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   (a) After completion with relevant construction inspection and acceptance procedures completed, the Group should not have any legal impediment in obtaining the relevant Building Ownership Certificates.

   (b) Regarding the units having been contracted to be sold but not yet handed over to the purchasers, the Group is entitled to receive from the purchasers the sale proceeds of those units and obliged to deliver the units in accordance with the sale and purchase agreements. The Group will not have any interests to the building and land use rights of the sold units after the purchasers of the sold units obtaining the corresponding Building Ownership Certificates.

   (c) The Group has obtained from the PRC Government all requisite approvals in respect of the construction of the property.

   (d) Beijing Shanshi Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

7. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant/Transfer Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	N/A

Group III — Property interests held by the Group for future development in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
9.	A Land Parcel, Sanlitun SOHO, Gongrentiyuguan Road North, Chaoyang District, Beijing City, the People's Republic of China	The property comprises a site with an area of approximately 51,245 sq.m. ("**the Site**"). The total gross floor area and total saleable gross floor area of the buildings and structures to be constructed on the property are approximately 465,680 sq.m. and 360,000 respectively. Sanlitun SOHO ("**the Development**") is a large-scale development that will comprise various apartment units with saleable gross floor area of approximately 121,000 sq.m., various office units with saleable gross floor area of approximately 114,000 sq.m., various retail shops with saleable gross floor area of approximately 125,000 sq.m., 1,700 car parking spaces and ancillary facilities. The Site is held for various land use terms with the earliest expiry date on 16 April 2044.	The property is currently vacant.	7,949,000,000 (95% interests attributable to the Group: RMB7,551,550,000)

Notes:

1. According to the State-owned Land Use Rights Grant Contract No. Jing Di Chu (He) Zi (2004) 0382 entered into between Beijing Municipal Bureau of Land Resources and Housing Management and Beijing Tongying Property Development Co., Ltd. dated 17 April 2004, the land use rights of a piece of land, where the site is located therein, with an area of approximately 62,833 sq.m. has been granted to Beijing Tongying Property Development Co. Ltd. for retail, office, apartment and underground car parking uses at a consideration of RMB641,511,955.

2. According to the State-owned Land Use Rights Transfer Contract entered into between Beijing Tongying Property Development Co., Ltd. and the Group dated 6 December 2006, the land use rights of the Site with an area of approximately 51,244.54 sq.m. was transferred to the Group at a consideration of RMB2,150,000,000.

3. According to the State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2007 Chu) 0039 issued by Beijing Municipal People's Government dated 31 January 2007, the land use rights of the Site with an area of 51,244.54 sq.m. is held by the Group for various land use terms with the earliest expiry date on 16 April 2044.

4. According to the supplementary agreement of the State-owned Land Use Rights Grant Contract as stated in Note 1 above entered into among the Group, Beijing Tongying Property Development Co., Ltd and the Beijing Municipal Bureau of Land Resources dated 13 February 2007, the land use rights of the Site was changed to that with site area and gross floor area of 51,244.54 sq.m. and 465,680 sq.m. respectively for residential, office, retail, underground retail and underground car parking uses.

5. According to the Mortgage Agreements dated 30 January 2007, the property is mortgaged to CITIC Bank.

6. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   (a) According to the Mortgage Agreements nos. (2007) Xin Yin Ying Di Zi 0004, (2007) Xin Yin Ying Di Zi 0005 and (2007) Xin Yin Ying Di Zi 0007 entered into between the Group and the CITIC Bank, the Group has mortgaged the property to CITIC Bank. The Group still has the rights to occupy and use the property.

   (b) After fulfilling the statutory requirement of completing the investment up to 25% of the total investment amount on the property, the group has the rights to transfer the land use rights and the buildings thereon, subject to the prior written consent from the mortgagee and disclosure of such mortgage to the buyer.

   (c) The Group is currently apply for Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. After obtaining the above Permits, the risk of penalty is minimal only by virtue of delay in commencement of construction works. As a practical matter, there is little possibility that the Group cannot obtain the above Permits, if the Group submits relevant documents and follows relevant procedures pursuant to the regulations.

   (d) Beijing SOHO Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

7. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant/Transfer Contract	Yes
iii.	Construction Land Use Planning Permit	N/A
iv.	Construction Works Planning Permit	N/A
v.	Pre-sale Permit	N/A
vi.	Completed Construction Works Certified Report	N/A

Group IV — Property interests held by the Group for occupation in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
10.	A Convention Centre and various Houses of Boao Kempinski (also known as Canal Village), Bo'ao Town, Qionghai City, Hainan Province, the People's Republic of China	The property comprises a convention centre and 56 houses with a total saleable gross floor area of approximately 20,316 sq.m.. Boao Kempinski ("**the Development**"), occupying a site with an area of approximately 157,668 sq.m. ("**the Site**"), has been developed into 115 houses and a convention centre with a total gross floor area of approximately 36,561 sq.m.. The houses of the property were completed in 2001 and the convention centre of the property was completed in 2006. The Site is held under a land use term expiring on 31 October 2065.	The property is currently occupied as a hotel resort.	244,000,000 (90% interests attributable to the Group: RMB219,600,000)

Notes:

1. According to State-Owned Land Use Rights Certificate No. Hai Guo Yong (2002) Zi Di 1139 issued by Qiong Hai City Government dated 8 August 2002, the land use rights of the Site with an area of approximately 157,668 sq.m. is held by Group expiring on 31 October 2065.
2. Pursuant to the following Building Ownership Certificates issued by the People's Government of Qionghai City, the building ownerships of the unsold units with total gross floor area of approximately 20,315.63 sq.m. are held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)
Hai Fang Quan Zheng Hai Zi 10349	28 August 2006	232.33
Hai Fang Quan Zheng Hai Zi 16079	6 April 2007	2,153.85
Hai Fang Quan Zheng Hai Zi 16300	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16301	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16302	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16303	24 May 2007	251.10
Hai Fang Quan Zheng Hai Zi 16304	24 May 2007	251.10
Hai Fang Quan Zheng Hai Zi 16305	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16306	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16307	24 May 2007	216.97
Hai Fang Quan Zheng Hai Zi 16308	24 May 2007	216.97
Hai Fang Quan Zheng Hai Zi 16309	24 May 2007	216.97

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area
		(sq.m.)
Hai Fang Quan Zheng Hai Zi 16310	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16311	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16312	24 May 2007	233.10
Hai Fang Quan Zheng Hai Zi 16313	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16314	24 May 2007	229.90
Hai Fang Quan Zheng Hai Zi 16315	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16316	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16317	24 May 2007	229.90
Hai Fang Quan Zheng Hai Zi 16318	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16319	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16320	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16321	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16322	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16323	24 May 2007	216.97
Hai Fang Quan Zheng Hai Zi 16324	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16325	24 May 2007	232.33
Hai Fang Quan Zheng Hai Zi 16326	24 May 2007	233.10
Hai Fang Quan Zheng Hai Zi 16327	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16328	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16329	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16330	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16331	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16332	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16333	24 May 2007	233.10
Hai Fang Quan Zheng Hai Zi 16334	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16335	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16336	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16337	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16338	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16339	24 May 2007	229.90
Hai Fang Quan Zheng Hai Zi 16340	24 May 2007	229.90
Hai Fang Quan Zheng Hai Zi 16341	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16342	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16343	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16344	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16345	24 May 2007	298.93
Hai Fang Quan Zheng Hai Zi 16346	24 May 2007	380.48
Hai Fang Quan Zheng Hai Zi 16347	24 May 2007	233.10
Hai Fang Quan Zheng Hai Zi 16348	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16349	24 May 2007	304.86
Hai Fang Quan Zheng Hai Zi 16350	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16351	24 May 2007	312.02
Hai Fang Quan Zheng Hai Zi 16352	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16353	24 May 2007	416.60
Hai Fang Quan Zheng Hai Zi 16357	24 May 2007	216.97
	Total:	**20,315.63**

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property according to the PRC law and subject to conditions in (b) below.

   (b) According to the Hotel Management Agreement of Bo'ao Canal Village — Kempinski Hotel, the Group shall comply with the property transfer restrictions as listed in the agreement.

   (c) Hainan Redstone Industry Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 90% equity interests.

   (d) The current use of the property as hotel does not comply with the residential use as stated in the State-owned Land Use Rights Certificates. The Group is subject to the risk of penalty as the result of the unauthorised use.

4. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	Yes
vii.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
11.	11 Houses and the Clubhouse of Phase I, Commune by the Great Wall, Badaling, Yan Qing County, Beijing City, the People's Republic of China	The property comprises 11 houses and a clubhouse with a total saleable gross floor area of approximately 10,062 sq.m.. Commune by the Great Wall ("**the Development**") (of which the property and Property 7 set out in this property valuation form part) occupying a site with an area of approximately 20,824 sq.m. ("**the Site**") is being developed into 43 houses, 2 clubhouses and a spa centre with a total gross floor area of approximately 30,544 sq.m.. The 11 houses were completed in 2002 and the clubhouse was completed in 2003. The Site is held for two land use terms with expiry dates on 12 April 2051 and 5 June 2072 respectively.	The property is currently occupied as a hotel.	855,200,000 (95% interests attributable to the Group: RMB812,440,000)

Notes:

1. Pursuant to the State-Owned Land Use Rights Grant Contracts as listed in Note 1 of Property 7 of this property valuation, the land use rights of the Site with a total area of approximately 20,823.61 sq.m. has been granted to the Group at a total consideration of RMB624,708.

2. Pursuant to the State-owned Land Use Rights Certificates as listed in Note 2 of Property 7 of this property valuation, the land use rights of the Site with a total area of approximately 20,823.61 sq.m. is held by the Group.

3. Pursuant to the Collective Land Use Certificates as listed in Note 3 of Property 7 of this property valuation, the collective land use rights of the parcel of land beside the Development with an area of approximately 6,102,961 sq.m. is held by the Group.

4. Pursuant to the following Building Ownership Rights Certificates, the building ownership rights of the property with a total gross floor area of approximately 10,061.59 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area	User
		(sq.m.)	
Jing Fang Quan Zheng Yan Gu Zi 00422	8 October 2005	338.28	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00423	8 October 2005	299.13	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00414	8 October 2005	373.87	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00424	8 October 2005	399.48	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00425	8 October 2005	542.20	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00415	8 October 2005	478.89	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00416	8 October 2005	628.72	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00419	8 October 2005	504.21	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00421	8 October 2005	488.04	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00417	8 October 2005	526.91	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00418	8 October 2005	441.79	Commercial
Jing Fang Quan Zheng Yan Gu Zi 00420	8 October 2005	5,040.07	Commercial
	Total:	**10,061.59**	

5. Pursuant to a Mortgage Agreement dated 14 December 2006, the land use rights of part of the Site, with an area of approximately 8,410.21 sq.m., is mortgaged to CITIC Bank.

6. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

(a) The Group has the ownership to the property and the rights to occupy, use, transfer, mortgage and lease the property according to the PRC law, subject to the restrictions in (b) and (c) below.

(b) According to the Mortgage Agreement dated 14 December 2006, the Group has mortgaged the property and Property 7 to CITIC Bank. For the mortgaged property, the Group still has the rights to occupy and use. If the Group transfer or lease the property, the prior written consent from the mortgagee should be obtained, and the fact of such mortgage should be disclosed to the buyer in the event of transfer.

(c) According to the Kempinski Hotel Management Agreement of Commune by the Great Wall — Kempinski Hotel, the Group shall comply with the property transfer restrictions as listed in the agreement.

(d) Beijing Redstone Newtown Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
12.	Clubhouse in Phase II and Clubhouse in Phase V, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	The property comprises two clubhouses in Phase II and Phase V respectively with a total saleable gross floor area of approximately 5,660 sq.m.. Phases I to VI of Jianwai SOHO ("**the Development**") (of which the property and Property 1 set out in this property valuation form part), occupying a site with an area of approximately 84,138 sq.m. ("**the Site**"), have been developed into various office and residential buildings with total gross floor area and total saleable gross floor area of approximately 610,658 sq.m. and 476,038 sq.m. respectively. The clubhouse in Phase II was completed in 2003 and the clubhouse in Phase V was completed in 2005. The Site is held for various land use terms with the earliest expiry date on 13 May 2042.	The clubhouse in Phase II with a saleable gross floor area of approximately 3,023 sq.m. was tenanted at a monthly rent of RMB269,418 for a term expiring on 9 November 2013. The clubhouse in Phase V is currently vacant.	226,000,000 (95% interests attributable to the Group: RMB214,700,000)

Notes:

1. According to the Transfer Contract of Portion of Plant of Beijing First Machine Tool Plant entered into by the Group dated 18 April 2002, the land use rights of a piece of land, in which the Site is located, with area of approximately 168,900 sq.m. was transferred to the Group at a consideration of RMB923,000,000.

2. Pursuant to the State-owned Land Use Rights Grant Contracts and their supplementary agreements as listed in Note 2 of Property 1 of this property valuation, the land use rights of the Development with a total site area of approximately 87,506.89 sq.m. have been re-granted to the Group for various land use terms at a total consideration of RMB807,882,818.

3. Pursuant to the State-owned Land Use Right Certificates as listed in Note 3 of Property 1 of this property valuation, the land use rights of the Development with a total site area of approximately 84,317.67 sq.m. is held by the Group for various land use terms.

4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property according to the PRC law.

(b) Beijing Redstone Jianwai Real Estate Development Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 95% equity interests.

5. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Yes
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Pre-sale Permit	Yes
vi.	Completed Construction Works Certified Report	Yes
vii.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
13.	A Clubhouse in SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises a clubhouse with a saleable gross floor area of 2,488 sq.m.. SOHO Newtown ("**the Development**") (of which the property, Property 3 and Property 14 set out in this property valuation form part), occupying a site with an area of approximately 60,547 sq.m. ("**the Site**"), has been developed into 6 residential buildings, 4 office towers, a kindergarten and a car parking building with total gross floor area and total saleable gross floor area of approximately 471,300 sq.m. and 379,608 sq.m. respectively. The property was completed in 2001. The Site is held for various land use terms with the earliest expiry date on 24 September 2041.	The property were tenanted at a total monthly rent of RMB140,631 for various terms with the earliest expiry date on 31 May 2010.	82,100,000 (54% interests attributable to the Group: RMB44,334,000)

Notes:

1. According to the Transfer Agreement dated 8 August 1997, the land use rights of a piece of land, in which the Site is located, with area of approximately 73,000.00 sq.m. was transferred to the Group for industrial use at a consideration of RMB400,000,000.

2. Pursuant to the State-owned Land Use Rights Grant Contracts as listed in Note 2 of Property 3 of this property valuation, the land use rights of the Site with total area of approximately 55,810.47 sq.m. has been re-granted to the Group for various land use terms at a total consideration of RMB410,304,907.

3. Pursuant to the State-owned Land Use Rights Certificates as listed in Note 3 of Property 3 of this property valuation, the land use rights of the Development with total site area of approximately 60,547.39 sq.m. is held by the Group for various land use terms with the earliest expiry date on 24 September 2041.

4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The Group has the building ownership to the property and is entitled to occupy, use, transfer, mortgage and lease the property according to the PRC law.

   (b) Beijing Zhonghongtian Real Estate Co. Ltd., the owner of the property, is a limited liability company established in accordance with the laws of the PRC, in which the Company has a 54% equity interests.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
14.	Office Unit 1805, whole of 19/F and 20/F, Block B, SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing City, the People's Republic of China	The property comprises a combined office unit with a saleable gross floor area of approximately 4,560 sq.m. on the 18th, 19th and 20th floors of SOHO Newtown and is provided with internal staircases connecting each storey of the office. SOHO Newtown ("**the Development**") (of which the property, Property 3 and Property 13 set out in this property valuation form part), occupying a site with an area of approximately 60,547 sq.m. ("**the Site**"), has been developed into 6 residential buildings, 4 office towers, a kindergarten building and a car parking building with total gross floor area and total saleable gross floor area of approximately 471,300 sq.m. and 379,608 sq.m. respectively. The property was completed in 2001. The property is held for a land use term from 22 June 2000 to 21 June 2050.	The property is currently occupied by the Group as an office.	No commercial value

Notes:

1. According to the sale and purchase agreement entered into between SOHO China Limited and Beijing Zhonghongtian Real Estate Co. Ltd. dated 28 June 2002, the building ownership of the property was transferred to the Group for a consideration of RMB46,752,708.

2. We are advised that the Group is currently applying for the relevant Building Ownership Certificate.

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) There should not be any legal impediment to the Company to obtaining the relevant Building Ownership Certificate(s).

   (b) The Company cannot currently transfer, lease and mortgage the property, but the Company can use the property without any penalty or loss.

   (c) After obtaining the relevant Building Ownership Certificate(s), the Company will have the legal ownership to the property, and will be able to occupy, use, transfer, mortgage and lease the property.

4. Had the Company obtained a valid Building Ownership Certificate(s) or equivalent, the capital value of the property is estimated to be RMB127,700,000 (100% interest attributable to the Group: RMB127,700,000).

Group V — Property interests rented by the Group in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
15.	4 retail shops, Jianwai SOHO, No. 4 Jianguomenwai Avenue, Chaoyang District, Beijing City, the People's Republic of China	The property comprises 4 retail shops. The total saleable gross floor area of the property is approximately 386 sq.m.. The property is leased under various tenancy agreements for various terms expiring on 9 August 2008 to 31 December 2008.	The property is currently occupied as retail shops.	No commercial value

Notes:

1. There is no Building Ownership Certificate for the property.

2. Pursuant to the following tenancy agreements, the property is leased to the Group:

Unit Number	Landlord	Gross Floor Area (sq.m.)	Monthly Rental (RMB)	Date of Commencement	Date of Expiry
Shop 0915	Tian Jun	33.43	2,340.10	10 September 2006	9 August 2008
Shop 1607	Wang Hai Yuan	117.67	47,715.19	1 January 2006	31 December 2008
Shop 1603	Zhao Xing Li	122.36	51,513.56	1 January 2006	31 December 2008
Shop 1512	Yu Xue Wen	112.73	44,302.89	N/A	31 December 2008
	Total:	**386.19**	**145,871.74**		

3. We were advised that the owners are independent third parties to the Group.

4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   (a) The property is leased from third parties who do not possess the Building Ownership Certificates. The occupation and usage of the property are not legally protected and may be terminated on request.

Group VI — Other property interests held by the Group in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2007 (RMB)
16.	Reserved Land Parcel, Tiananmen South (Qianmen), Qianmen Avenue, Chongwen District, Beijing City, the People's Republic of China	The property comprises 33 parcels of land with a site area of approximately 67,623 sq.m. ("**the Site**") and the total gross floor area of the buildings and structures to be constructed on the property is approximately 165,000 sq.m.. As advised by the Group, Tiananmen South (Qianmen) ("**the Development**") is a large-scale development comprising retail shops, offices and residential units.	The property is currently vacant.	No commercial value

Notes:

1. According to Cooperation Agreement regarding Management, Protection and Investment in Qianmen Avenue Project, the land use rights of the 33 pieces of land in Qianmen project will be acquired by Beijing Tianjie.

2. Pursuant to the following State-owned Land Use Rights Grant Contracts entered into between Beijing Municipal Bureau of State Land and Resources and Beijing Tianjie, the land use rights of part of the Development with total site area and total gross floor area of approximately 42,870.47 sq.m. and 61,273.39 sq.m. respectively has been granted to Beijing Tianjie at land use terms of 40 years for commercial use at a total consideration of RMB134,234,096.

Land Grant Contract Number	Date of Contract	Site Area	Gross Floor Area	Consideration
		(sq.m.)	(sq.m.)	(RMB)
Jing Di Chu (He) Zi (2007) 52	6 March 2007	562.25	950.00	2,185,000
Jing Di Chu (He) Zi (2007) 53	6 March 2007	1,586.49	3,836.00	5,822,800
Jing Di Chu (He) Zi (2007) 54	6 March 2007	1,804.63	3,305.00	7,601,500
Jing Di Chu (He) Zi (2007) 55	6 March 2007	1,548.40	3,417.00	7,859,100
Jing Di Chu (He) Zi (2007) 56	6 March 2007	2,904.34	5,839.00	2,014,455
Jing Di Chu (He) Zi (2007) 57	6 March 2007	2,174.04	6,040.70	13,893,610
Jing Di Chu (He) Zi (2007) 58	6 March 2007	453.35	347.00	1,042,705
Jing Di Chu (He) Zi (2007) 59	6 March 2007	2,079.22	4,529.99	10,418,977
Jing Di Chu (He) Zi (2007) 60	6 March 2007	2,839.03	4,992.40	11,482,520
Jing Di Chu (He) Zi (2007) 96	29 March 2007	3,457.88	3,490.00	7,329,000
Jing Di Chu (He) Zi (2007) 97	29 March 2007	2,794.69	2,918.00	6,127,800
Jing Di Chu (He) Zi (2007) 98	29 March 2007	3,285.28	3,787.00	7,952,700
Jing Di Chu (He) Zi (2007) 99	29 March 2007	3,414.46	7,360.00	15,456,000
Jing Di Chu (He) Zi (2007) 100	29 March 2007	8,524.27	3,452.60	17,900,967
Jing Di Chu (He) Zi (2007) 101	29 March 2007	1,109.93	9.50	2,330,853
Jing Di Chu (He) Zi (2007) 102	29 March 2007	2,268.12	5,021.20	10,544,520
Jing Di Chu (He) Zi (2007) 103	29 March 2007	2,034.09	1,978.00	4,271,589
	Total:	**42,840.47**	**61,273.39**	**134,234,096**

3. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of part of the Site have been granted to Beijing Tianjie.

State-owned Land Use Rights Certificates Number	Site Area (sq.m.)	Date of Issuance	Date of Expiry
Jing Chong Guo Yong (2007 Chu) Di 00034	562.25	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00035	453.35	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00036	1,586.46	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00037	2,079.23	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00038	1,804.65	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00039	1,548.39	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00040	2,174.02	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00041	2,839.06	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00042	2,904.33	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00043	3,414.48	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00044	2,794.69	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00045	3,285.24	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00046	2,034.10	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00047	1,110.04	27 April 2007	5 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00048	8,524.28	28 April 2007	28 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00049	2,268.10	28 April 2007	28 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00050	3,458.31	28 April 2007	28 March 2047
Jing Chong Guo Yong (2007 Chu) Di 00095	601.84	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00096	806.21	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00097	1,609.32	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00098	590.11	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00099	788.94	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00100	731.56	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00101	741.10	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00102	547.40	12 July 2007	24 June 2047
Jing Chong Guo Yong (2007 Chu) Di 00103	654.02	12 July 2007	24 June 2047
Total:	**49,911.48**		

4. 10 pieces of land of the property will be acquired through obtaining the building ownerships on the said 10 pieces of land. Pursuant to the following Building Ownership Certificates, the building ownerships of the buildings on portions of 10 pieces of land of the property are held by Beijing Tianjie:

Building Ownership Certificates Number	Date of Issuance
Jing Fang Quan Zheng Zi 07000145	15 January 2007
Jing Fang Quan Zheng Zi 07000146	15 January 2007
Jing Fang Quan Zheng Zi 07000147	15 January 2007
Jing Fang Quan Zheng Zi 07000148	15 January 2007
Jing Fang Quan Zheng Zi 07000149	15 January 2007
Jing Fang Quan Zheng Zi 07000150	15 January 2007
Jing Fang Quan Zheng Zi 07000151	15 January 2007
Jing Fang Quan Zheng Zi 07000152	15 January 2007
Jing Fang Quan Zheng Zi 07000153	15 January 2007
Jing Fang Quan Zheng Zi 07000154	15 January 2007
Jing Fang Quan Zheng Zi 07000155	15 January 2007
Jing Fang Quan Zheng Zi 07000156	15 January 2007
Jing Fang Quan Zheng Zi 07000157	15 January 2007
Jing Fang Quan Zheng Zi 07000158	15 January 2007
Jing Fang Quan Zheng Zi 07000159	15 January 2007
Jing Fang Quan Zheng Zi 07000160	15 January 2007
Jing Fang Quan Zheng Zi 07000691	15 February 2007
Jing Fang Quan Zheng Zi 07000692	15 February 2007
Jing Fang Quan Zheng Zi 07000693	15 February 2007
Jing Fang Quan Zheng Zi 07000694	15 February 2007
Jing Fang Quan Zheng Zi 07000695	15 February 2007
Jing Fang Quan Zheng Zi 07000696	15 February 2007
Jing Fang Quan Zheng Zi 07000697	15 February 2007
Jing Fang Quan Zheng Zi 07000698	15 February 2007
Jing Fang Quan Zheng Zi 07000699	15 February 2007
Jing Fang Quan Zheng Zi 07000700	15 February 2007
Jing Fang Quan Zheng Zi 07000701	15 February 2007
Jing Fang Quan Zheng Zi 07000702	15 February 2007
Jing Fang Quan Zheng Zi 07000761	26 February 2007
Jing Fang Quan Zheng Zi 07000762	26 February 2007
Jing Fang Quan Zheng Zi 07000763	26 February 2007
Jing Fang Quan Zheng Zi 07000764	26 February 2007
Jing Fang Quan Zheng Zi 07000765	26 February 2007
Jing Fang Quan Zheng Zi 07000766	26 February 2007
Jing Fang Quan Zheng Zi 07000767	26 February 2007
Jing Fang Quan Zheng Zi 07000825	1 March 2007
Jing Fang Quan Zheng Zi 07000826	1 March 2007
Jing Fang Quan Zheng Zi 07000827	1 March 2007
Jing Fang Quan Zheng Zi 07000828	1 March 2007
Jing Fang Quan Zheng Zi 07000829	1 March 2007
Jing Fang Quan Zheng Zi 07000830	1 March 2007
Jing Fang Quan Zheng Zi 07001246	3 April 2007
Jing Fang Quan Zheng Zi 07001247	3 April 2007
Jing Fang Quan Zheng Zi 07001248	3 April 2007

5. We are advised that Beijing Tianjie is preparing for the land grants of 6 pieces of land of the property.

6. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   (a) For the 17 pieces of land with State-owned Land Use Rights Certificates obtained as stated in notes 2 and 3 above, Beijing Tianjie has acquired the land use rights and the relevant interests of the said 17 pieces of land.

   (b) For the 10 pieces of land to be acquired through obtaining building ownership as stated in Note 4 above, after signing the State-owned Land Use Rights Grant Contract with the relevant government authorities, paying all the land premium and obtaining all the State-owned Land Use Certificates, Beijing Tianjie will have acquired the land use rights and the relevant interests in the said 10 pieces of land. (Beijing Tianjie has obtained the State-owned Land Use Certificates for the 10 pieces of land after the date of valuation.)

   (c) Out of the 6 pieces of land preparing for land grant as stated in Note 5 above, Beijing Tianjie must obtain the approvals for changing the disposal method in 2 pieces of land. Beijing Tianjie must also sign the State-owned Land Use Rights Grant Contracts, pay all the land premium and obtain the State-owned Land Use Certificates for all 6 pieces of land. Then, Beijing Tianjie will have acquired the land use rights and the relevant interests in the said 6 pieces of land.

7. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	Part
ii.	State-owned Land Use Rights Transfer Contract	Part
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Part
v.	Pre-sale Permit	N/A
vi.	Individual Construction Works Completion Certified Report	N/A

8. In the course of our valuation, we have ascribed no commercial value to the property as the acquisition has not yet commenced. Had the Company completed the acquisitions and obtained all the valid State-owned Land Use Rights Certificate(s) or equivalent for the 33 pieces of land of the project, the capital value in existing state of the project (excluding the 11 pieces of land to be acquired through tender) as at 30 June 2007 would be RMB12,316,900,000 (100% interests attributable to the Group: RMB12,316,900,000).

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent market consultant, Savills Valuation and Professional Services Limited.

21 September 2007

The Directors
SOHO China Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs,

BEIJING PROPERTY MARKET STUDY

INTRODUCTION

Savills Valuation and Professional Services Limited (Savills) refers to the instruction from SOHO China Limited (the "**Company**") to act as the market consultant to prepare an independent market research report on the Beijing Grade 'A' retail, office and residential markets for the purpose of inclusion in the prospectus to be issued in connection with the initial public offering of the shares of Company and their listing on the Main Board of the Stock Exchange of Hong Kong Limited.

Assumptions

Assumptions are a necessary part of this report. We adopt assumptions because some information is not available, or falls outside the scope of our expertise. Whilst assumptions have been adopted based upon the careful consideration of factors known as at the date of this document, the risk that any of the assumptions may be incorrect should not be ruled out. We do not warrant or represent that the assumptions on which this report is based are accurate or correct.

Information supplied by others

This document contains a significant volume of information which is directly derived from secondary sources. The information is not adopted by us as our own, even where it is used in this report. Within the document, it is clearly identified when the content of the document has been derived, in whole or in part, from sources other than our own. We do not warrant or represent that such information is accurate or correct.

Future matters

To the extent that this document includes any statement as to a future matter, projections or forecasts, that statement is provided as an estimate and/or opinion based on the information known to us at the date of this document. Such projections or forecasts are to be regarded as indicative of possibilities rather than absolute certainties. They involve assumptions about many variables and any variation due to changing conditions will have an impact on the final outcome. We do not warrant that such projections or forecasts will be achieved.

Economic Indicators

- Double-digit GDP growth rates have been recorded in Beijing during the past seven years.
- The natural growth rate of the population stood at 0.129 per cent in 2006.
- High volumes of FDI reflect the confidence of foreign investors in Beijing's prospects and the continuing internationalisation of the economy.
- The Consumer Price Index (CPI) fell in 2006 by 0.6 per cent from 2005.
- Real estate investment is showing strong growth, while the completed construction area in 2006 declined for the first time since 1998.
- People in Beijing are enjoying higher levels of disposable income and are spending more.
- The 2008 Olympics could deliver a property boom in both the leasing and sales markets.
- Property investment is one of the most important and profitable investment alternatives for people in China.
- The limited land supply in prime business districts is resulting in increasing land transaction prices.

Beijing Retail Property Market Overview

- As retail rents and prices in Beijing both lag those of Shanghai and Hong Kong, there exists potential for further increases in the future.
- Beijing's retail property sales market has witnessed robust investment since 2000, and CBD, Sanlitun and Yansha are regarded as Grade 'A' retail zones in Beijing.

- The retail area sold in 2006 was the highest since 2000, with average prices in the CBD retail zone growing at a rate of 23.6 per cent per annum (arithmetic average*) during the period from 2000 to 2006

- Retail property sales prices in Grade 'A' retail zones are expected to continue their strong growth momentum, mainly due to the limited amount of retail space available for sale during the next few years.

- Robust leasing demand is coming from both domestic and international retailers. Retail property rents continued to increase with growth in 2006 of 8 per cent despite a supply peak in that year.

Beijing Office Market Overview

- Grade 'A' office space is concentrated mainly in the CBD, Beijing Financial Street and Zhongguancun.

- Domestic Grade 'A' office sales prices in the CBD and its Vicinity increased steadily from 2000 to 2006, with growth averaging 11.6 per cent per annum (arithmetic average).

- We anticipate that average Domestic Grade 'A' office sales prices in the CBD and its vicinity will continue to rise over the next three years. This will be due to improved building quality, the limited amount of office space for sale due to the hold-for-rent strategies of many developers, and strong demand from individual investors and end-users.

- Strong leasing demand for Domestic Grade 'A' offices is driven mainly by the rapid expansion of local businesses. Rents have remained stable over the past five years. The amount of office supply for lease is expected to peak in 2007 as developers seek to complete building work before the 2008 Olympics.

* Arithmetic average means simple average, equal to the sum of all values divided by the total number of values

Beijing Grade 'A' Residential Market Overview

- CBD, Chaoyang Park, and the second Embassy/Sanlitun Areas are regarded as major Grade 'A' residential zones in Beijing.

- Sales supply of Grade 'A' apartments followed an upward trend from 2003 to 2006, while demand was also strong during the same period. A price surge was experienced from 2003 to 2006 with an annual growth rate of 20 per cent (arithmetic average). Limited supply and strong demand in the Grade 'A' residential market should lead to continued price increases in the future.

- In the leasing market, rents declined from 2003 to 2005 but picked up a little in 2006, to US$14.4 per sq.m. per month. A supply boom is taking place in 2007.

1.0. BEIJING MACRO OVERVIEW

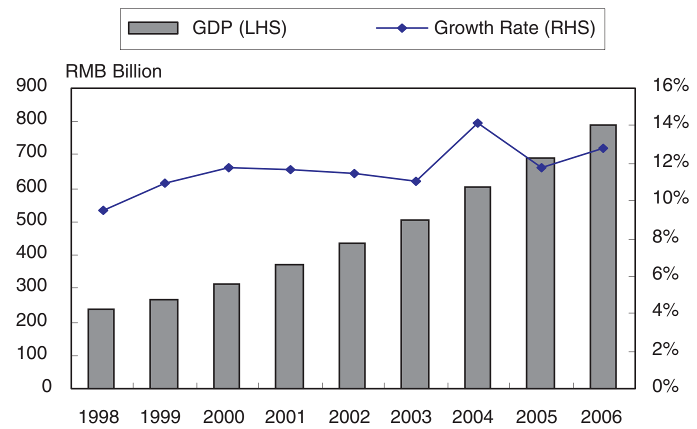
Situated in the northwest of the North China Plain, Beijing is the capital city of China and the cultural and educational centre of the country. The total area of Beijing City is 16,808 sq.km, and comprises of 18 districts and counties. Beijing is the headquarters of many large enterprises, state-owned companies, multinational corporations (MNCs) and government agencies. As the capital of China and an international metropolis, Beijing is attracting increasingly more investment both domestically and from abroad.

Gross Domestic Product (GDP)

In 2006, Beijing's nominal GDP reached RMB787.03 billion, which was 12.8 per cent higher than 2005. Beijing's economic growth is a main driver of its real estate development.

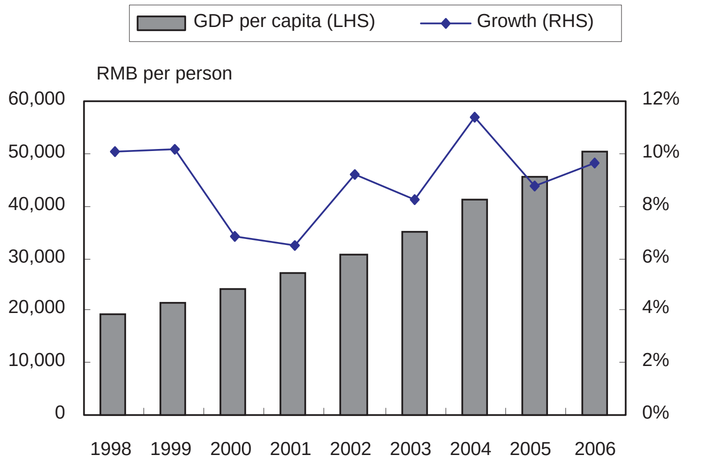
A double-digit Gross Domestic Product (GDP) growth rate has been recorded in Beijing over recent years

CHART 1.1: BEIJING'S GDP AND GROWTH RATE, 1998 TO 2006



Source: Beijing Statistics Bureau

CHART 1.2: BEIJING'S GDP PER CAPITA AND GROWTH RATE, 1998 TO 2006



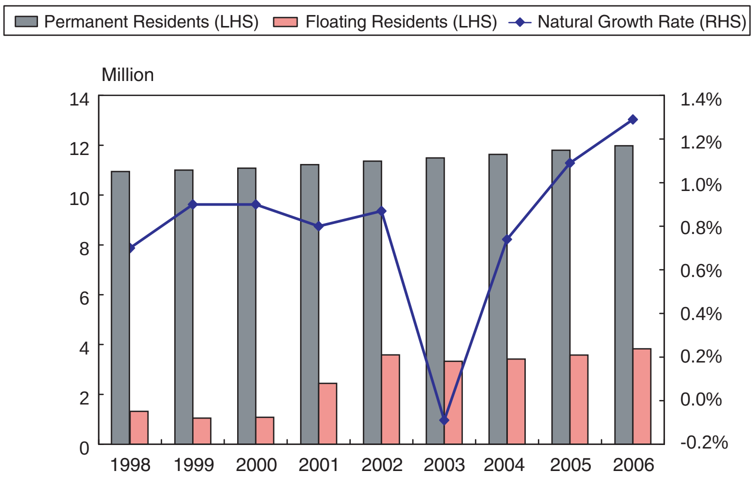
Source: Beijing Statistics Bureau

Population

Beijing's population has been rising since 1998

The total population of Beijing stood at 15.81 million in 2006, an increase of 430,000 year-on-year and 3,970,000 more people than 10 years previously. The natural growth rate of the population was 0.129 per cent, and the birth rate of the city was 0.626 per cent in 2006. Beijing's GDP per capita reached RMB50,467 in 2006, 9.6 per cent higher than in 2005.

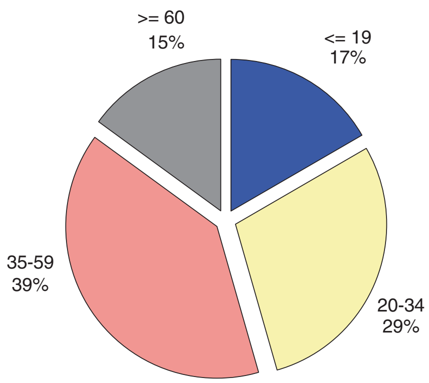
CHART 1.3: TOTAL BEIJING POPULATION, 1998 TO 2006



Source: Beijing Statistics Bureau

Of the total population of Beijing, the young and middle aged (from 20 to 59 years) account for 68 per cent. This age group generally represents the most active consumers.

CHART 1.4: BEIJING POPULATION DISTRIBUTION (BREAKDOWN BY AGE), 2006



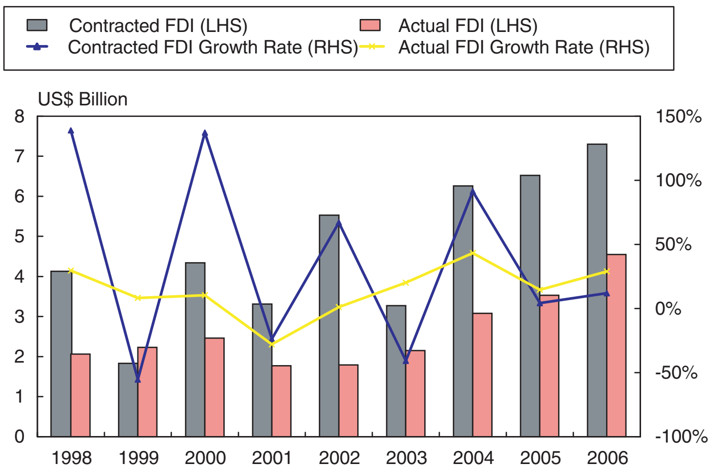
Source: Beijing Statistics Bureau

Foreign Direct Investment (FDI)

Levels of FDI reflect the confidence of foreign investors in Beijing's economy

In 2006, contracted FDI stood at US$7.3 billion, 12 per cent higher than in 2005 and the highest figure since 1992, indicating the confidence of foreign investors in Beijing's future economic development. At the same time, actual FDI in 2006 stood at US$4.55 billion, accounting for 62.4 per cent of contracted FDI.

CHART 1.5: BEIJING'S CONTRACTED AND ACTUAL FDI AND GROWTH RATES, 1998 TO 2006

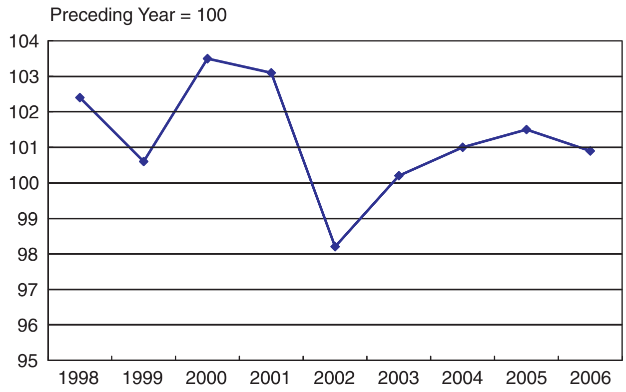


Source: Beijing Statistics Bureau

Moderate Consumer Price Index (CPI) Growth from 1998 to 2006

According to data from the Beijing Statistics Bureau, the CPI in 2006 decreased by a modest 0.6 per cent over 2005 despite increasing oil and energy prices. By the end of 2006, the CPI remained at 100.9.

CHART 1.6: BEIJING'S CPI, 1998 TO 2006



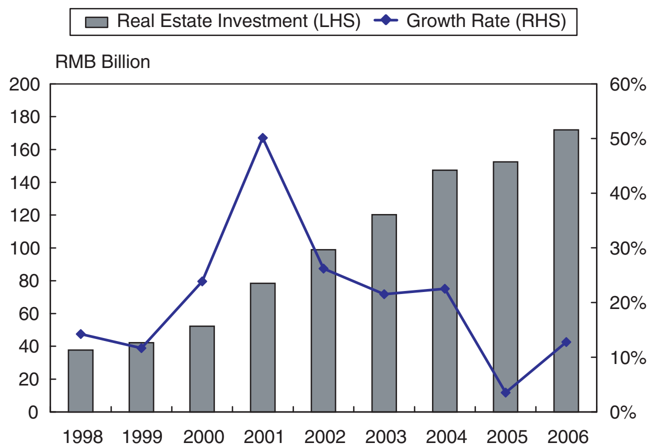
Source: Beijing Statistics Bureau

Real Estate Investment

Real estate investment is showing strong growth

Despite a series of property market control measures introduced by the central government with the intention of cooling the real estate market, real estate investment stood at RMB171.99 billion in 2006, an increase of 12.8 per cent year-on-year.

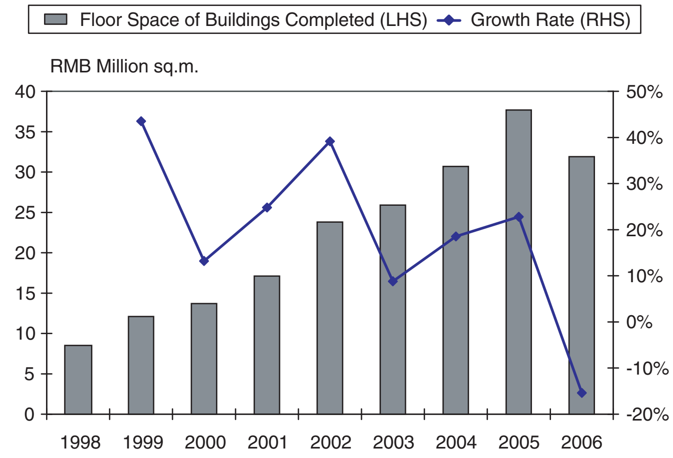
CHART 1.7: REAL ESTATE INVESTMENT, 1998 TO 2006



Source: Beijing Statistics Bureau

In 2006, the total floor area of buildings completed in Beijing was 31.9 million sq.m., the first time that this figure had recorded a decrease year-on-year since 1998.

CHART 1.8: COMPLETED CONSTRUCTION AREA OF PROPERTY FOR SALE, 1998 TO 2006



Source: Beijing Statistics Bureau

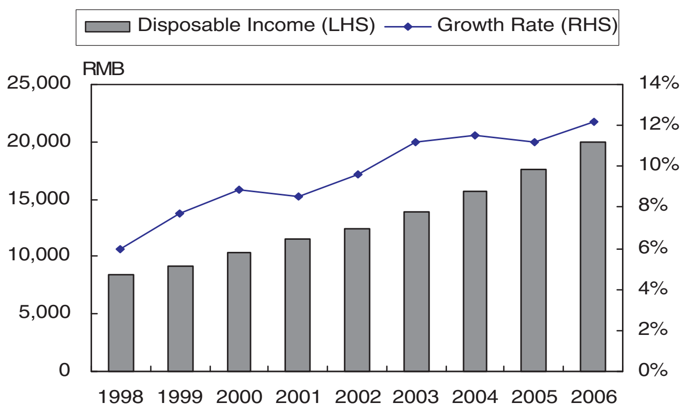
**Note: Property for sale is called "commodity properties" by the Beijing Statistics Bureau, and includes both residential and commercial buildings.*

Disposable Incomes

Rising disposable incomes and higher living expenditure have been recorded

2006 witnessed continued rapid growth in the incomes of urban residents in Beijing. The average disposable income of such residents in the year was RMB19,978 per capita (approximately US$2,568), an increase of 12.2 per cent year-on-year. Living expenditure per capita reached RMB14,825, representing an increase of 11.9 per cent over 2005.

CHART 1.9: BEIJING'S DISPOSABLE INCOME PER CAPITA, 1998 TO 2006



Source: Beijing Statistics Bureau

Growth Rates of Disposable Incomes per Capita Among China's Top 4 Cities

Shenzhen, Shanghai, Guangzhou and Beijing were the four cities with the highest disposable incomes per capita in 2005. Beijing ranked fourth with RMB17,653 per capita and boasted the highest growth rate among the four cities, reflecting the city's rapid economic development.

TABLE 1.1: DISPOSABLE INCOME PER CAPITA (TOP FOUR CITIES), 2005

CITIES	2005 DISPOSABLE INCOME PER CAPITA		GROWTH YOY
	RMB	US$	(%)
Shenzhen	21,494	2,683	8.7
Shanghai	18,645	2,327	11.8
Guangzhou	18,287	2,283	8.3
Beijing	17,653	2,203	12.9

Source: National Bureau of Statistics of China

The 2008 Olympics

The 2008 Olympics are expected to boost dramatically real estate development in Beijing. First, the retail market will witness booming retail sales of consumer goods due to the fact that an estimated 550,000 domestic and overseas tourists will visit Beijing during 2008. Meanwhile, new retailers are expected to enter China as 2008 Olympics sponsors.

The 2008 Olympics could deliver a property boom in Beijing.

Secondly, with more and more Olympic-related industries and companies setting up in Beijing and expanding their offices, we expect to see a strong demand for office space.

Thirdly, the expatriates engaged in Olympic-related projects and organisations can provide Beijing's high-end residential market with a new group of tenants.

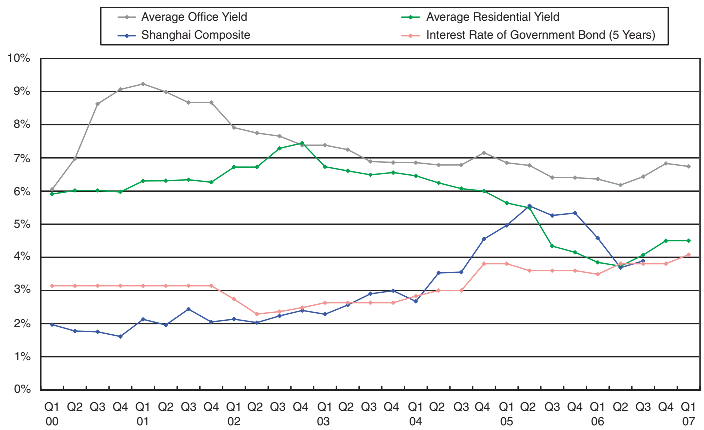
Moreover, due to general worries that construction might be officially prohibited during the Olympic months, a large portion of developers are rushing development schedules, which will bring abundant property supply. Although it has been confirmed that such a construction prohibition is not likely to happen, these development schedules are hardly changed, thus creating a supply peak in 2007.

Investment Alternatives

Property is one of the most important and profitable investments for Chinese individuals.

Chapters 2.0, 3.0 and 4.0 below demonstrate that Beijing real estate property prices, especially for those properties located in prime locations, have increased during the past five years and we expect further capital value growth over the next three years. Although the rental yield may be compressed by increasing values, the capital gains from property appreciation will offset the negative effects. The average rental yield of office property stood at 6.74 per cent at the end of Q1/2007, a decrease from 2001. Nonetheless, the figure was higher than the return from the Shanghai Composite Index and the interest rate on 5-year term PRC government bonds.

CHART 1.10: BEIJING PROPERTY RENTAL YIELDS AND RETURNS FROM OTHER ALTERNATIVE INVESTMENTS, Q1/2000 TO Q1/2007



Source: Bloomberg.com, Agricultural Bank of China, and Savills Research & Consultancy

** Note: Property yield refers to NOI (Net operating income) divided by sales price*

Three Major Business Districts in Beijing

Prime CBD: With a site area of 4.3 sq.km., the CBD is situated in the east of Beijing. The total planned construction GFA is from 8 million to 10 million sq.m. with 50 per cent allocated for offices, 25 per cent for residential and 25 per cent for retail and cultural usage.

- East: Xi Da Wang Rd
- West: Dong Da Qiao Rd
- North: Chao Yang Rd
- South: Tong Hui River North Rd

Zhongguancun (ZGC) : ZGC refers to the area from the 3rd Northwest Ring Road to the 4th Northwest Ring Road in Haidian District. A well-planned sub-district in ZGC, namely ZGC West Zone, has a site area of 51.44 ha.

- East: Zhong Guan Cun Rd
- West: Cai He Fang Rd
- North: North Fourth Ring Rd
- South: Hai Dian South Rd

Beijing Financial Street (BFS): Located along Chang'an Avenue and to the west of the Forbidden City, BFS is 1,700 metres from the north to the south and 600 metres from the east to the west, with a total site area of 102 hectares.

- East: Tai Ping Qiao Rd
- West: West Second Ring Rd
- North: Fu Cheng Men Nei Rd
- South: Chang An Street

Land Supply

Limited land supply in prime business districts is resulting in increasing land transaction prices.

Due to the rapid urbanisation the city has undergone in the past decade and the accompanying boom in real estate development, there is limited developable land available in the central city of Beijing, especially in the CBD and its vicinity. Recent land transactions indicate that land prices continue to increase in prime business districts and we expect this trend to continue for the foreseeable future. We have selected three transactions near the CBD, which we consider to be representative of land price levels.

TABLE 1.2: LAND TRANSACTION INFORMATION, 2005 TO 2006

PLOT	Sihuiqiao	Plot No.4 of Workers' Stadium	Yabao Road
LOCATION	Northeast corner of Sihuiqiao, Chaoyang D.	No.4 Gongti Beilu, Chaoyang D.	North to Guanghua Road Xikou, Chaoyang D.
USAGE	Residential	Residential	Office
SITE AREA	50,212.394 sq.m.	14,123.5 sq.m	3,996.398 sq.m.
BUILDING AREA	102,400 sq.m.	46,300 sq.m	11,989 sq.m.
TRANSACTION PRICE	RMB 756,680,000	RMB 510,000,000	RMB101,257,900
AV PSM	RMB7389.45/sq.m.	RMB 11,015/sq.m.	RMB8,445.9/sq.m.
TRANSACTION TIME	15-Nov-06	23-Jan-06	23-Dec-05

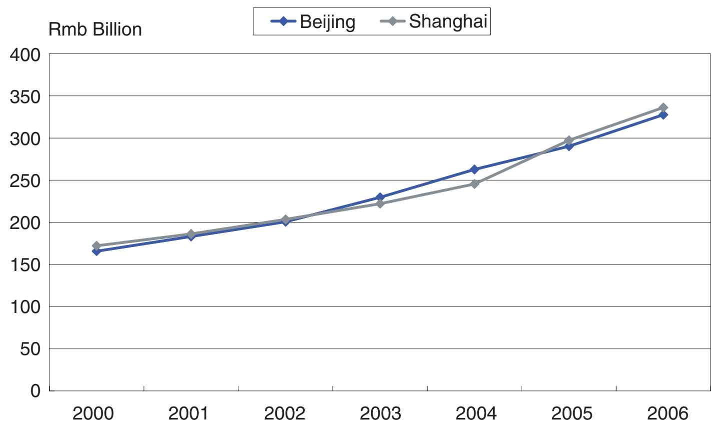
Source: Savills Research & Consultancy

2.0. BEIJING RETAIL PROPERTY MARKET OVERVIEW

2.1. **Beijing Retail Property Market**

As a growing consumer city, Beijing has witnessed a booming retail market during the past few years. Spurred by the city's rapid economic growth, and the rapid growth in the income of Beijing's urban residents, Beijing's retail sales by value have maintained a double-digit growth rate over the past three years, while demand for durable consumer goods such as cars, housing and communications has been particularly robust. In 2006, retail sales stood at RMB327.52 billion, an increase of 12.8 per cent year-on-year. Retail sales of consumer goods in Beijing have remained at similar levels to those in Shanghai during recent years.

CHART 2.1: RETAIL SALES OF CONSUMER GOODS IN BEIJING AND SHANGHAI, 2000 TO 2006



Source: China Statistics Bureau

Recent research (The McKinsey Quarterly 2006 Special Edition) indicates that China's consumer market will overtake Germany by 2015 and match Japan by 2025. Such growth in consumption will be attributable to the emergence over the next 20 years of a huge middle class with enormous spending power. As incomes rise, spending patterns are also expected to change. According to the report, housing and healthcare will be two of the fastest-growing categories while expenditure on food and apparel is projected to decrease.

Retail Property Sales Market

The retail property sales market has witnessed robust investment since 2000.

Real estate is likely to remain one of the most important and profitable investment alternatives for Chinese individuals compared with the limited field of alternative investments. According to our research, 55 per cent of retail property purchases were for investment in 2005, while this proportion climbed to 67 per cent in 2006.

Beijing's retail property sales market has performed well since 2000. In particular, retail properties in the three Grade 'A' retail zones, CBD, Sanlitun and Yansha, have been successful in terms of speed of sales as well as sales value. By the end of 2006, sales prices in these three Grade 'A' retail zones averaged Rmb 35,514 per sq.m. with a growth rate of 20 per cent per annum (arithmetic average) since 2000. When compared with Hong Kong and Shanghai, Beijing is still at a lower level. The average sales price of prime street shops in Hong Kong was recorded at HK$83,063 per sq.ft (HK$894,090 per sq.m.) on a lettable area basis in Q4/2006. In Shanghai, en-bloc retail transactions in prime locations commanded Rmb 60,000 per sq.m. in 2006. The large price difference suggests that Beijing's retail property sales market has the potential to increase to match these two comparable cities as China's Capital is following the development path of Shanghai and Hong Kong to become a more internationalised and developed city.

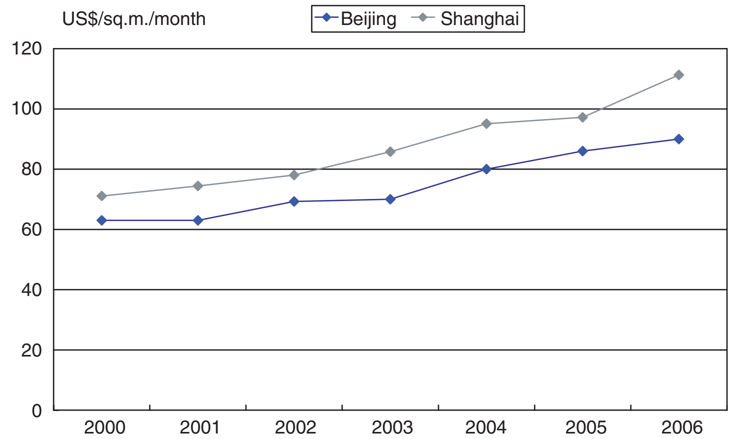
Robust Leasing Demand from Retailers

Leasing demand is being driven by both domestic and international retailers.

Driven by strong consumer demand, retailers have accelerated their store expansions, especially amongst domestic brands. An example, which we consider to be representative, is South Beauty, a well known chain restaurant operator in Beijing, which has opened 13 restaurants in Beijing since it entered the market in 2000 and which has further plans to expand. With increasing retail expenditure, health and entertainment, fitness clubs, life-style stores and bars are all in high demand.

Besides domestic retailers, international retailers can freely open stores in China after China opened the market to foreign retailers in 2004 in line with commitments to the WTO, creating additional demand for retail space in Beijing as well as other cities in China.

CHART 2.2: GROUND FLOOR RENTS OF SHOPPING MALLS IN BEIJING AND SHANGHAI, 2000 TO 2006

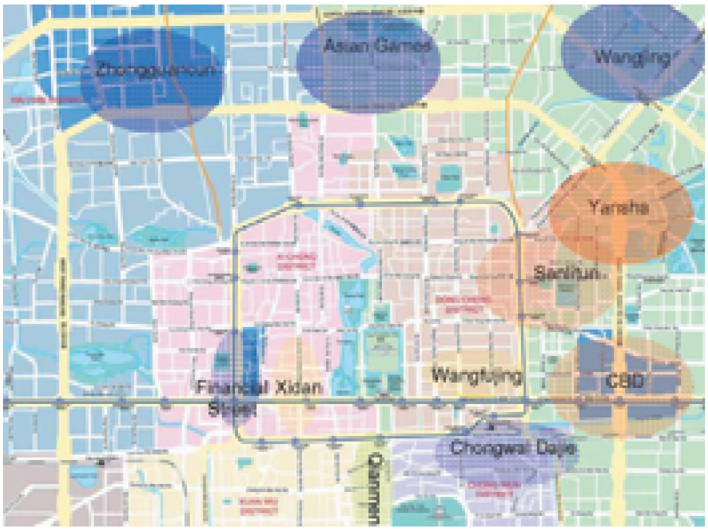


Source: Savills Research & Consultancy

The chart above indicates rents in Shanghai are higher than those in Beijing. Shopping mall rental trends in the two cities have both been very similar over the period from 2000 to 2006. However, Shanghai's average ground floor rental rate of US$111 per sq.m. per month in 2006 was 23 per cent higher than that of Beijing, which stood at US$90 per sq.m. per month in 2006. Comparing average disposable income per capita with Shanghai's RMB18,645, Beijing stood at a similar level. Supported by strong retail consumption, Beijing has the potential to increase its shopping mall rents and move more in line with those in Shanghai.

2.2. BEIJING RETAIL ZONE DISTRIBUTION

RETAIL ZONE DISTRIBUTION MAP



CBD, Sanlitun and Yansha are regarded as Grade 'A' retail zones in Beijing.

At present, Beijing has 11 main retail zones comprising:

Grade 'A' Retail Zones: CBD, Sanlitun and Yansha

Traditional Retail Zones: Xidan, Wangfujing and Qianmen

Grade 'B+' Retail Zones: Beijing Financial Street

Grade 'B' Retail Zones: Zhongguancun, Asian Games and Chongwai Dajie

Characteristics of the Grade 'A' Retail Zones:

CBD Retail Zone

- Mid-to-high end retail positioning
- Highest sales prices for retail properties
- Concentration of high-end shopping centres
- High-income consumers

Yansha Retail Zone

- One of the earliest retail zones opened to foreigners
- Mid-to-high end retail positioning
- Concentration of department stores and markets
- High-income consumers

Sanlitun Retail Zone

- Mid-to-high end retail positioning
- Life style retail concentration
- A project to be developed by Swire Properties Limited and Bar Street make Sanlitun a retail and entertainment destination

Traditional Retail Zones

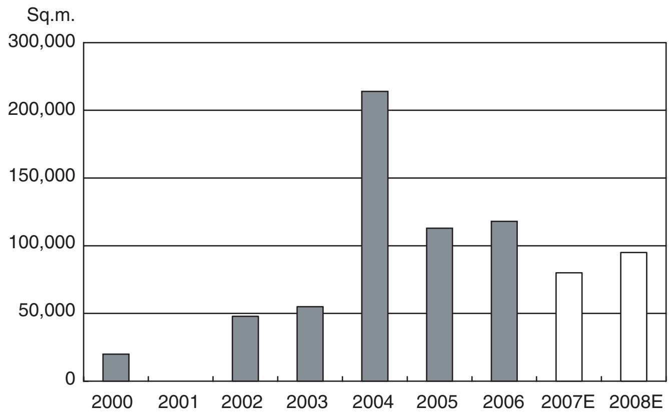
- *Many more pedestrian streets and tourist destinations*
- *Some are being regenerated*
- *Long history and traditional cultural features*

2.3. Beijing Retail Property Sales Market in Grade 'A' Retail Zones

2.3.1 *Retail Property Supply in the Sales Market*

2004 saw 213,951 sq.m. of new supply enter the market, including Wanda Plaza North Zone, The Spaces, Vantone Centre and R&F Mall. We estimate that approximately 80,000 sq.m. and 95,000 sq.m. of retail space will be launched onto the sales market in 2007 and 2008 respectively, which is rather limited compared to the previous three years.

CHART 2.3: RETAIL PROPERTY SUPPLY* IN THE SALES MARKET IN THREE GRADE 'A' RETAIL ZONES, 2003 TO 2008E



Source: Savills Research & Consultancy

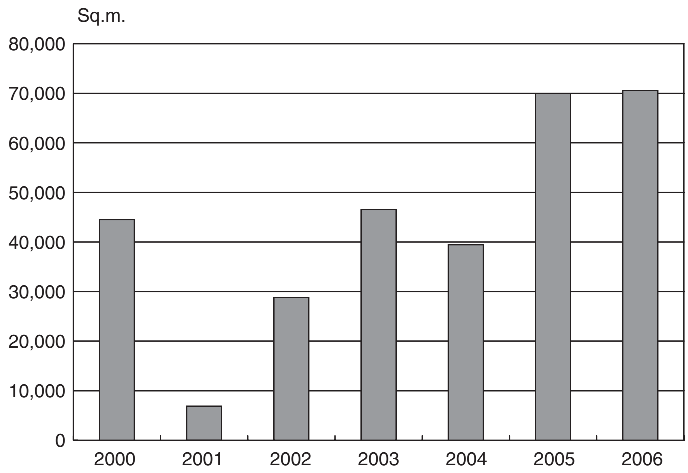
** Note: Supply refers to new projects with pre-sales approval launched in the sales market.*

2.3.2 ***Retail Property Demand in the Sales Market***

The retail area sold in 2006 was the highest since 2000.

Grade 'A' retail zones in 2005 and 2006 witnessed a high level of sales absorption with 69,938 sq.m. and 70,554 sq.m. of retail area sold respectively. The upward trend shown in the chart below illustrates strong growing demand. We believe that retail property market demand will continue to grow.

CHART 2.4: RETAIL AREA SOLD* IN THE THREE GRADE 'A' RETAIL ZONES, 2000 TO 2006



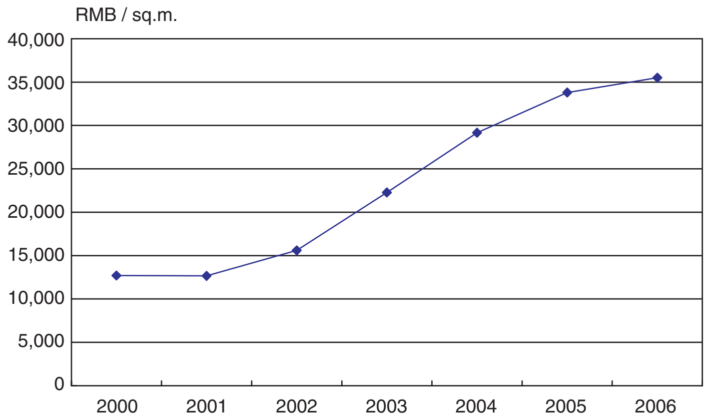
Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

** Note: The area sold in a year refers to the area sold of the market stock.*

2.3.3 ***Retail Property Sales Prices in the Sales Market***

Retail Property Sales Prices in Three Grade 'A' Retail Zones

CHART 2.5: AVERAGE SALES PRICE OF RETAIL PROPERTIES IN THE THREE GRADE 'A' RETAIL ZONES, 2000 TO 2006



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

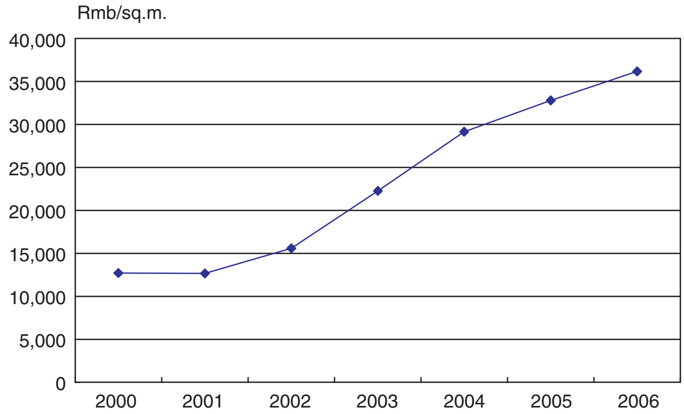
The retail property sales market in the three Grade 'A' retail zones has performed well since 2000, with an average sales price during this period of Rmb35,514 per sq.m.. Retail properties in the CBD retail zone made a significant contribution to the sales price increase.

Retail Property Sales Prices in the CBD Retail Zone

Prices from 2000 to 2006 in the CBD retail zone grew at a rate of 23.6 per cent per annum.

The CBD retail zone has enjoyed robust price growth during recent years and retail space has been successful in terms of both speed of sale as well as sales value. This success is attributable to the limited number of projects in the CBD retail property sales market as well as a tendency for prices to rise as construction progresses and completion nears. The average sales price was recorded at RMB36,174 per sq.m. in 2006. The growth rate from 2000 to 2006 averaged 23.6 per cent per annum (arithmetic average).

CHART 2.6: AVERAGE SALES PRICE IN THE CBD RETAIL ZONE, 2000 TO 2006



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

Retail Property Sales Prices in the Sanlitun Retail Zone

At present, Sanlitun retail zone is dominated by Pacific Department Store, Yashow Market, and San Li Tun 3.3, which are for lease only. A project from Swire Properties Limited is expected to be launched on to the leasing market this year. In the sales market, China View started selling from 2005 at above the average market price, commanding an average value of Rmb 46,589 per sq.m. In the next two years, Sanlitun SOHO and International Wonderland will in aggregate offer approximately 120,000 sq.m. of retail space for sale.

2.3.4 *Market Trends in the Sales Market*

Retail sales prices in the Grade 'A' retail zones will continue their strong growth momentum.

In our view, it is very likely that the average retail sales price in the Grade 'A' retail zones will continue its strong growth momentum due to the following reasons:

- Land prices in the three Grade 'A' retail zones have seen rapid growth as a result of the development of the area. The planned construction area in the CBD for both retail and cultural use is only 25 per cent of the total planned area, rendering retail land relatively scarce.

- During the next three years, Beijing's three Grade 'A' retail zones will see 175,000 sq.m. of retail space launched into the sales market. This is mainly distributed in the CBD and Sanlitun retail zones, most notably, Guanghualu SOHO, Fortune Plaza Phase II, and Sanlitun SOHO, which are being developed by well established developers with strong sales track records; SOHO China and H.K.I (H.K.I Development Co.,Ltd), respectively. We expect these projects to achieve above average prices.

- Stable rental growth rates in the CBD retail zone (about 8 per cent per annum since 2000) should attract investors seeking operating cash flows.

- Increasing demand from retailers is expected to be a feature of the next three years.

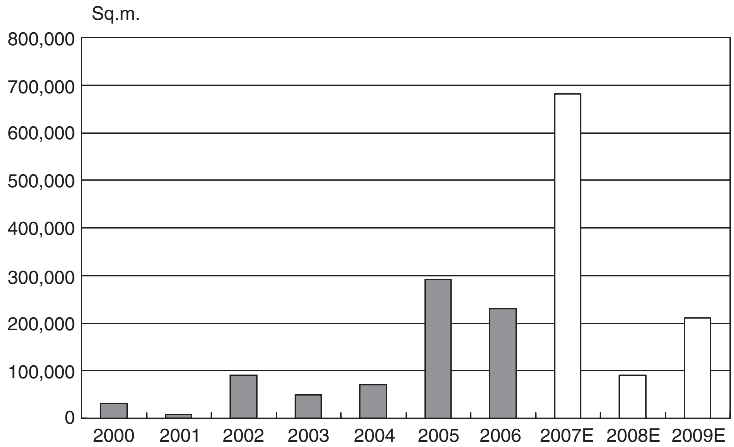
- The improved building quality and design of new supply will underpin the value of retail properties in the pipeline compared with existing properties.

2.4. THE BEIJING RETAIL PROPERTY LEASING MARKET IN THE GRADE 'A' RETAIL ZONES

2.4.1 *Retail Property Supply in the Leasing Market*

CHART 2.7: RETAIL PROPERTY SUPPLY IN THE LEASING MARKET IN THE THREE GRADE 'A' RETAIL ZONES, 2000 TO 2009E

Retail property supply in the leasing market is expected to peak in 2007.



Source: Savills Research & Consultancy

Supply in 2007, 2008 and 2009 is estimated to reach 681,000 sq.m., 90,000 sq.m. and 261,000 sq.m. respectively. New projects will include China Central Place, Chaowai SOHO, Sanlitun SOHO and a project from Swire Properties Limited. Future supply is mainly concentrated in the CBD and Sanlitun retail zones.

2.4.2 *Retail Property Demand in the Leasing Market*

Mid-range retailers in the fashion and F&B sectors are most active in the Beijing leasing market.

Demand in the Beijing retail property leasing market has mainly been driven by expansion, relocation and upgrades from various retail sectors, especially mid-range brands. Fashion stores and F&B (Food and Beverage) were amongst the most active in the leasing market throughout 2006, followed by health clubs and beauty salons.

TABLE 2.1: NUMBER OF STORES OPENED BY SELECTED MIDDLE-END RETAILERS IN BEIJING, 1992 TO 2006

RETAILER	TYPE	ENTRY YEAR	NO. OF STORES BY 2006	AVERAGE NO. OF STORES PER YEAR
Starbucks	Café	1999	63	8
South Beauty	Chinese Food	2000	13	2
Pizzahut	Fast Food	1990	36	2
Subway	Fast Food	1995	42	4
Only	Clothes	1999	46	6
Azona	Clothes	1994	40	3
Belle	Shoes	1992	62	4
Csi Bally	Fitness	2002	9	2
Nirvana Fitness & Spa	Fitness	2001	8	1

Source: Savills Research & Consultancy

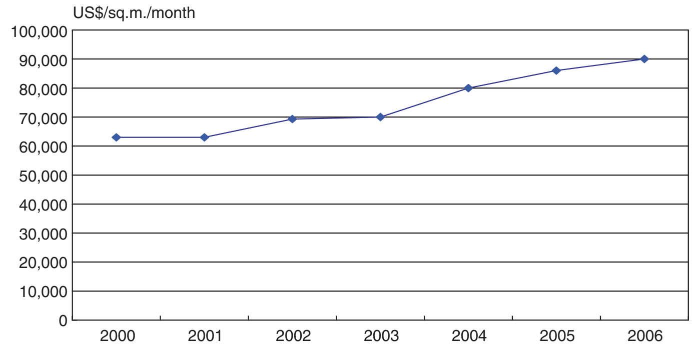
Different representative mid-range retailers from the F&B, fashion and accessories segments are selected in the above table to show their expansion in Beijing. In the CBD retail zone, tenants from the fashion, cosmetics & accessories and F&B industries account for significant market shares of 48 per cent and 29 per cent respectively.

2.4.3 ***Retail Property Rents in the Leasing Market***

Beijing shopping mall rents have gradually increased since 2000.

In Beijing, retail rents are quoted either as monthly rents based on net area or as a percentage of the retail turnover. The former is generally applicable to retail podiums, supermarkets or shopping malls, while the latter is common among department stores. By the end of 2006, the average rent for a ground floor unit in a shopping mall stood at US$90 per sq.m., representing a 4.7 per cent increase year-on-year.

CHART 2.8: RENTS FOR GROUND FLOOR UNITS OF SHOPPING MALLS, 2000 TO 2006



Source: Savills Research & Consultancy

3.0. BEIJING OFFICE MARKET OVERVIEW

3.1. Beijing Office Market

Beijing high-end office buildings can be categorised (an industry-wide approach) into International Grade 'A' and Domestic Grade 'A'.

TABLE 3.1: CRITERIA FOR OFFICE CATEGORIES

	International Grade 'A'	Domestic Grade 'A'
Location	Good accessibility, including public transport and metro line	Good accessibility, including public transport or metro line
Car Parking	Minimum 1 space per 200 sq.m. of gross floor area	The number of parking lots basically sufficient for tenants
Overall Building Quality	High Standard of finish, underfloor trunking / raised floor, floor loading, separate entrance for office users where there is a significant retail podium	Standard of finish not necessarily luxurious
Ceiling Height	Over 2.6 metres	Over 2.5 metres
Lifts	One lift serving 5 floors on average, or waiting time of no more than 30 seconds	Waiting time of no more than 1 minute
Telecom Provisions	Phone Line: One line per 20 sq.m. of gross floor area on average, DDN, ISDN line, availability of video conferencing facilities	Phone Line: DDN, ISDN line, availability of video-conferencing facilities
Power Supply	A minimum of 50-60 w per sq.m. plus adequate provisions for back-up power supply	Back-up power supply may be available
AC System	4 pipe HVAC system plus provision for 24 hour air-conditioning for tenants computer rooms	2/4 pipe HVAC system plus provision for 24 hour air-conditioning for tenants computer rooms

	International Grade 'A'	Domestic Grade 'A'
Management	Reputable company with relevant experience	By developers themselves or by local management companies
Lease or Sale	Lease only	Lease or Strata-titled
Major Tenant	Dominated by foreign companies	Foreign and domestic companies
Examples	China World Trade Center II, Kerry Center, China Resources Building	CapitaLand Tower, Fortune Plaza, Vantone Centre

Generally speaking, Domestic Grade 'A' office buildings are not as highly specified as International Grade 'A' office buildings. This report focuses on the Domestic Grade 'A' office market.

The Grade 'A' office market is experiencing strong demand.

New Grade 'A' office supply in 2006 was much greater than that in 2005, while demand also witnessed much stronger growth. In 2006, sales prices in CBD and its vicinity averaged RMB20,250 per sq.m. and are showing increases as rental levels remain stable at around US$18.1 per sq.m. per month and low vacancy levels persist at around 11.2 per cent.

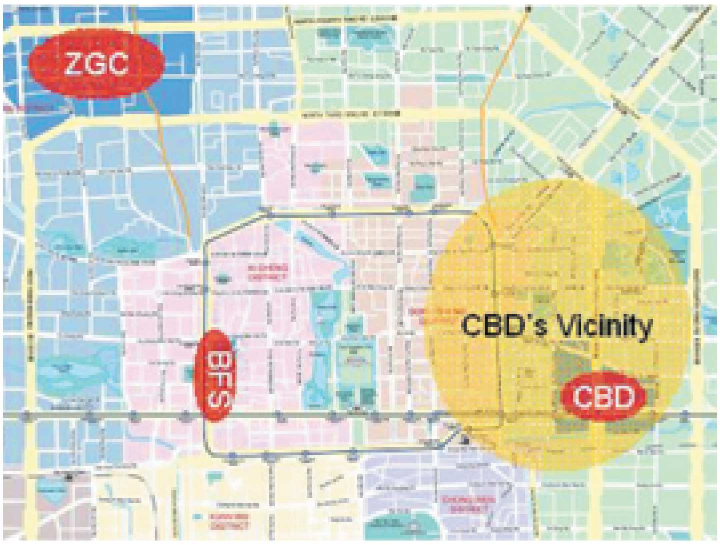
On the demand side, there is potential for Domestic Grade 'A' offices to attract end users as well as institutional and individual investors.

3.2. **Beijing Office District Distribution**

Beijing has three major office districts, namely CBD and its Vicinity (CBD), Zhongguancun (ZGC) and Beijing Financial Street (BFS).

The CBD and its Vicinity attracts more office investment compared with Zhongguancun and Beijing Financial Street.

OFFICE DISTRIBUTION MAP



CBD and its Vicinity:

- The prime office location in Beijing
- More than 100 multinational Fortune 500 companies are located here
- Numerous companies in the professional services, media and trade sectors
- More than half of Beijing's total high-end office stock (International Grade 'A' and Domestic Grade 'A') is in the area
- One of the first choices for corporate tenants

Zhongguancun:

- IT and high-tech area
- Domestic Grade 'A' office buildings are more common
- Some level of traffic congestion

Beijing Financial Street:

- Cluster of domestic financial institutions, banks and insurance companies
- Experienced an improvement in building quality during the last two years
- Preferential policies benefiting office leasing have been issued by local district government

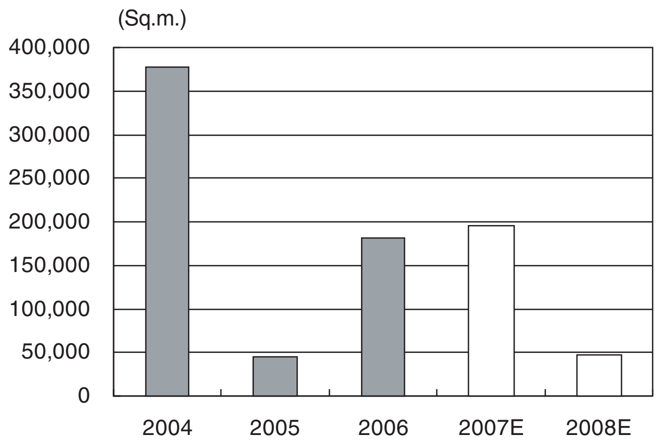
3.3. BEIJING CBD OFFICE SALES MARKET

3.3.1. *Office Supply in the Sales Market in the CBD and Its Vicinity*

The following chart shows office sales supply in the CBD and its Vicinity. Before 2004, almost no Domestic Grade 'A' office space was available for sale in the CBD and its Vicinity, while supply experienced a peak in 2004 of 377,738 sq.m. After the peak, there were only 2 projects released into the sales market in 2005, but supply reverted to more typical levels in 2006.

Strata-title office sales supply is expected to decrease to 2008.

CHART 3.1: DOMESTIC GRADE 'A' OFFICE SALES SUPPLY IN THE CBD AND ITS VICINITY FROM 2004 TO 2008E



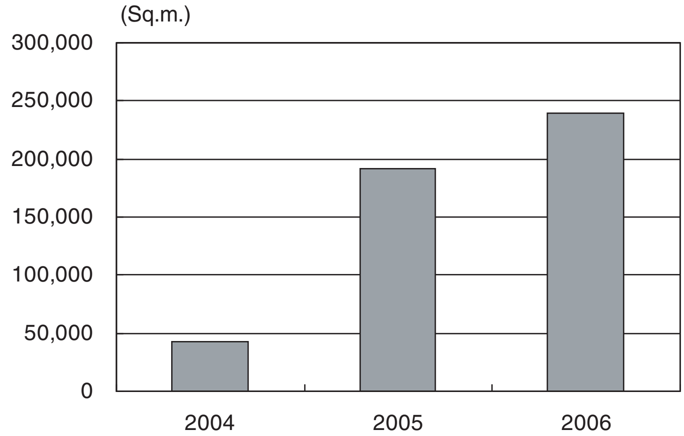
Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

Over 2007 and 2008 there will be a total of only 242,000 sq.m. of Domestic Grade 'A' offices available for sale, well below the 377,738 sq.m. available in 2004 alone. One reason for this is that the land supply is limited in this area. The other reason is that most upcoming projects will be held by developers for lease only rather than put onto the sales market.

3.3.2. *Office Demand in the Sales Market in the CBD and Its Vicinity*

CHART 3.2: DOMESTIC GRADE 'A' OFFICE SPACE SOLD IN THE CBD AND ITS VICINITY FROM 2004 TO 2006

Investment in the office market has been increasing consistently.



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

Domestic Grade 'A' sales demand derives from investors as well as end-users. According to the above office space sales trend, investment in the office sector is increasing. Before 2004, domestic Grade 'A' office sales demand in the CBD and its Vicinity was constrained due to the limited amount of supply, when there were few projects available for strata-title sale.

In addition to continuing interest from domestic buyers, the sales market in 2005 witnessed an increased interest from foreign institutional investors, encouraged by Beijing's strong economic growth, the 2008 Olympics, China's WTO accession, RMB appreciation and spillover of demand from the Shanghai real estate market. In 2006, sales continued to grow and reached 239,657 sq.m.

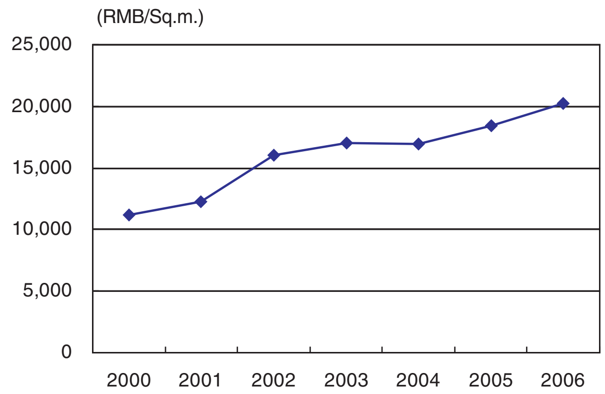
We anticipate that strong demand for Domestic Grade 'A' office space within the CBD and its Vicinity will continue for the next 3 years even if take up is constrained by limited supply.

3.3.3. ***Office Prices in the Sales Market in the CBD and Its Vicinity***

As illustrated by the chart below, the volume of Domestic Grade 'A' office sales in the CBD and its Vicinity has experienced stable growth. Average sales prices grew from RMB 11,180 per sq.m. in 2000 to RMB 20,250 per sq.m. in 2006, an increase of 81.13 per cent over seven years.

Domestic Grade 'A' office sales prices in the CBD and its Vicinity have increased from 2000 to 2006.

CHART 3.3: AVERAGE DOMESTIC GRADE 'A' OFFICE SALES PRICES IN THE CBD AND ITS VICINITY, 2000 TO 2006



Source: Beijing Real Estate Exchange Office (www.e-fdc.com), Savills Research & Consultancy

Supply in 2000 and 2001 came mainly from SOHO New Town, a major Domestic Grade 'A' office project for sale at that time. In 2002 and 2003 average sales prices were driven up by Jianwai SOHO which achieved a high sales volume. In 2004, several low priced projects, such as Full Tower, brought the average price down again. However, in our view, this will not affect the consistent growth trend that the market has experienced over the past seven years.

The average sales price of Domestic Grade 'A' offices has increased while rents have softened. There are several factors which have supported this sales price increase. Firstly, not only developers but also end users have generally held an optimistic view of future sales price increases. Secondly, local buyers, especially large state-owned or state-holding enterprises and domestic insurance companies, have continued to buy office buildings in prime locations, often to upgrade their existing offices. Thirdly, foreign capital from institutions and individual investors has increased competition among potential buyers and investors. Furthermore, developers have the option to either sell or rent the office space; some deciding to initially hold the building for lease and sell in the future. Finally, the appreciation of the RMB has been an added incentive for investors to become involved in the market.

Since 2004, an increasing number of strata-titled sales projects have been marketed in the CBD area, namely, Full Tower, Fortune Plaza and Jianwai SOHO. In 2005 and 2006, CITC Centre, Genertime International Plaza and Oriental Media Centre attracted the interest of a large number of domestic buyers as well as international investors.

3.3.4. ***Market Trends***

Growth in Domestic Grade 'A' office sales prices in the CBD and its Vicinity is expected for the next three years.

Average office sales prices in the CBD and its Vicinity will continue to rise for the next three years due to the following reasons:

- Domestic Grade 'A' office supply is showing a decreasing trend.
- Land prices in the CBD will appreciate as the location matures.
- Improvements in the building quality of new stock compared with existing properties.
- A large number of prime office buildings in the CBD are to be completed over 2007 and 2008, developing the area to a critical mass and broadening its appeal as a core office location.
- Domestic insurance companies are becoming the strongest office buyers following the lifting of controls on insurance companies investing in the real estate sector. In 2006, insurance companies accounted for over 30 per cent of the domestic property purchases in the office sector.
- Individual office projects built by developers with good track-records and which are well-marketed will outperform the market with rates of price growth of up to 20 per cent.
- The CBD and its Vicinity, as the prime business area, enjoys strong tenant demand, which has made sales projects more sought after and provided office investors with superior profits.

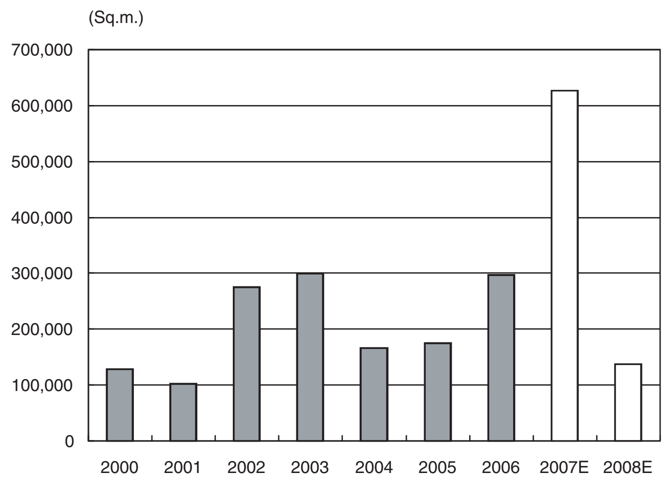
3.4. CBD OFFICE LEASING MARKET

3.4.1. *CBD Office Supply in the Leasing Market*

Annual Domestic Grade 'A' office supply is shown in the chart below. It is notable that supply in 2007 will be double that of previous years. Although a prohibition on construction in 2008 due to the Olympics is now not likely to be imposed, most of the previous development schedule will remain unchanged, leading to an expected supply peak in 2007, and a fairly limited amount of Domestic Grade 'A' supply in 2008.

Some office supply has been brought forward from 2008 to 2007, resulting in a supply peak.

CHART 3.4: DOMESTIC GRADE 'A' OFFICE SUPPLY, 2000 TO 2008E

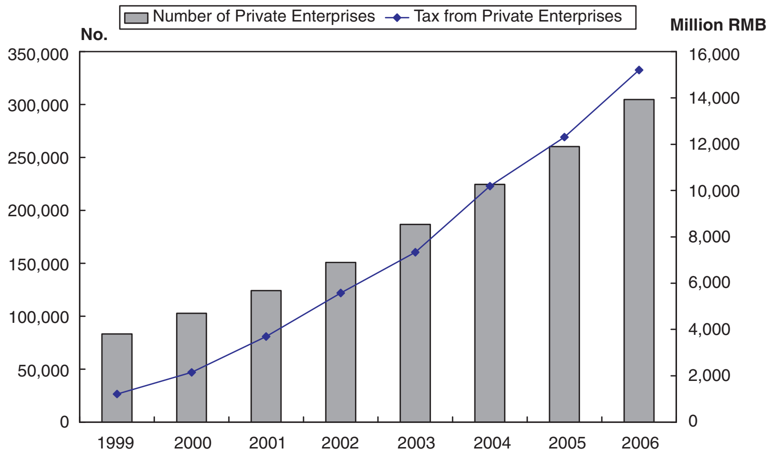


Source: Savills Research & Consultancy

3.4.2. ***Office Demand in the Leasing Market***

CHART 3.5: NUMBER OF PRIVATE ENTERPRISES AND TAX PAID BY PRIVATE ENTERPRISES IN BEIJING, 1998 TO 2006

Strong demand for Domestic Grade 'A' offices comes mainly from local companies, who have enjoyed rapid growth in both numbers and revenue.



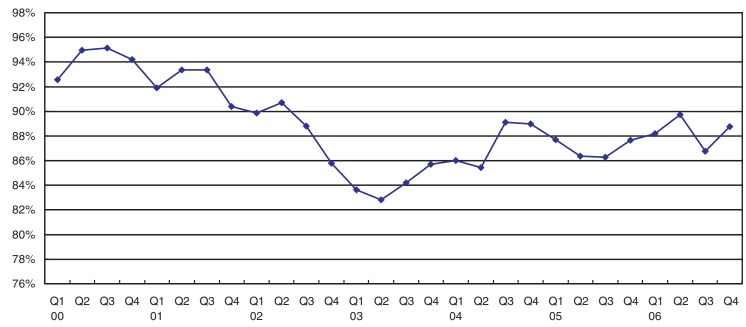
Source: Beijing Statistical Bureau

Although the CBD is well-known for its high-end international tenant profile, private enterprises account for a larger share of the overall demand for Domestic Grade 'A' offices in Chaoyang District.

The number of private enterprises is increasing rapidly and these firms represent an expanding demand pool. Increasing tax revenues from private enterprises reflect the strong growth of these companies and we expect them to remain the key demand drivers for Domestic Grade 'A' offices.

From the following Domestic Grade 'A' office occupancy rate trend, it is noticeable that the office leasing market is relatively stable. By the end of 2006, the occupancy rate stood at 88.8 per cent.

CHART 3.6: DOMESTIC GRADE 'A' OFFICE OCCUPANCY RATE, Q1/2000 TO Q4/2006

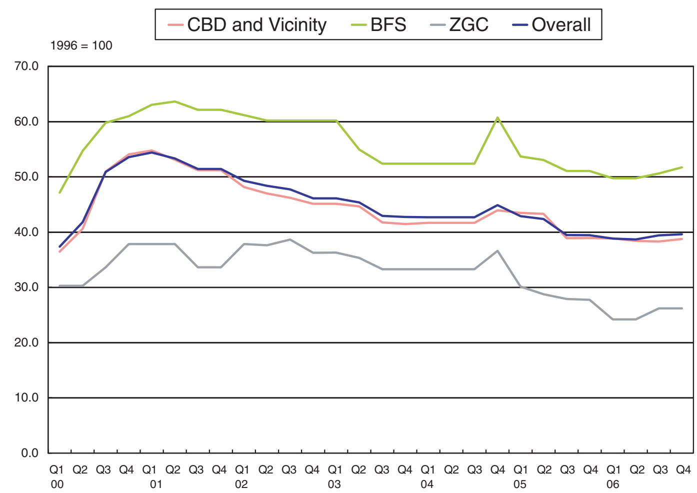


Source: Savills Research & Consultancy

3.4.3. ***Office Rents in the Leasing Market***

Rents have remained stable over the past 5 years.

CHART 3.7: DOMESTIC GRADE 'A' OFFICE RENTAL INDEX, Q1/2000 TO Q4/2006



Source: Savills Research & Consultancy

Office rental stability from 2000 suggests a maturing market less prone to extreme volatility, which offers stable rental income growth. This will help office buyers/owners forecast stable returns from their assets, thus attracting more mid to long-term investors.

4.0 BEIJING RESIDENTIAL MARKET OVERVIEW

4.1. Beijing Residential Market

The Grade 'A' residential sales market is showing positive growth.

Beijing Grade 'A' apartments are mainly located in the eastern part of the city, in areas such as CBD, Chaoyang Park, Sanlitun (2nd Embassy), Yansha, and Lido, which are the primary business districts and areas of Beijing most popular among expatriates.

Although the supply of Beijing Grade 'A' apartments has continued to increase since 2003, strong demand has driven prices up over the past 7 years. The average price experienced a surge of 13 per cent per annum (arithmetic average) from 2000 to 2006, a rate similar to the growth rate of average disposable income per capita mentioned in Section 1. A high rate of price increase is expected in 2007 because of the limited available supply and strong purchase demand.

In the leasing market, a limited amount of supply in 2006 compared with the previous year was due to the delay of several projects, while rents declined from 2003 to 2005, and increased moderately in 2006. We expect rents to fall slightly in 2007 as a result of increasing supply, however, higher quality projects will prevent a substantial decline.

As the Beijing residential market continues to develop and appreciate, we define Grade 'A' residential projects based on the following price levels:

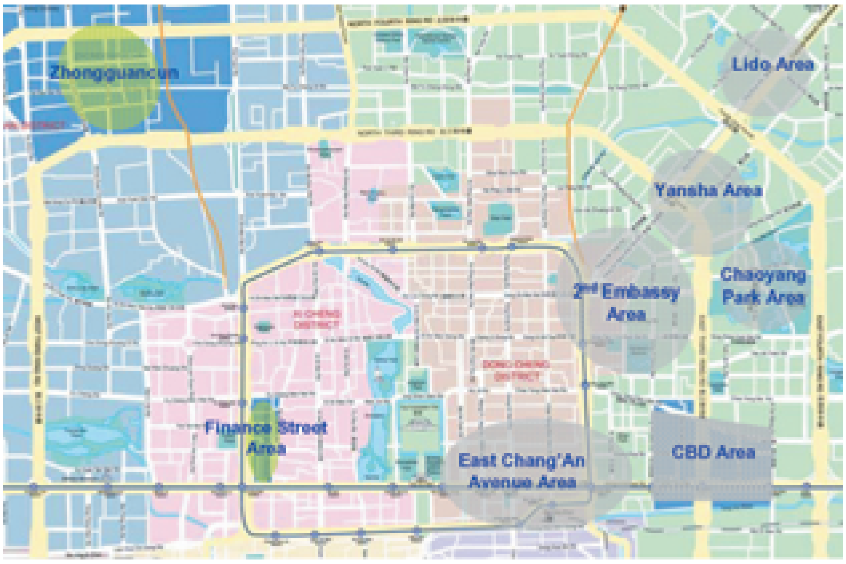
- Before 2005, projects with sales prices higher than Rmb10,000 per sq.m.

- After 2005, projects sold for Rmb15,000 or more per sq.m.

4.2. **Beijing Residential Distribution**

CBD, Chaoyang Park, and the 2nd Embassy/ Sanlitun Areas are regarded as major Grade 'A' residential zones in Beijing.

GRADE 'A' RESIDENTIAL ZONE DISTRIBUTION MAP



At present, Beijing has 8 main Grade 'A' residential zones comprising:

Grade 'A' Areas: CBD, Chaoyang Park, 2nd Embassy/Sanlitun, East Chang'an Avenue, Yansha, and Lido

Emerging Areas: ZGC and Beijing Financial Street

Characteristics of the major Grade 'A' Residential Zones:

CBD Residential Zone

- Ample supporting commercial facilities in the CBD
- Highest sales prices in Beijing
- Massive development of Grade 'A' apartments since 2003
- Limited new projects in the pipeline

Chaoyang Park Residential Zone

- A pure residential area surrounding Chaoyang Park
- Grade 'A' projects usually comprise several phases
- Emerging as an entertainment and leisure area in Beijing

2nd Embassy/Sanlitun Residential Zone

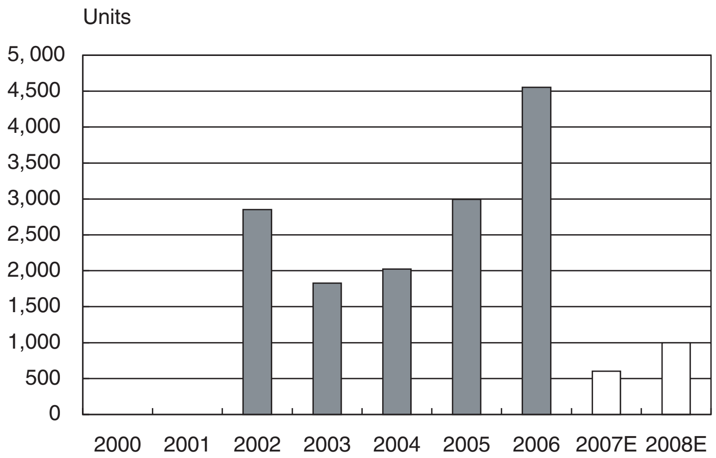
- Foreign businesses and embassy-supporting
- One of the earliest Grade 'A' residential areas in Beijing
- Rich in entertainment and leisure facilities such as Sanlitun Bar Street and Worker's Stadium

4.3. **Beijing Residential Sales Market**

4.3.1 ***Residential Supply in the Sales Market***

CHART 4.1: RESIDENTIAL SUPPLY IN THE SALES MARKET, 2000 TO 2008E

Supply of Grade 'A' apartments rose from 2003 to 2006.



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

Before 2002, most Beijing Grade 'A' apartments were for lease only. Four projects, namely Regent Court Apartment, Beijing New World Centre Apartment, Greenland Garden Villa Apartment and New World Phase II-Taihua Apartment were made available for sale before 2000. During 2000 and 2001, there was no new supply. In 2002, 2,850 units were launched on the Beijing Grade 'A' apartment sales market. From 2003 to 2006, the Beijing Grade 'A' residential sales market witnessed an increase in annual supply from 1,829 units in 2003 to 4,554 units in 2006.

Limited supply is expected in 2007 and 2008 compared with the last few years. This reduction is due to a falling trend of land supply in Grade 'A' residential zones. At the same time, a series of new regulations issued by the government in recent years, intended to adjust the housing supply structure to restrict luxury apartments and provide more inexpensive apartments for low-income families, will further limit the future supply of Grade 'A' residences.

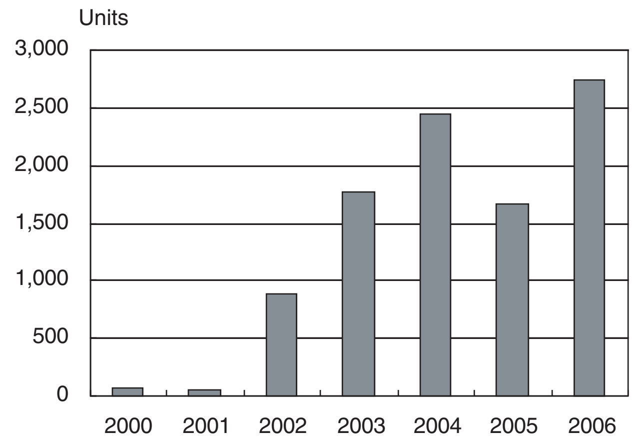
4.3.2 ***Residential Demand in the Sales Market***

The major buyers in the high-end residential sales/investment market in Beijing are high-income private enterprise owners, foreign private investors, and domestic investors from east coast cities. Strata-titled transactions dominate the market.

During the last 7 years, the demand trend for Grade 'A' residences has been upward. In 2000 and 2001, buyers were faced with only the very limited number of choices mentioned in 4.3.1. From 2002 to 2004, annual sales increased and sold units overtook annual supply by 428 units in 2004. In 2005, a series of macro-control measures restrained demand and the number of units sold decreased compared with 2004. In 2006, pent up demand was released and sales peaked at 2,735 units.

CHART 4.2: GRADE 'A' RESIDENTIAL UNITS SOLD, 2000 TO 2006

Demand was strong from 2002 to 2006.



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

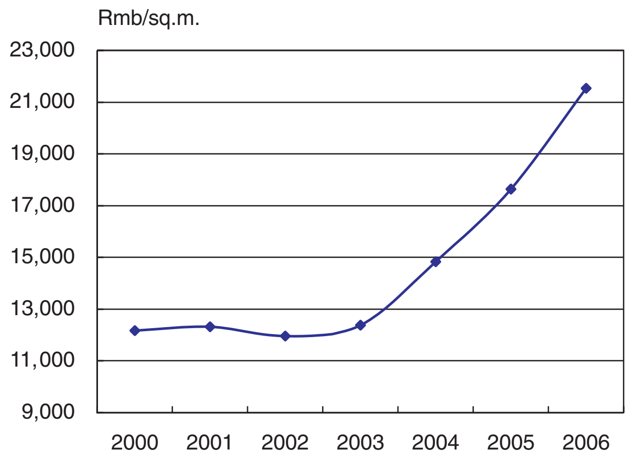
4.3.3 ***Residential Prices in the Sales Market***

The average sales price of Beijing Grade 'A' apartments surged by 77 per cent (13 per cent per annum (arithmetic average) from 2000 to RMB21,540 by the end of 2006). During the period from 2000 to 2003, the growth rate of average sales prices showed a slight decrease, but increased rapidly from 2003 recording an annual growth rate of 20 per cent.

This rate of increase can be attributed to two key factors. First, the rising prices which were witnessed in those projects developed in separate phases such as Central Park and Park Avenue. Secondly, several high price luxury residential projects were launched onto the market, such as Park Hyatt Residence and Naga. Park Hyatt Residence, located in the CBD, began to pre-sell in Q4/2005 for an average transaction price of RMB35,505, and Naga, located in the 2nd Embassy Area, began to pre-sell in Q1/2006 for an average transaction price of RMB22,059 per sq.m..

A price surge was experienced from 2000 to 2006 with an annual growth rate of 13 per cent (arithmetic average).

CHART 4.3: GRADE 'A' RESIDENTIAL AVERAGE SALES PRICE, 2000 TO 2006



Source: Beijing Real Estate Exchange Office (www.e-fdc.com)

4.3.4. ***Market Trends***

We expect sales prices of Beijing Grade 'A' apartments to continue to increase in the future due to the following reasons:

- Land supply in the Grade 'A' residential zones is limited. In 2006, only 10 per cent of the city's land supply was located in the central area and this will restrict new supply of Grade 'A' apartments.
- Land prices will be bid up over time as increasing numbers of developers enter the local market.
- Although a series of new regulations were issued by the central government to stabilise soaring property prices and control speculation in the real estate market, investment in property is still a popular avenue for both domestic and foreign investors.
- With more high-income earners in the city, demand for Grade 'A' apartments remains strong.

Price increases are expected due to the limited supply and strong demand in the Grade 'A' residential market.

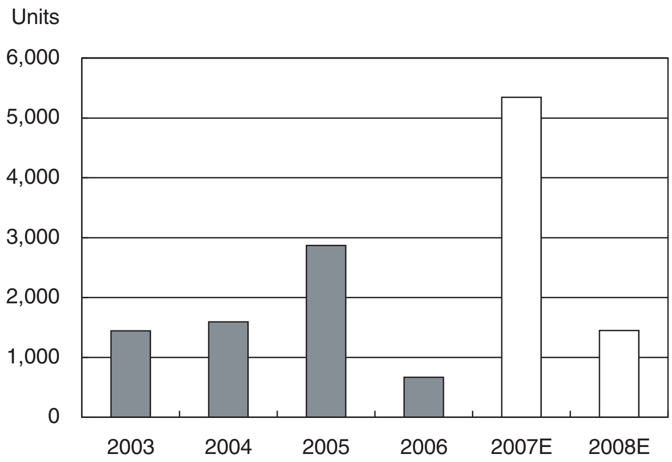
4.4. ***Beijing Grade 'A' Residential Leasing Market***

4.4.1 ***Residential Supply in the Leasing Market***

Over the past 4 years, 22 Grade 'A' apartment projects have been launched onto the leasing market representing a supply of 1,440 units, 1,592 units, 2,866 units, and 663 units respectively.

Some projects have been delayed from 2006 to 2007 and some are being brought forward from 2008 to 2007, resulting in a supply peak in 2007.

CHART 4.4: RESIDENTIAL SUPPLY IN THE LEASING MARKET, 2003 TO 2008E



Source: Savills Research & Consultancy

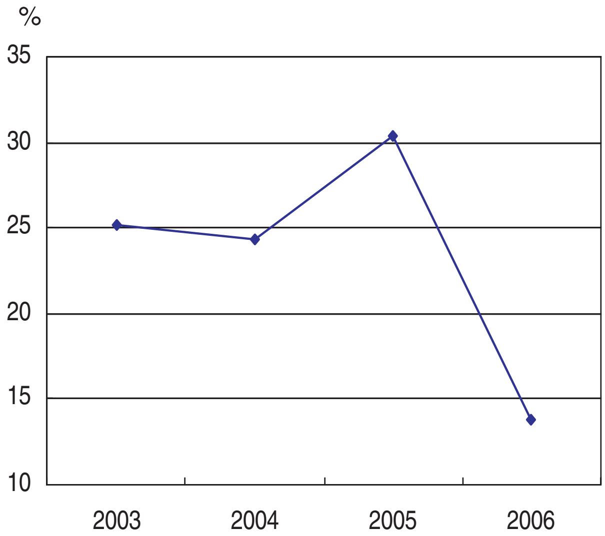
The reason for the sharp fall in supply in 2006 was due to the delay of several projects to 2007. As a result, the first half of 2007 will witness a substantial supply of Grade 'A' apartments while in 2008, 1,447 units are forecast.

4.4.2 ***Residential Demand in the Leasing Market***

Demand in the Beijing Grade 'A' apartment leasing market has mainly come from the executive officers of multinational companies and officers working in embassies.

The vacancy rate experienced a sharp drop from 30.3% in 2005 to 13.8% in 2006, reflecting a positive leasing market.

CHART 4.5: RESIDENTIAL VACANCY RATE IN THE LEASING MARKET, 2003 TO 2006

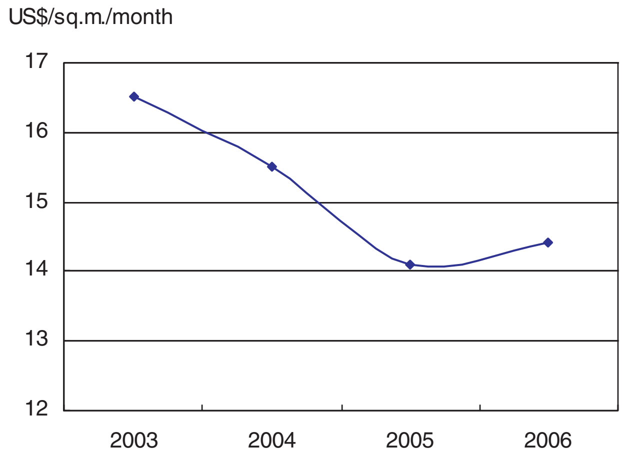


Source: Savills Research & Consultancy

The average vacancy rate of Beijing Grade 'A' residences rose from 24.3 per cent in 2004 to 30.3 per cent in 2005. With the limited supply in 2006, the vacancy rate fell to 13.8 per cent, suggesting that leasing demand for Grade 'A' apartments is robust. Over the next 2 years, we expect the average vacancy rate to increase in 2007 because of the supply peak, and will decrease to a similar or lower level than that of 2006 as a result of the 2008 Olympics and the limited new supply in that year.

4.4.3. ***Residential Rents in the Leasing Market***

CHART 4.6: RESIDENTIAL RENTS, 2003 TO 2006



Source: Savills Research & Consultancy

Rental levels fell from 2003 to 2005, with a slight increase recorded in 2006.

Rents of Grade 'A' apartments continued to fall from US$16.5 per sq.m. per month in 2003 to US$14.1 per sq.m. per month in 2005, before rising to US$14.4 per sq.m. per month in 2006. This trend is attributable to the abundant supply in 2004 and 2005 followed by limited supply in 2006.

Yours Sincerely

Simon Smith
Deputy Managing Director
Savills Valuation and Professional Limited

Set out below is a summary of:

- *Certain Hong Kong and Cayman Islands tax consequences of ownership of Shares; and*
- *Taxation of our Company in the PRC, Hong Kong and the Cayman Islands.*

The summary of certain Hong Kong and Cayman Islands tax consequences of ownership of Shares does not purport to address all material tax consequences of the ownership of our Shares, and does not take into account the specific circumstances of any particular investors. This summary is based on the laws of the Hong Kong and the Cayman Islands in effect on the date of this prospectus, which are subject to change (or changes in interpretation), possibly with retroactive effect. The summary does not address any aspects of Hong Kong or Cayman Islands taxation other than income taxation, capital taxation, stamp duty and estate taxation. Prospective investors are urged to consult their tax advisers regarding the tax consequences of owning and disposing of our Shares.

TAXATION OF OUR SHAREHOLDERS

Taxation of dividends

Hong Kong

Under the current practice of the Hong Kong Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits or income.

Taxation of capital gains

Hong Kong

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 17.5% and on individuals at a maximum rate of 16%. Gains from sales of Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from sales of our Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon capital gains or appreciations.

Stamp duty

Hong Kong

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of our Shares registered on the Hong Kong branch register. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and the purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract notes is paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable on the instrument of transfer and the transferee will be liable to pay such duty. No stamp duty will be levied on the transfer of Shares that are registered on a share register outside Hong Kong.

Cayman Islands

No stamp duty is payable in the Cayman Islands on the transfers of our Shares except those which hold interests in land in the Cayman Islands.

Estate duty

Hong Kong

There is no longer taxation in the nature of inheritance tax or estate duty in Hong Kong.

Cayman Islands

There is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

TAXATION OF OUR COMPANY

Taxation of our Company in the PRC

PRC deed tax

Under the Provisional Regulations of the PRC on the Deed Tax which took effect on 1 October 1997, deed tax applies to entities and individuals accepting transfer of the ownership of land and houses within the territory of the PRC.

The transfer of the ownership of land and houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of the land use right, including sale, gift and exchange, excluding the transfer of the right to contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses.

The rate of deed tax will, within the range of 3-5%, be determined by the people's governments of provinces, autonomous regions or municipalities directly under the PRC Government in light of the actual conditions of their respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation of China for record.

Deed tax will be reduced or exempted under one of the following circumstances:

- For acceptance of land and houses by state agencies, institutions, social organisations and military units for office, teaching, medical service, scientific research and military facilities, the tax will be exempted

- For initial purchase of publicly owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the tax will be exempted;

- For re-purchase of residential houses due to destruction and loss of houses through force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and;

- Any other items of reduction or exemption allowed by the Ministry of Finance.

Any such reduction or exemption will not be available if the relevant land or house and the change of use is no longer within the scope referred to above.

Income Tax

Income tax payable by foreign-invested enterprises established in the PRC and by foreign enterprises is governed by the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the "**PRC Income Tax Law**") and its implementing rules (中華人民共和國外商投資企業和外國企業所得稅法實施細則), which provide for a national income tax rate of 30% (plus a 3% local tax) unless a lower rate is provided by law, administrative regulations or State Council regulations. Pursuant to the PRC Income Tax Law and its implementing rules, foreign-invested enterprises established in the PRC are liable to pay income tax on their income derived from sources both in and outside the PRC, and foreign enterprises which have establishments in the PRC and engage in production or business operations and which, though without establishments in the PRC, have income derived from sources in the PRC are liable to pay income tax on their income derived from sources in the PRC. Accordingly, we will be subject to corporate income tax on our income derived from sources in the PRC, if any. Our subsidiaries in the PRC, other than Hainan Redstone which is subject to corporate income tax at a rate of 18%, are generally subject to corporate income tax at a rate of 33% on their income derived from sources both within and outside the PRC.

Business tax

Under the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) and the provisional implementation rules (中華人民共和國營業稅暫行條例實施細則) which took effect on 1 January 1994, business tax is levied on all enterprises that provide "taxable services". These include the assignment of intangible assets, the sale of immovable property and leasing of immovable properties in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets, the sale of buildings and other attachments to the land and leasing of property attract a tax rate of 5% of gross revenue generated from the relevant transactions of the enterprise. Enterprises are required to pay the business tax to the relevant local tax authorities where the enterprises derived their taxable income.

LAT

Under the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on 13 December 1993 and its implementing rules, land appreciation tax, or LAT, applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and related facilities, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real estate. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land use rights;
- Direct costs and expenses of the development of the land and construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

Appreciation value	**LAT rates**
	(%)
For the portion:	
not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

Dividends from our PRC operations

Under the current PRC tax laws, regulations and rulings, dividends from our operations in the PRC paid to us by our operating subsidiaries established in the PRC are currently exempt from any PRC withholding or income tax.

Taxation of our Company in Hong Kong

We do not consider that any of our income or the income of our Group is derived from or arises in Hong Kong for the purposes of Hong Kong taxation. We will therefore not be subject to Hong Kong taxation.

Taxation of our Company in the Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- That no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

- That no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:

  - On or in respect of the shares, debentures or other obligations of our Company; or

  - By way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

  The undertaking is for a period of 20 years from the date of the undertaking, which is 19 March 2002.

- There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands other than certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 March 2002 under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Law**"). The Memorandum of Association (the "**Memorandum**") and the Articles of Association (the "**Articles**") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 September 2007. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(a) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(b) becomes of unsound mind or dies;

(c) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(e) if he is prohibited from being a director by law; or

(f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Cayman Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (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 by (i) the chairman of the meeting or (ii) 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 (iii) any 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 the members having the right to vote at the meeting or (iv) 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 equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) **Dividends and other methods of distribution**

Subject to the Cayman Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Cayman Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 19 March 2002.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) **Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Cayman Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix X. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

This Appendix sets out summaries of certain aspects of PRC law and regulations, which are relevant to our operations and business. These include laws relating to land, real estate development, foreign investment enterprises and foreign exchange control. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, see "Risk Factors".

THE LAND SYSTEM OF THE PRC

Overview

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and the suburban areas and all farm land are, unless otherwise specified by law, collectively-owned. The state has the right to resume its ownership of land or the right to use land in accordance with law if required for the public interest (and compensation must be paid by the State).

Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grants

National and local legislation

In April 1988, the National People's Congress (the "**NPC**") passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of land use rights for value, paved the way for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC (中華人民共和國土地管理法) to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓暫行條例). These regulations, generally referred to as the Urban Land Regulations, formalised the process of the grant and transfer of land use rights for consideration. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the state and local governments at or above the county level for a maximum period of 70 years for specific purposes, including for residential and commercial development, pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of land	Maximum period (years)
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilisation or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully-granted land use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation shall be paid by the State, on the basis of the number of years in which the land user has used the land and the state of affairs with respect to the development and utilisation of the land. Subject to compliance with the terms of the land grant contract, a holder of land use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease.

Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land use rights and ownership of any buildings on the land will revert to the State without compensation.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation may provide for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

Methods of land grant

Pursuant to PRC laws or the stipulations of the State Council, except for land use rights which may be obtained through allocation (劃撥), land use rights for property development is obtained through governmental grant. There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As of 1 July 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of State-owned Land Use Rights by Invitation of Bids, Auction or Listing on a Land Exchange (招標拍賣掛牌出讓國有土地使用權規定), or the 2002 Regulations, issued by the Ministry of Land and Resources of the PRC in May 2002. The 2002 Regulations specifically provide that land to be used for commercial purposes, including tourism, entertainment and commodity residential properties for sale, must be granted by way of competitive processes. A number of measures are provided by the 2002 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval by the city or provincial government. In addition, the announcement of tender, auction or listing at a land exchange must be made 20 days prior to the date on which such competitive process begins. Further, it is also stipulated that for listing at a land exchange, the time period for accepting bids must be no less than 10 business days.

The local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted by way of tender, a bid evaluation committee consisting of not less than five members (including a representative of the grantor and other expert), formed by the land bureau is responsible for opening the bids and deciding on the successful bidder. The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; or if the invitation to tender requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that none of the bids is satisfactory, the land bureau has the right to reject all the bids. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land grant fee before obtaining the State land use rights certificate and the land bureau effecting registration of the successful bidder as the holder of land use rights for the land. See the section entitled "Documents of title and registration of property interests".

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period. Tenders for land use rights can be by way of open tenders or private tenders.

Where land use rights are granted by way of listing at a land exchange administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-owned Land use Rights by Agreement (協議出讓國有土地使用權規定) or the 2003 Regulations, to regulate granting of land use rights by agreement in respect of land, the designated uses of which are other than for commercial purposes as described above. According to the 2003 Regulations, the local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning the grant, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the relevant party will negotiate and enter into the land grant contract based on the above-mentioned plan. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing on a land exchange in accordance with the 2002 Regulations.

The grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use rights certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a land grant fee shall be paid.

According to the "Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知)" enacted by the Ministry of Land and Resources on 4 September 2003 (the "**Notice**"), commencing from the day of distribution of the Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On 30 May 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land" (關於當前進一步從土地管理的緊急通知). It is expressly prescribed in this Notice that land for property development must be assigned by way of competitive bidding, public auction or Listing-for-sale; the rules of stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedure will be ceased from the day of the Notice's issuance.

Model land grant contract

To standardise land grant contracts, in 2000, the Ministry of Land and Resources and the State Administration for Industry and Commerce published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their specific local circumstances. The model land grant contract contains terms such as location of land, use of land, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land grant fee and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

If a land user wishes to change the specified use of land after the execution of a land grant contract, approvals must first be obtained from the relevant land bureau and the relevant urban planning department, and a new land grant contract may have to be signed and the land grant fee may have to be adjusted to reflect the added value of the new use. Registration procedures must be carried out immediately after approval of the change of designated use.

If the land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to withdrawal of the grant without consideration (unless the failure to develop and invest in the land is due to a force majeure event or the activities of a governmental authority).

Termination

Pursuant to the "Real Rights Law of the People's Republic of China" promulgated on 16 March 2007 and will come into force on 1 October 2007, when the term of the right to use land for construction of dwelling houses expires, it shall be renewed automatically. As regards the term of the right to use land not for construction of dwelling houses, the land user can apply for renewal. Such application cannot be rejected other than by virtue of public interests.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it shall offer proper compensation to the houses and other realties on such land, and corresponding land transfer fees shall be returned back, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the land user.

Upon expiry of the land not for dwelling houses, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the state without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and effect appropriate registration for the renewed land grant.

Land transfers from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract or a joint venture development agreement with the land user.

The assignment contract or joint venture development agreement must be registered with the relevant local land bureau at the municipal or county level. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed incorporated as part of the terms and conditions of such transfer.

The assignment contract or the joint venture development agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, PRC law requires that at least 25% of total construction costs, excluding land grant fees, be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. A higher minimum construction and investment fee may be provided in land grant contracts entered into between the local land administration bureau and the land user. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Documents of title and registration of property interests

A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated in the land use rights certificate. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a land use right who is issued a building ownership certificate holds the land use rights and owns the building erected on the land. All holders of land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register all their lawful state-owned land use rights, as well as ownership rights to the buildings. In this regard, real estate registries have been established in all cities in China. In most cities, there are separate registries for land use rights and building ownership. However, in Shanghai and some other major cities, the two registries have been or are in the process of being combined. For instance, in Beijing the two registries at the county level are combined, but it is still required, at the municipal level, that the land use rights and the ownership of the buildings shall still bear separately registered. In places where there are separate registries, the holder of a land use right will be issued a building ownership certificate for its ownership of the building and a land use rights certificate for the underlying land. In the other places where registries are combined, such as in Shanghai, the land use rights certificate and the building ownership certificate are combined into a single certificate. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

Whether the registered land user can assign, mortgage or lease the land use rights will be subject to conditions stipulated in the original land grant contract. In addition to the requirement to register land use rights, there is also a requirement to register a mortgage of a land use right in local land registration departments. See the section entitled "Mortgage and guarantee".

Mortgage and guarantee

The mortgage of real estate in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法), or the Security Law, the Law of the PRC on the Administration of Urban Real Estate, or the Real Estate Law, the Regulation on Administration Mortgages of Urban Real Estate (城市房地產抵押管理辦法), or the Real Estate Mortgage Regulation, and other relevant real estate-related laws and regulations. When a mortgage is created over the ownership of a completed building, the same will be simultaneously created over the land use right of the land where the building is erected. The mortgagee and the mortgagor shall enter into a mortgage contract in writing which becomes effective on the date of the registration of such mortgage by the relevant real estate authority. Pursuant to the Security Law, a real estate mortgage agreement must contain specific provisions including (i) the type and amount of the indebtedness secured, (ii) the period of the obligation by the debtor, (iii) the repayment of the indebtedness, and (iv) the name, quantity, conditions, location, valuation and ownership of the mortgaged property. Pursuant to the Real Estate Law, buildings newly-erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Security Law, a real estate mortgage contract becomes effective on the date of registration with the local real estate department. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the registration authority. If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by evaluating the mortgaged property in terms of money or through the proceeds of the auction or selling off the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been evaluated in terms of money or been auctioned or sold off, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Idle Land

According to the "Measures on disposing Idle Land (閑置土地處理辦法)" enacted and enforced by the Ministry of Land and Resources on 28 April 1999, the land can be defined as idle land under any of the following circumstances: (i) development and construction of the land is not commenced within the prescribed time limit after obtaining the land use right without consent from the people's government who approved the use of the land; (ii) where the "Contract on Paid Use of the Right to Use State-Owned Land" or the "Approval Letter on Land Used for Construction" has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the "Contract on Paid Use of the Right to Use State-Owned Land" became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction"; (iii) the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; or (iv) other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level land administrative department shall, after a piece of land which has been ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, ascertaining a new land user by competitive bidding, public auction. The administrative department of land under the people's government of city or county level shall, after the proposal on disposal has been approved by the original people's government who approved the use of the land, arrange for implementation of the proposal. To the land which is obtained by assignment and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to less than 20% of the assignment price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure; acts of government or acts of other relevant departments under the government; or by the indispensable preliminary work.

Property development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of large area and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

Under the "Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) (the "**Development Regulations**") promulgated by the State Council in July 1998, an enterprise which is to engage in development of real estate shall satisfy certain requirements including (i) its registered capital shall be more than RMB1 million; and (ii) it has four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

Where a foreign-invested enterprise is to be established to engage in development and sale of real estate, the relevant requirements of the laws and regulations regarding foreign-invested enterprises must also be observed and relevant approvals be obtained. Under the "Foreign Investment Industrial Guidance Catalogue" amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission in November 2004 and effective as of 1 January 2005, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centres and large theme parks falls within the category of industry in which foreign investment is subject to restrictions, while other real estate development falls within the category of industries in which foreign investment is permitted. A foreign investor intending to engage in the development and sale of real estate may establish an equity joint venture, a cooperative joint venture or a wholly owned enterprise in accordance with relevant laws and regulations regarding foreign investment. Prior to its registration, the enterprise must be approved by the government authorities in charge of foreign investment, upon which approval an Approval Certificate for a Foreign Invested Enterprise will be issued.

The total investment amount and the category provided by the "Foreign Investment Industrial Guidance Catalogue" determine the levels of the approval authorities. The existing laws and regulations impose a cap of a total investment of US$50 million on local approval for projects in the restricted category and a cap of a total investment of US$100 million on local approval for projects in the encouraged category. For those with a total investment exceeding US$50 million in the restricted category and projects with a total investment exceeding US$100 million in the encouraged category, the relevant approval authority shall submit the matter to the Ministry of Commerce for approval.

Pursuant to the Urban Land Regulations, foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the acquired land, the foreign entities need to establish foreign investment enterprises in the PRC as the project companies to develop the property. These project companies may be in the form of Sino-foreign equity or cooperative joint ventures or wholly foreign-owned enterprises. The typical scope of business of such project company includes development, construction and sales and leasing commodity properties and ancillary facilities on the specific land as approved by the government and property management. The term of the property development company is usually the same as the term of grant of the land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC Government in accordance with the following procedure. First, the PRC party to a joint venture project or the foreign investor, in the case of a wholly foreign-owned project, will submit a project application report to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project. The National State Development and Reform Commission and the Ministry of Commerce have been given the authority to regularly promulgate guidelines for the direction of foreign investment.

Once the project application report has been verified and approved, the PRC party and the foreign investor may proceed to prepare a joint feasibility study report that reflects their assessment of the overall economic viability of the proposed project company. At the same time, the parties may proceed to negotiate and execute the joint venture contract and articles of association for the establishment of a project company. In the case of a wholly foreign-owned project, the foreign investor may then prepare and sign the articles of association. The joint feasibility study report, the joint venture contract and/or articles of association will then, depending, among other things, on the industry to which it belongs under the Catalogue and the amount of total investment, be submitted to the Ministry of Commerce or its local counterpart, as the case may be, for approval. If the Ministry of Commerce or its local counterpart finds the application documents to be in compliance with PRC law, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the foreign investor and/or the PRC party can apply to the competent administration for industry and commerce for a foreign investment enterprise business licence for the project company.

Once a foreign entity developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain a construction permit from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Under the "Provisions on Administration of Qualification Certificates of Real Estate Developers" (房地產開發企業資質管理規定) (the "**Qualification Certificate Regulation**") implemented by the Ministry of Construction on 29 March, 2000, a real estate developer shall apply for registration of its qualifications according to such Regulation. An enterprise may not engage in development and sale of real estate without a qualification registration certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout China, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Qualification Certificate Regulation, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2, 3 or 4 shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Qualification Certificate Regulation, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of its receipt of the above report. The real estate developer shall apply for a formal qualification certificate from the real estate development authority within one month before expiry of the provisional qualification certificate. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB 50,000 to RMB 100,000 and revocation of the developer's business licence if such failure to obtain a qualification certificate is not rectified.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2, 3 or 4 may undertake a project with a gross area of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality.

The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

For the purpose of carrying out the construction and development of a real estate project, the real estate developers shall, after signing the land grant contract in accordance with the Regulations on Land Granting and Transfer and the Tender, Auction and Listing Regulations, attend certain procedures and obtain relevant approval documents in relation to the design, planning, construction and development of the land.

Planning and construction permits

Under the "Regulations on Planning Administration regarding Granting and Transfer of State-owned Land Use Right in Urban Area" (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992, a real estate developer shall apply for a Construction Land Planning Permit (建設用地規劃許可證) from the municipal planning authority. After obtaining the Construction Land Planning Permit, the real estate developer shall then organise the necessary planning and design work in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority following the requirements and procedures under the Urban Planning law of the PRC (中華人民共和國城市規劃法) promulgated in December 1989 and a Construction Works Planning Permit (建設工程規劃許可證) must be obtained from the municipal planning authority.

Before the commencement of construction of a real estate project, the real estate developer shall apply for a Permit for Housing Demolition and Resettlement (房屋拆遷許可證) if the demolition and resettlement of housing on the land where the real estate project is located in accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council in June 2001.

Upon obtaining the Permit for Housing Demolition and Resettlement, the real estate developer shall appoint a qualified third party to carry out the demolition and removal within the land area and period specified in the Permit for Housing Demolition and Resettlement after the local real estate administration office having issued a demolition and resettlement notice to the inhabitants of the housing to be demolished. Subject to a written agreement entered into by the real estate developer and the parties relevant to the demolition and resettlement for compensation and resettlement in respect of the demolition and resettlement, the real estate developer needs to pay compensation and resettlement fees to the inhabitants of the housing to be demolished. Compensation may be effected by way of monetary compensation or exchange of property rights. In addition to paying the demolition and resettlement compensation, the real estate developer shall pay resettlement allowance to the parties subject to demolition and resettlement. After a real estate developer has carried out the above work, the site is ready for commencement of the construction works, the progress of demolition of existing buildings complies with construction needs, funds required for the construction have been made available, the contractor has been determined, and the design for construction has been examined and approved by the relevant government authorities, the real estate developer shall then apply for a Work Commencement Permit (建築工程施工許可證) from the relevant construction authority in accordance with the "Regulations on Administration regarding Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999 and as amended in July 2001.

Acceptance and examination upon completion of real estate project

Under the Provisional Regulations on Acceptance Examination Upon Completion of the Construction Projects of Buildings and Infrastructures for Urban Utilities (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) (the "**Acceptance and Examination Regulations**") promulgated by the Ministry of Construction in June 2000 and the Regulations on the Administration of the Quality Construction Project (建設工程質量管制條例) promulgated by the State Council in January 2000 (the "**Construction Quality Regulations**"), after completion of construction works of the real estate project, the real estate developer shall organise and apply for an acceptance examination of the construction works and obtain a completion certificate. A real estate project may not be delivered before passing the acceptance examination and obtaining the completion certificate.

Sales/Pre-sales of Commodity Buildings

Commodity buildings can be sold before or after their completion. These sales are regulated and conducted in accordance with the provisions of the "Regulations for the Administration of Sale of Commodity Buildings (商品房銷售管理辦法), or the Sales Regulations promulgated by the Ministry of Construction in April 2001, the "Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法), or the Pre-sales Measures promulgated and amended by the Ministry of Construction in November 1994, August 2001 and July 2004 respectively and in accordance with the Development Regulations.

For units of a commodity building sold before completion (a "**Pre-sale**") to occur under the Pre-sale Regulations, a developer must make the necessary pre-sale registration with the real estate development authority of the relevant city or county and obtain a pre-sale permit. A Pre-sale will take place if:

- The *premium* fee in respect of the land use rights has been paid in full and the land use rights certificate has been obtained;
- The construction works planning permit and the construction project commencement permit have been obtained;
- At least 25% of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the expected completion date of the project has been ascertained; and
- The pre-sale permit has been obtained.

Various local governments have enacted local regulations to supplement the national requirements.

Pursuant to the Pre-sale Measures, pre-sale proceeds shall only be applied towards settlement of the related construction cost. In Beijing and other cities, the local real estate administration authorities have formulated, in accordance with the Pre-sale Measures, their own rules with respect of the supervision of the use of pre-sale proceeds. Under these local rules, the developer shall open an escrow account of pre-sale proceeds in a commercial bank of the same locality as the commodity building, to ensure that all pre-sale proceeds are used to the related construction expenses.

Under the "Regulations for the Administration of Sale of Commodity Buildings" (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion buildings shall have a enterprise legal person business license and a qualification certificate of a real estate developer; (b) the enterprise has obtained a land use right certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity buildings have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) the property management plan has been completed. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the real estate development authority for making a record.

LEGAL SUPERVISION RELATING TO REAL ESTATE MANAGEMENT SECTOR IN THE PRC

A. Foreign-invested Real Estate Management Enterprises

According to the "Foreign Investment Industrial Guidance Catalogue (amended in 2004)" (外商投資產業指導目錄 (2004年修訂), real estate management falls within the Category of Permitted Foreign Investment Industries. According to the "Foreign Investment Industrial Guidance Catalogue" and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign invested real estate management enterprise can be set up in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "Foreign Investment Enterprise Approval Certificate".

B. Qualifications of a real estate management enterprise

According to the "Regulation on Real Estate Management" (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Management Enterprises" (物業管理企業資質管理辦法) enacted by the Ministry of Construction on 17 March 2004 and enforced on 1 May 2004, a newly established real estate management enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the real estate management under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a "real estate management qualification certificate" corresponding to their grading assessment results.

According to the “Measures for the Administration on Qualifications of Real Estate Management Enterprises”, the qualifications of a real estate management enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one real estate management enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two real estate management enterprises, and the competent realty departments of the people’s governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three real estate management enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate management enterprises.

The real estate management enterprises with the class one qualification may undertake various real estate management projects. The real estate management enterprises with the class two qualification may undertake the real estate management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The real estate management enterprises with the class three qualification may undertake the real estate management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

An annual inspection system shall be implemented on the qualifications of real estate management enterprises. The annual inspection on the real estate management enterprises of varied classes of qualifications shall be presides over by the corresponding departments of qualification examination and approval.

C. Employment of A Real Estate Management Enterprise

According to the “Regulation on Real Estate Management”, the general meeting of owners can select and dismiss the real estate management enterprises if owners holding 2/3 voting rights or more in the district of the real estate management consent. If, before the formal employment of a real estate management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage real estate services contract in writing with the real estate management enterprise.

LEGAL SUPERVISION RELATING TO HOTEL SECTOR IN THE PRC

A. Foreign-invested Hotel Project

According to the “Foreign Investment Industrial Guidance Catalogue (amended in 2004)”, construction and operation of high-end hotels fall within the category of “Restricted Foreign Investment Industry”. Construction and operation of common and economic hotels other than high-end hotels fall within the category of “permitted foreign investment industry”. A foreign investment enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the “Foreign Investment Industrial Guidance Catalogue (amended in 2004)” and the requirements of the relevant laws and the administrative regulations on foreign investment enterprises. The foreign investment enterprise in hotel business should apply for an approval with the relevant department of commerce, and obtain an Approval Certification for a Foreign Investment Enterprise before registering to the administration of industry and commerce.

B. **Hotel Management**

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to real estate project development.

There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) *Legal supervision on security and fire control*

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (旅館業治安管理辦法) issued by the Ministry of Public Security of the People's Republic of China and enforced on 10 November 1987, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should file to the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organisations, Enterprises and Institutions" (機關、團體、企業、商業單位消防安全管理規定) enacted by the Ministry of Public Security on 14 November 2001 and enforced on 1 May 2002, hotels (or motel) are units which require special supervision on fire control and safety. When the hotels are under construction, renovation or re-construction, fire control examination procedure is required to carry out and when the construction, renovation or re-construction project is completed, the hotels can only open for business after passing a fire control inspection.

(b) *Supervision on public health*

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should gain the sanitation license. The measures for granting and managing sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. Sanitation license is signed by public health administration above county level and its grant is taken charge of by public health and epidemic prevention institutions. The sanitation license should be reviewed once every two years.

(c) *Supervision on food hygiene*

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. The food hygiene licenses are grant by food hygiene administrative bodies above county level. Purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

(d) *Supervision on entertainment*

According to the "Regulation on the Administration of Entertainment Venues" (娛樂場所管理條例) enacted by the State Council on 29 January 2006 and enforced on 1 March 2006, hotels that operate singing, dancing and game places for profits should apply to the local competent departments for culture administration under the people's government at the county level or above for the entertainment commercial operation approval. The competent departments for entertainment administration shall issue a license (娛樂經營許可証) for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions as set down by the competent department governing entertainment administration under the State Council if it approves the application. According to the regulations concerning broadcast, movie and TV, hotels above three-star or the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programmes from abroad. After finishing setting ground equipment and gain the approval from broadcast and television administration of the province, autonomous region, and municipality directly under the central government and the approval from state security administration, the permit of receiving foreign television programme from satellite should be issued.

(e) *Supervision on disposition of sewage and pollutants*

According to Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on 15 October enforced on 1 December 2004, hotels that have been using or planning to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit. According to the "Provisional Measures on Management of Water-draining Permit (水污染物排放許可証管理暫行辦法)" enacted and enforced by the State Environmental Protection Administration on 22 March 1988, hotels that directly or indirectly discharge pollutants to water body should apply to environmental protection administrations of the district or county level for a drainage permit or a temporary drainage permit.

(f) *Supervision on special equipment security*

Elevators (lifts or escalators), boilers and pressure containers and so on are special equipment. According to the Regulations on Security Supervisal of Special Equipment (特種設備安全監察條例) enacted by the State Council on 11 March 2003 and enforced on 1 June 2003, hotels should register with the special equipment security supervisal authority of municipality directly under the central government or city which has set up districts, and should apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(g) *Supervision on sale of tobacco and alcohol*

According to law and regulations in relation to sale of tobacco, hotels that operate retail of tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the "Measures for the Administration on Foreign Investment in Commercial Fields (外商投資商業領域管理辦法)" enacted by Ministry of Commerce on 16 April 2004 and enforced on 1 June 2004, foreign investment enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the "Measures for the Administration of Alcohol Circulation (酒類流通管理辦法)" enacted by Ministry of Commerce on 7 November 2005 and enforced on 1 January 2006, the enterprise that engages in the retail of alcohol should handle the archival filing and registration in the administrative department of commerce at the same level as the administrative department for industry and commerce where the registration is handled. The licensing system shall be continued in those regions where the licensing administration of alcohol circulation has been carried out according to law.

Leasing

Both the Urban Land Regulations and the Real Estate Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法), or the Leasing Measures. The Leasing Measures were promulgated by the Ministry of Construction on 28 April 1995 in accordance with the Real Estate Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or Commercial Property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights shall not exceed 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Local governments may impose rent controls.

According to the Real Estate Law, when a building is renting out, the rental income derived from the any underlying land the landlord has acquired only allocated land use rights for which must be turned over to the State.

Insurance

There are no mandatory provisions in the PRC laws, regulations and government rules which require a real estate developer to take out insurance policies for its real estate projects.

According to the "Construction Law of the People's Republic of China" (中華人民共和國建築法) promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and effective as of 1 March 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (建設部關於加強建築意外傷患保險工作的報告意見) by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasises the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

Separation of markets for domestic and overseas property purchasers

When the PRC property market first developed in the early 1990s, there was a "overseas" market in which high-end properties were designated to be sold to purchasers from Hong Kong, Macau, Taiwan and foreign countries for hard currency and a "domestic" market in which properties of domestic standards of quality were designated to be sold to local PRC purchasers for Renminbi. Such mandatory bifurcation of the property market has been lifted in Beijing and Shanghai in recent years.

Real estate loans

According to the "Notice of the People's Bank of China on Regulating Real Estate Financing Business" (中國人民銀行關於規範住房金融業務的通知) issued by PBOC on 19 June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans: (a) Housing development loans from banks shall only be granted to real estate development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of own capital no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Rights Certificates, Construction Land Planning Permit, Construction Work Planning Permit and Permit of Construction Work. (b) In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "**Mortgage Ratio**") shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-completion house, the said property must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings or "two-thirds of the total investment completed" for high-rise buildings. (c) In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties have already been completed.

On 5 June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Related Credit (關於進一步加強房地產信貸業務管理的通知). According to this notice, commercial banks shall focus their business on supporting real estate projects targeted at mid- to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and houses. The notice provides that when applying for bank loans, a real estate development company must contribute at least 30% of the total investment of the project from its own funds, and prohibits banks from advancing funds to real estate developers as working capital or for payment of land grant fees. See "Recent macroeconomic control measures" below for recent developments in this area.

On 2 September 2004, the CBRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to the guideline, no loans shall be granted in relation to projects which have not obtained requisite land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the investment in a property development project must be derived from the real estate developer's own capital for the development project in order for banks to extend loans to the real estate developer. In addition, the guideline noted that commercial banks should set up strict approval systems on granting loans.

Recent macroeconomic control measures

Central government measures

The PRC Government has implemented a series of measures to tighten control on the property market since 2003. In August 2003, the State Council issued the Notice on Promoting the Sustained Healthy Development of the Property Market (國務院關於促進房地產市場持續健康發展的通知) formulating the policies, directions and guidelines for the regulation of the property market, including tightening control on the construction of high-end residential properties, strengthening the property mortgage financing market, improving urban planning and controlling land supply. Since 2004, there has been a stabilisation of the residential property market, particularly as a result of the PRC Government's efforts to discourage speculation and increase the supply of affordable housing. In April 2004, the State Council increased the capital ratio of fixed assets investment projects in real estate development (except for low-end residential properties) and three other major industries from 20% or above to 35% or above.

Since March 2005, central government agencies, including the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC, have introduced a number of measures to stabilise the property market. The measures, among others, included: (i) the removal of the preferential mortgage rate for residential housing by the PBOC, while still allowing banks to give a 10% discount on home loans, which meant that the minimum mortgage rates on residential housing effectively increased to approximately 5.55%;

(ii) raising the minimum down payment by purchasers of properties that have yet to be completed from 20% to 30% of the purchase price, and requiring that monthly mortgages should not exceed 50% of household income; (iii) placing restrictions on the amount of money that can be lent to individuals for multiple investment mortgages; (iv) imposing a business tax of 5% of the sale price if a homeowner re-sells a residential unit within five years of purchase, or a business tax of 5% of the increased value if a homeowner resells a luxury residential unit after five years of purchase; (v) prohibiting homeowners from reselling properties before the building ownership certificate is obtained; and (vi) other measures designed to increase the supply of subsidised housing and improve the availability of information on the demand and supply of residential housing.

In response to the notices issued by the State Council, the PRC central bank adopted numerous financial measures and issued a series of lending guidelines for PRC banks to follow. In addition to the Notice on Further Strengthening the Administration of Real Estate Related Credit (關於進一步加強房地產信貸業務管理的通知) referred to above, on 16 March 2005, the PRC central bank increased the basic interest rate for financing of residential properties, which was the second increase in the basic interest rate within a time period of five months, to bring the basic interest rate for financing of properties for residential purposes more in line with the interest rate applicable for financing of properties for commercial and other purposes. The measure imposes a minimum interest rate for financing of properties for residential purposes equal to 90% of the basic rates for lending for other purposes for the same period.

The State Council and the Ministry of Land and Resources also separately issued a number of regulations and notices on land supply. Following the 2002 Regulations, the Ministry of Land and Resources issued the Notice on Continuing the Review of the Implementation of the Grant of Land use Rights for Commercial Uses by Invitation of Bids Auction or Listing (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知) on a Land Exchange on 31 March 2004, requiring all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the Ministry of Land and Resources required that with effect from 31 August 2004, the grant of land use rights must be made pursuant to auctions or listing on a land exchange and that no land use rights for commercial uses may be granted by way of agreement. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (關於深入發展土地市場治理整頓嚴格土地管理的緊急通知) issued by the State Council on 29 April 2004, the development of agricultural land was suspended for a period of six months pending rectification by the PRC Government of irregularities in land development in China.

The State Council continued to issue notices to stabilise the property market in 2005. On 26 March 2005, the State Council issued the Notice on Effectively Stabilising the Price of Residential Property (關於切實穩定住房價格的通知), which required the relevant government authorities to take administrative measures to stabilise real estate prices. These measures, among others, included increasing land supply for ordinary and low-end residential properties and formulating land supply, fiscal, tax and financial policies to balance supply and demand in the property market. On 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC jointly promulgated the Opinion on Duly Stabilising the Prices of Residential Properties (關於做好穩定住房價格工作的意見), or the Opinion, and issued a series of measures to serve as guidelines for the construction and purchase of residential properties. Among other things, the Opinion discourages land speculation by adjusting land supply, prohibits the re-sale of uncompleted residential properties and imposes a business tax on the resale of residential properties by individuals within two years from initial purchase. Starting from 1 June 2005, for residential properties sold within two years from the original purchase, business tax is levied on the selling price. Also, the Opinion emphasises that local authorities are only authorised to grant preferential treatments to ordinary residential property projects that fulfil the requirements specified in the Opinion, subject to a maximum amount of variation of not exceeding 20%.

On 17 May 2006, the PRC Government announced further measures to promote healthy development of the real estate industry in the PRC, which include: the plan to focus on property developments for low-income households, the usage of taxation, bank credit and land policies to regulate housing demand, and the policy to crack down on property developers and local authorities who hoard land and/or drive up prices. On 24 May 2006, the PRC Government approved further detailed measures to implement the aforesaid measures. On 30 May 2006, the State Administration of Taxation promulgated the Circular Addressing the Policies Governing the Adjustment of Real Estate Business Tax (關於加強住房營業稅徵收管理有關問題的通知), or the Circular. The Circular requires that, among other things, starting from 1 June 2006, for residential properties sold within five years since the original purchase, business tax will be levied on the total selling price; for ordinary residential properties sold more than five years (inclusive) after the original purchase, business tax will be exempted. For non-ordinary residential properties sold more than five years (inclusive) after the original purchase, business tax will be levied on the difference between the selling price and the original purchase price.

Pursuant to these measures, local governments are required to adopt plans, by September 2006, to focus on developing low-to-mid-priced and small-to-medium-size properties to meet demand from owner-occupiers. These measures stipulate that commencing from 1 June 2006, the minimum down payment is 30% of the total purchase price for residential units with floor area exceeding 90 square metres on all existing units and those yet to be completed, or a down payment of 20% on residential units for self use with floor area under 90 square metres. The measures require that at least 70% of the residential units in residential housing projects approved or commenced after 1 June 2006 must be no larger than 90 square metres. The measures continue to prohibit land provision for houses and restrict land provision for development of low density and large residential property.

On 6 July 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見), or the New Opinions, to carry out the Opinions approved by the State Council. The New Opinions stipulate that, the residential units with a floor area of less than 90 square metres shall account for over 70% of the total area of residential units, which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government will have authority to determine the configuration of newly constructed property.

On 6 July 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce promulgated the Notice for the Further Rationalisation and Standardisation of the Property Market (關於進一步整頓規範房地產市場交易秩序的通知) (2006 No. 166), or the "166 Notice". The 166 Notice aimed at perfecting a system of disclosure in order to regulate transactions conducted in the property market so as to prevent speculation. The 166 Notice contains, inter alia, the following measures:

- That Pre-sales be commenced by a developer within 10 days upon the receipt of the pre-sale permit;
- That the resale of any unit of an pre-sold uncompleted commodity building be prohibited;

- That the advertisement of pre-sales prior to obtaining the relevant pre-sale permit be prohibited;

- That standard forms for the sale and purchase of an unit of a commodity building before or after its completion be made available to a purchaser.

On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the PBOC, the State Administration for Industry and Commerce and the SAFE jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (2006 No. 171), or the "171 Opinion". The 171 Opinion aims to regulate access for foreign investment in the property market and to strengthen management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real estate in the PRC which is not intended for that institution or individual's own use. The registered capital of such foreign-invested enterprise must be at least 50% of its total investment in PRC real estate if the amount of such investment exceeds US$ 10 million. Branches and representative offices of foreign institutions in the PRC and foreign individuals who work or study in the PRC for more than one year may purchase real estate for their own use but not for any other purpose; and foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than a year are prohibited from purchasing any real estate in the PRC. Residents of Hong Kong, Macau and Taiwan and foreigners of Chinese origin are not subject to the one-year residency requirement and may purchase real estate in the PRC for their own use. On 3 September 2006, the SAFE and the Ministry of Construction jointly issued Notice in respect of Standardisation of Issues Relating Foreign Exchange of Property Market (關於規範房地產市場外匯管理有關問題的通知) or the 47 Notice to implement the 171 Opinion. The 47 Notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macao and Taiwan as well as foreigners of Chinese origin. The 47 Notice also stipulates that if the foreign invested real estate enterprise has failed to pay its registered capital in full or obtain the "State-Owned Land Use Right Certificate", or its own capital funds do not reach 35% of the total investment for the project, the enterprise is prohibited from applying for overseas loans, and the branches of the SAFE are not permitted to approve such loans.

On 31 December 2006, the Provisional Regulations on Urban Land Use Tax was amended by the State Council. AS of 1 January 2007, on the basis of that amended provisional regulations, the urban land use tax is charged at a rate three times as high as it was before, and foreign invested enterprises cannot enjoy relevant tax exemption any longer.

Local legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, Beijing Municipal legislation regulates specific transactions within specified areas relating to the grant and transfer of land use rights. These local regulations are numerous. Some of them are inconsistent with national legislation. The central authorities have taken the position that if there are inconsistencies, the national legislation will prevail.

Tax

Income tax

According to the "Income Tax Law of The People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" (中華人民共和國外商投資企業和外國企業所得稅法) enacted by National People's Congress on 9 April 1991 and enforced on July 1, 1991 and its detailed rules enacted by the State Council on June 30, 1991, the rate of enterprise income tax for foreign investment enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China shall be 30%, and the rate of local income tax shall be 3%.

Pursuant to the "Provisional Regulations of the People's Republic of China on Enterprise Income Tax" (中華人民共和國企業所得稅暫行條例) issued by the State Council on 13 December 1993 and enforced on 1 January 1994 and its Implementation Rules enacted by the Ministry of Finance on 4 February 1994, the income tax rate applicable to Chinese enterprises other than foreign investment enterprises and foreign enterprises is 33%.

According to the PRC Enterprise Tax enacted by the National People's Congress on 16 March 2007 and enforced from 1 January 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Transfer or disposition of our Shares

As we are not incorporated in the PRC, under current PRC law, any transfer or disposition of our shares by an overseas investor such as yourself may or may not trigger PRC tax liabilities. However, if you are a PRC mainland citizen, you shall be subject to the PRC individual income tax at a rate of 20% as you are liable for PRC tax for your global income under the current PRC law unless otherwise exempted or reduced by PRC laws, rules and regulations.

Under the new Enterprise Income Tax Law, foreign corporate shareholders and corporate ADSs holders may be subject to a 20% income tax upon any gains they realize from the transfer of their shares or ADSs in our company, if such income is regarded as income from "*sources within the PRC.*" What will constitute "*source within the PRC*" and whether or not there will be any exemption or reduction in taxation for foreign corporate investor, however, are unclear since no rules or guidance concerning the new tax law has been issued yet. If our foreign shareholders and ADSs holders are required to pay PRC income tax on the transfers of their shares or ADSs, the value of your investment in our ADSs may be materially and adversely affected.

Business Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" (中華人民共和國營業稅暫行條例) enacted by the State Council on 13 December, 1993 and enforced on 1 January 1994 and its "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax" (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 25, 1993, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "**Land Appreciation Provisional Regulations**") which was enacted on 13 December 1993 and effected on 1 January

1994, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "**Land Appreciation Detailed Implementation Rules**") which was enacted and enforced on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use right;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994 which was announced by the MOF and State Administration of Taxation on 27 January 1995, Land Appreciation Tax shall be exempted under any one of the following circumstances:

- Taxpayers building ordinary standard residential properties for sale (i.e. residential properties built in accordance with the local standard for general civilian residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residential properties), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the State;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;
- For real estates transfer contracts which were signed before 1 January 1994, whenever the properties are transferred, the Land Appreciation Tax shall be exempted;
- If the real estates assignments were signed before 1 January 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred within 5 years after 1 January 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular real estates projects which are approved by the Government for the development of the

whole piece of land and long-term development, of which the properties are transferred for the first time after the 5- year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by MOF and the State Administration of Taxation, the tax-free period would then be appropriately prolonged.

On 24 December 1999, the MOF and the State Administration of Taxation issued the "Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy" (關於土地增值稅優惠政策延期的通知) that extended the period for the Land Appreciation Tax exemption policy as mentioned above to the end of 2000.

After the issuance of the "Land Appreciation Provisional Regulations" and the "Land Appreciation Detailed Implementation Rules", due to the relatively long period required for real estates development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estates development enterprises to declare and pay the Land Appreciation Tax. Therefore, in order to assist the local tax authorities in the collection of Land Appreciation Tax, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estates are located, and pay the Land Appreciation Tax in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change procedures, and shall not issue the real estate title certificate.

State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to request local tax authorities to modify the management system of Land Appreciation Tax collection and operation procedures, to build up a proper tax return system for Land Appreciation Tax, to improve the methods of pre-levying for the pre-sale of real estates. That notice also pointed out that the preferential policy of Land Appreciation Tax exemption for first time transfer of properties under real estate development contracts signed before 1 January 1994 or project proposal that has been approved and capital was injected for development, is expired, and that such tax shall be levied again.

State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (國家稅務總局關於加強土地增值稅管理工作的通知) on 2 August 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns" (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of land appreciation tax should be further strengthened. The preferential policy of Land Appreciation Tax exemption for first time transfer of properties under real estate development contracts signed before 1 January 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the land appreciation tax should be further improved and perfected.

On 2 March 2006, the MOF and State Administration of Taxation issued the "Notice of Certain Issues Regarding Land Appreciation Tax" (關於土地增值稅若干問題的通知). The notice clarifies the relevant issues regarding land appreciation tax as follows:

(a) As to the Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer

The notice sets out the recognised standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the real estate before the notice is issued and for which land appreciation tax exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

(b) As to the Advance Collection of Land Appreciation Tax as well as the Settlement

- All regions shall further improve the measures for the advance collection of land appreciation tax, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the real estate industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

- If any tax pre-payment is not paid within the advance collection period, an overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Tax Collection and Administration Law and its detailed rules for implementation.

- As to any real estate project that has been completed and gone through the acceptance as well, where the floor area of the real estate as transferred makes up 85% or more in the salable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of land appreciation tax on the transferred real estate according to the matching principles regarding the proportion between the income as generated from the transfer of real estate and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality directly under the Central Government, or a city under separate state planning.

On 1 February 2007, the Circular on Questions Concerning the Management of the Settlement of Land Value-added Tax on Real Estate Developers (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知), or the Circular, issued by the State Administration of Taxation took effect. The Circular sets out detailed requirements for the clearance and collection of LAT aimed at tightening the collection of LAT that can range up to 60 percent on real estate enterprises' net gains.

Deed tax

Pursuant to the "Interim regulations of the People's Republic of China on Deed Tax" (中華人民共和國契稅暫行條例) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%-5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Urban land use tax

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on 27 September 1988 and enforced on 1 November 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per square metre of urban land collected according to the tax rate determined by local tax authorities. According to the "Notice on Land Use Tax Exemption of Foreign Investment Enterprises and Institutions of Foreign Enterprises in China" (關於外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) enacted by the MOF on 2 November 1988 and the "Approval on Land Use Tax Exemption of Foreign Investment Enterprises" (關於對外商投資企業徵收土地使用稅問題的批覆) issued by the State Administration of Taxation on 27 March 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns was revised by the State Council on 31 December 2006. As of 1 January 2007, land use tax shall be collected from foreign investment enterprise. The annual tax shall be between RMB0.6 and RMB30.0 per square metre of urban land.

Buildings tax

Under the "Interim Regulations of the People's Republic of China on Buildings Tax (中華人民共和國房產稅暫行條例)" enacted by the State Council on 15 September 1986 and enforced on 1 October 1986, buildings tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Stamp duty

Under the "Interim regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例)" enacted by the State Council on 6 August, 1988 and enforced on 1 October, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal maintenance tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on 8 February 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises"

(關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) and the "Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" (關於外商投資貨物運輸企業徵免城市維護建設稅和教育費附加問題的批覆) issued by State Administration of Taxation on 25 February 1994 and on 14 September 2005 respectively, whether foreign investment enterprises are subject to municipal maintenance tax shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Education surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (徵收教育費附加的暫行規定) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (關於籌措農村學校辦學經費的通知) issued by the State Council on 13 December 1984. Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" (關於對外商投資貨物運輸企業徵免城市維護建設稅和教育費附加問題的批覆) issued by State Administration of Taxation on 25 February 1994 and on September 14, 2005 respectively, whether foreign investment enterprises are subject to the education surcharge shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

FOREIGN INVESTED ENTERPRISES

Overview

The PRC promulgated its first joint venture law in 1979. Since then, a broad range of related laws, administrative rules and regulations have been adopted that provide a framework within which foreign investment activities can be effectively conducted and regulated. The government has encouraged foreign direct investment in order to accelerate the inward flow of foreign capital, technology and management techniques.

Foreign invested enterprises in the PRC, or FIEs, may take a number of forms, including:

- Equity joint ventures;
- Co-operative joint ventures; and
- Wholly foreign-owned enterprises.

Procedures for establishment of a Joint Venture

The establishment of a joint venture requires the approval of MOFCOM (商務部)(or its delegated authorities). Certain documents including a feasibility study report, joint venture contract and articles of association of joint venture are required to be submitted to MOFCOM or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by MOFCOM, the applicant is required to apply to the State Administration Bureau for Industry and Commerce ("**SAIC**") (or its local bureau) for the issue of a business licence. A joint venture entity is formally established on the date its business licence is issued.

Types of Joint Ventures

Sino foreign equity joint ventures

Equity joint ventures are governed by the Sino-foreign Equity Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法) (the "**Equity Joint Venture Law**") adopted on 1 July 1979 and amended on 15 March 2001 by the NPC and the Implementing Regulations of the Sino-foreign Equity Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法實施細則) promulgated on 20 September 1983 and amended on 22 July 2001 by the State Council.

Under the Equity Joint Venture Law and its Implementing Regulations, an equity joint venture takes the form of a limited liability company. It is an independent legal person which may independently assume civil obligations, enjoy civil rights and own, use and dispose of its assets. The liability of the joint venture partners is limited to the amount of the registered capital they have respectively agreed to contribute under the joint venture contract. The registered capital must be paid in accordance with the terms and conditions of the joint venture contract and may take the form of cash, the right to the use of the site (場地使用權), capital goods, intellectual property rights and know-how. Transfer of the contribution(s) in the registered capital of a joint venture partner to any other person(s) requires the consent of the other joint venture partner(s) and the approval of the original approval authority.

The total amount of investment of an equity joint venture is the sum of equity capital and working capital required for the scale of its operations and production. The proportion of the investment contributed by a foreign joint venture partner in the registered capital of the joint venture in general shall not be less than 25%. Under the Provisional Regulations Concerning the Ratio of Registered Capital and Total Investment of Sino-foreign Equity Joint Venture promulgated by the SAIC on 1 March 1987, the ratios between the amount of registered capital and the amount of total investment are prescribed. For example, where the amounts of total investment is between US$10 million and US$30 million, the amount of registered capital must not be less than 40% of total investment.

The profit, risks and losses of an equity joint venture are shared by the joint venture partners in proportion to their contributions to the registered capital.

The operations of an equity joint venture are regulated by an extensive body of laws and regulations, both national and regional, governing matters such as registration, capital contribution, foreign exchange, accounting, taxation and labour.

Sino foreign cooperative joint ventures

Cooperative joint ventures are governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC (中華人民共和國中外合作經營企業法) (the "**Cooperative Joint Venture Law**") promulgated on 13 April 1988 and amended on 31 October 2000 and the Implementing Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC (中華人民共和國中外合作經營企業法實施條例) promulgated by MOFTEC on 4 September 1995.

A co-operative joint venture may or may not be registered as an independent legal entity. If a co-operative joint venture is registered as an independent legal person, the joint venture entity will take the form of a limited liability company. The joint venture partners of a co-operative joint venture that has not applied for the status of an independent legal person are required to assume civil liabilities in accordance with the applicable PRC civil law.

Matters relating to the establishment, approval procedures, capital contribution, foreign exchange, accounting, taxation and labour of a co-operative joint venture are substantially the same as those of an equity joint venture.

Under the Cooperative Joint Venture Law and its Implementing Rules, the joint venture partners have a greater degree of flexibility to structure the joint venture arrangements and to determine their respective rights, obligations and liabilities. Profits and losses of a cooperative joint venture may be distributed to and shared by the joint venture partners in such manner as those partners may agree to, instead of in proportion to their respective contribution to the registered capital of the joint venture. In addition, where the cooperative joint venture contract provides for the reversion of all fixed assets of the cooperative joint venture to the local joint venture partner upon the expiry of the term of the joint venture, the joint venture partners may agree in the relevant joint venture contract the mechanism of profit distribution whereby the foreign joint venture partner may have priority in recovering investment during the term of the joint venture.

Management of Joint Ventures

Under the Equity Joint Venture Law and the Cooperative Joint Venture Law, the highest authority of a joint venture is usually vested in its board of directors or a joint managerial institution which a cooperative joint venture may establish instead of the broad of directors as its authority according to the contract or the articles of association. There is no requirement under the applicable law for the holding of meetings of joint venture partners.

The powers and functions of the board of directors are generally governed by the provisions of the joint venture contract and the articles of association of the joint venture. Meetings of the board of directors of a joint venture are required to be held at least once every year. In general, major decisions affecting the joint venture (such as development plans, production and business plans, budget, distribution of profits, termination of business and appointment of key personnel) are to be determined by the board directors. The daily operation and management of a joint venture is vested in the management office which has a general manager and several deputy managers who assist the general manager. The general manager and deputy general managers of a joint venture are engaged by its board directors. A general manager is required to act in accordance with the directions and guidance of the board of the directors.

On 30 December 2002, MOFTEC, SAIC, State Administration of Taxation, and SAFE promulgated Circular Concerning Strengthening Management of Approval, Registration, Foreign Exchange, Taxation and Relevant Problems of Foreign-Investment Enterprises (關於加強外商投資企業審批，登記，外匯及稅收管理有關問題的通知). This circular took effect on 1 January 2003 and provides that if the investment proportion of foreign investors is less than 25%, they should apply for examination for approval and registration according to the procedure now required when establishing Foreign-Investment Enterprises. If it passes the examination, the enterprise will be granted a ratification certificate for foreign-investment enterprise which states "foreign investment is less than 25%". Once the enterprise obtains the registration, it will be granted a business licence for foreign investment enterprise and the words "foreign investment is less than 25%" will be added to the column of "Nature of Enterprise" on such business licence. Such enterprises cannot enjoy the preferential tax policies of foreign-investment enterprises.

Wholly-foreign-owned enterprise

A wholly-foreign-owned enterprise, or WFOE, is owned completely by one or more foreign investors and does not involve any PRC joint venture parties. WFOEs which meet the conditions for being considered a legal person under PRC law shall acquire the status of a PRC legal person in accordance with PRC law. The establishment of wholly-foreign-owned enterprises is restricted or prohibited in certain specified sectors, such as media, trading companies, banking and telecommunications.

Increase of total investments

PRC laws and regulations require that the establishment of property development project companies with a total investment in excess of US$100 million be subject to the approval of the MOC. Any capital increases for these project companies are also subject to MOC approval. The establishment and capital increases of those project companies not subject to MOC approval may be approved by local bureaus of the National Development and Reform Commission (NDRC). See Appendix V of this prospectus for further details.

REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign currency exchange

The principal regulations governing foreign currency exchange in the PRC are the Regulations for the Control of Foreign Exchange or the Foreign Exchange Regulations (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997. Under these regulations, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for expenses of capital, such as direct investment, loans or investments in securities outside the PRC unless the prior approval of the SAFE is obtained.

Under the Foreign Exchange Regulations, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the State Administration by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC Government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. See "Risk factors - Risks relating to the People's Republic of China - Restrictions on currency exchange may limit our ability to utilise our turnover effectively." In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from the SAFE.

Dividend distribution and remittance

The principal PRC regulations governing the distribution of dividends by our WFOEs are (i) The Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法) (1986), as amended in 2000; and (ii) Implementation Regulations under the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則) (2001).

Under these regulations, WFOEs in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE in China is required to set aside at least 10% of its post-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its post-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

For overseas remittance of the current year's dividends, a WFOE is required, under the Circular on Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses Out of China Through Designated Foreign Exchange Banks (關於外匯指定銀行辦理利潤, 股息, 紅利匯出有關問題的通知) which was issued on 22 September 1998 and amended on 14 September 1999, to submit the following documents to a designated foreign exchange bank:

- Proof of tax payment and tax returns (WFOEs enjoying tax reductions or exemptions shall provide certification of tax reduction and exemption issued by the local tax authorities);

- An auditor's report on the profit and dividend situation for the current year issued by an accounting firm;

- The resolution of the board of directors relating to the dividends distribution;

- The foreign investment enterprise's foreign exchange registration certificate;

- The capital verification report issued by an accounting firm; and

- Other documents the SAFE may require.

In addition, for overseas remittance of preceding years' dividends, such WFOE shall appoint an accounting firm to conduct an audit for the year(s) in which the dividend-related profits were generated and shall present the auditor's report to the bank as a required supplemental document.

In the case of foreign investment companies the registered capital of which has not been fully paid up in accordance with the joint venture contract and/or articles of association, the dividends in foreign currency may not be remitted out of the PRC. If there are special circumstances under which the registered capital cannot be contributed within the time limit as specified in the joint venture contract and/or articles of association, the foreign investment company shall apply for approval *from* the original approving authority. With the approval of the original approving authority and the abovementioned required documents, the dividends in foreign currency shall be remitted out of the PRC in proportion to the registered capital that has actually been contributed.

Shareholder loan

A shareholder loan made by foreign investors as shareholders to foreign investment enterprises such as cooperative joint ventures, equity joint ventures and WFOEs is regarded as foreign debt in China, which is subject to a number of PRC laws and regulations, including the Foreign Exchange Control Regulations (中華人民共和國外匯管理條例) of 1997, the Interim Measures on Foreign Debts (外債管理暫行辦法) of 2003 or, the Interim Measures, the Statistical Monitoring of Foreign Debts Tentative Provisions of 1987 (外債統計監測暫行規定) and its Implementing Rules of 1998 (外債統計監測暫行規定實施細則), the Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions of 1996 結匯,售匯及付匯管理規定) and the Notice of the SAFE in Respect of Perfection of Issues Relating Foreign Debts, dated 21 October 2005 (國家外匯管理局關於完善外債管理有關問題的通知).

Under these regulations, a shareholder loan of a foreign debt nature made to cooperative joint ventures, equity joint ventures and WFOEs does not require the prior approval of the SAFE. However, such foreign debt must be registered with and recorded by the SAFE or its local branch in accordance with relevant PRC laws and regulations.

Our PRC subsidiaries can legally borrow foreign exchange loans up to their borrowing limits, which is to be defined as the difference between their respective amounts of "total investment" and "registered capital" as approved by the Ministry of Commerce or its local counterparts. "Total investment" is the projected amount of funds necessary for a foreign-invested enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, whereas "registered capital" refers to the equity or capital contributions to be paid in full by the foreign investors. Interest payment, if any, on the loans is subject to a 10% withholding tax.

Pursuant to Article 18 of the Interim Measures, if the foreign exchange debts of our PRC subsidiaries exceed their respective borrowing limits, we are required to apply to the relevant PRC authorities to increase the total investment amount (and registered capital) in order to allow the excess of the foreign exchange debts to be registered with the SAFE.

The procedures for registration of the foreign debt and remittance of foreign currency for related interest, principal and other payments are as follows:

- Within 15 days after the formal execution of a shareholder loan agreement, borrowers shall present relevant documents to the SAFE or its local branch and complete registration procedures and collect a seriatim Foreign Debt Registration Certificate (外債登記證). The submission includes (i) a signed application, (ii) an original and copy of the shareholder loan agreement, (iii) an original and a photocopy of the approval of the shareholder loan by the SAFE, (iv) a completed Form with Information on Execution of Foreign Debt Agreement (外債簽約情況表), (v) Foreign Exchange Registration Certificate for Foreign Investment (外商投資企業外匯登記證), the joint venture contract and/or articles of association relating to establishment of the foreign investment enterprise and a capital verification report, and (vi) any other documents that the SAFE or its local branch may require.

  Moreover, in connection with foreign debt registration, it is also required that the registered capital of the related foreign investment enterprise is fully paid up in accordance with the joint venture contract and/or articles of association. The amount of the medium and long-term foreign debts that the foreign investment enterprise has borrowed may not exceed the difference between the total investment as stipulated in the joint venture contract or its articles of association and its registered capital. In principle, the interest rate on foreign loans may not be higher than the interest rate on similar loans in the international financial market; otherwise, the registration could be denied by the relevant administration of foreign exchange.

- When borrowers transfer foreign currency into China pursuant to foreign loan agreements, upon presentation of their Foreign Debt Registration Certificate, they shall open a Foreign Debt Spot Exchange Special Account (外債專用稅匯帳戶) with a bank in the PRC designated or approved by the SAFE.

- When borrowers repay principal and interest, they should make an application to the SAFE or its local branch based on the specified valid vouchers for the issuance of Verification Certificate (核准證) (VA*1*). The submission includes (i) a signed application form (加蓋申請單位公章的業務申請表), (ii) a Foreign Debt Registration Certificate, (iii) a shareholder loan agreement, (iv) notices of repayment of principal and interest issued by the lender (債人的還本付息通知單), which shall include the total amount of the principal and interest for repayment, amount of the principal to be repaid, the interest rate and the method and period for calculating interest, (v) notification of the transfer into an account of the related portion of the loan and the current foreign currency account statement (該筆貸款資金入帳通知單和現有外匯帳戶對帳單), (vi) proof of tax payment and tax returns for the payment of interest and fees (對外支付利息和費用需提供稅務憑證), and (vii) other documents that the SAFE or its local branch may require.

- The bank which has opened the account for such borrowers shall rely on the Verification Certificate and Foreign Debt Registration Certificate as provided by borrowers and effect payment through the Foreign Debt Spot Exchange Special Account.

- In accordance with the bank payment documentation, borrowers shall record the amount of the payment in a Foreign Debt Variation and Repayment Form (外債變動回饋表) and file a copy with the SAFE or its local branch that issued the Foreign Debt Registration Certificate.

In accordance with the Notice of the SAFE on Improving the Examination of the Settlement of Foreign Exchange on the Capital Account by Foreign-Invested Enterprises and Administration of the Registration of Their Foreign Debts (關於改進外商投資企業資本項目結匯審核與外債登記管理工作的通知) issued by the SAFE on 17 May 2004, local branches of the SAFE and authorised designated foreign exchange banks shall, when handling the approval of settlement of foreign debts and the formalities for the verification of foreign exchange settlement of the foreign debt capital of foreign investment enterprises and in the case of a single transaction for an amount of more than US$200,000 which is used for such settlement of foreign exchange, request from the relevant foreign investment enterprise such written instructions of payment regarding the use of the capital for such settlement and make payment directly to the designated recipient.

With regard to payment of small amounts, including payment of salaries, setting aside of reserves or for amounts of foreign exchange settlement capital of US$200,000 or less, the local branches of the SAFE and authorised designated foreign exchange banks may choose not to request the relevant foreign investment enterprise to provide written payment instructions, but to transfer the foreign exchange settlement capital into the RMB bank account of such foreign investment enterprise. However, the foreign investment enterprise shall provide a detailed list of the uses of the previous foreign exchange settlement capital in connection with the subsequent foreign exchange settlement.

1. FURTHER INFORMATION ABOUT US

A. Incorporation

We were incorporated on 5 March 2002 in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law, As an exempted company, our operations must be conducted mainly outside the Cayman Islands. We have established a place of business in Hong Kong at 8th Floor, Gloucester, The Landmark, 15 Queen's Road Central, Hong Kong registered as an oversea company under Part XI of the Hong Kong Companies Ordinance. KCS Limited has been appointed as our agent for the acceptance of service of process in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. Since we were incorporated in the Cayman Islands, our corporate structure, Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant sections of our constitution and relevant aspects of Cayman Islands company law is set out in Appendix VII to this prospectus.

B. Changes in Our Share Capital

We were incorporated with an authorised share capital of HK$300,000 divided into 3,000,000 shares of a nominal or par value of HK$0.10 each. One share was issued to each of Mr. Pan and Ms. Zhang.

Pursuant to the transfer agreement dated 24 November 2002, Mr. Pan transferred one share in the Company to Boyce Limited for the consideration of US$1. Pursuant to another transfer agreement of the same date, Ms. Zhang transferred one share in the Company to Capevale (BVI) for the consideration of US$1.

Pursuant to a written resolution of our Shareholders passed on 24 October 2002, our authorised share capital was increased from HK$300,000 to HK$150,000,000 by the creation of an additional 1,497,000,000 new Shares. 355,409,999 Shares were allotted to each of Boyce and Capevale (BVI); 20,160,000 Shares to Mr. Fraser and 19,020,000 Shares to Ms. Mathilda Cox and Mrs. Ethna Dorman as trustees of the Olivia Cox-Fill 2001 Trust. As a result, the issued share capital of the Company was increased to HK$75,000,000 comprising 750,000,000 Shares of HK$0.10 each.

Pursuant to the transfer agreement dated 24 November 2005, Ms. Mathilda Cox and Ms. Ethna Dorman as trustees of the Olivia Cox-Fill 2001 Trust transferred 19,020,000 shares to Ms. Cox-Fill for the consideration of US$1.

Pursuant to a written resolution of our Shareholders passed on 29 May 2007, every issued and unissued ordinary share of HK$0.10 par value each in our capital subdivided into 5 ordinary shares of HK$0.02 par value each such that our authorised share capital of HK$150,000,000.00 was divided into 7,500,000,000 ordinary shares of HK$0.02 par value each and our issued share capital of HK$75,000,000.00 was divided into 3,750,000,000 ordinary shares of HK$0.02 par value each.

In 2007, we underwent a series of reorganisation, details of which are set out in the paragraph headed "Group Reorganisation" below.

Save as disclosed in this prospectus, there has been no change in our Share capital since incorporation.

C. **Changes in the Share Capital of our Subsidiaries**

Our subsidiaries are referred to in the accountants' report as set out in Appendix IA. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

(i) *BVI-9*

On 28 September 2006, BVI-9 was incorporated with an authorised share capital of US$50,000 (HK$390,000) divided into 50,000 ordinary shares of US$1.00 (HK$7.80) each. On 24 January 2007, two ordinary shares of US$1.00 (HK$7.80) each were issued at par for cash to and fully paid by the Company.

(ii) *BVI-10*

On 28 September 2006, BVI-10 was incorporated with an authorised share capital of US$50,000 (HK$390,000) divided into 50,000 ordinary shares of US$1.00 (HK$7.80) each. On 24 January 2007, two ordinary shares of US$1.00 (HK$7.80) each were issued at par for cash to and fully paid by the Company.

(iii) *BVI-11*

On 15 August 2006, BVI-11 was incorporated with an authorised share capital of US$50,000 (HK$390,000) divided into 50,000 ordinary shares of US$1.00 (HK$7.80) each. On 24 January 2007, two ordinary shares of US$1.00 (HK$7.80) each were issued at par for cash to and fully paid by the Company.

(iv) *Zhonghongtian*

As at the Latest Practicable Date, the registered capital of Zhonghongtian, a sino-foreign joint venture, was US$15 million (HK$117 million). There was no alteration in the share capital of Zhonghongtian within the last two years.

(v) *Redstone Jianwai*

As at the Latest Practicable Date, the registered capital of Redstone Jianwai, a sino-foreign joint venture, was US$30 million (HK$234 million). On 6 February 2007 BVI-2 entered into an agreement to acquire 5% equity interest in Redstone Jianwai from Redstone Industry for a cash consideration of US$1.5 million, as a result of which and with effect from 16 February 2007 BVI-2 holds 95% of Redstone Jianwai.

(vi) *Beijing SOHO Properties*

As at the Latest Practicable Date, the registered capital of Beijing SOHO Properties a wholly-owned foreign enterprise, was US$8 million. There was no alteration in its stakeholding within the last two years.

(vii) *Hainan Redstone*

As at the Latest Practicable Date, the registered capital of Hainan Redstone, a sino-foreign join venture, was RMB20 million. There was no alteration in its stakeholding within the last two years.

(viii) *SOHO China Leasing*

As at the Latest Practicable Date, the registered capital of SOHO China Leasing, a wholly foreign owned enterprise, was US$100,000 and was fully paid up. On 6 February 2007 BVI-6 entered into an agreement to acquire 20% equity interest from Beijing Liteng Property Consultants Company Limited for a cash consideration of US$20,000, as a result of which and with effect from 15 February 2007 BVI-6 holds 100% of SOHO China Leasing.

(ix) *Jianhua Real Estate*

As at the Latest Practicable Date, the registered capital of Jianhua Real Estate, a sino-foreign joint venture, was RMB103.97 million and was fully paid up. There was no alteration in its stakeholding within the last two years.

(x) *Shanshi Company*

As at the Latest Practicable Date, the registered capital of Shanshi Company, a sino-foreign joint venture, was US$38.7 million, of which US$9.812 million was paid.

Pursuant to an equity transfer agreement in 2006, Lin Song transferred his 20% equity interest in Shanshi Company to Yan Yan for a cash consideration of RMB4 million.

On 23 January 2007, BVI-8 entered into an equity transfer and capital increase agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest in Shanshi Company respectively to BVI-8, after which Mr. Pan remains holding 5%. Such equity transfer and capital increase agreement was approved by Beijing Bureau of Commerce on 30 May 2007 and, under the agreement, the registered capital of Shanshi Company shall be increased from RMB20 million to US$38.7 million of which US$9.812 million was paid after the equity transfer from Mr. Pan and Ms. Yan to BVI-8.

(xi) *Redstone Newtown*

As at the Latest Practicable Date, the registered capital of Redstone Newtown, a sino-foreign joint venture, was US$10 million, of which US$4.056 million was paid.

Pursuant to an equity transfer agreement dated 25 March 2006, Cai Sonping transferred his 20% equity interest in Redstone Newtown to Ms. Yan Yan for a cash consideration of RMB4 million.

On 27 March 2007, BVI-5 entered into an equity transfer agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest in Redstone Newtown to BVI-5, after which Mr. Pan remains holding 5%. Such equity transfer agreement was approved by Beijing Bureau of Commerce on 31 May 2007 and, under the agreement, the registered capital of Redstone Newtown shall be increased from RMB20 million to US$10 million, of which US$4.056 million was paid after the equity transfer from Mr. Pan and Ms. Yan to BVI-5.

(xii) *Beijing SOHO*

As at the Latest Practicable Date, the registered capital of Beijing SOHO, a sino-foreign joint venture, was US$49.5 million, of which US$11.97 million was paid.

Pursuant to an equity transfer agreement executed in 2006, Lin Song transferred his 20% equity interest in Beijing SOHO to Ms. Yan Yan for a cash consideration of RMB4 million.

On 27 March 2007, BVI-10 entered into an equity transfer and capital increase agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest respectively in Beijing SOHO to BVI-10, after which Mr. Pan only holds 5% interest. Such equity transfer and capital increase agreement was approved by Beijing Bureau of Commerce on 30 May 2007 and, under the agreement, the registered capital of Beijing SOHO shall be increased from RMB20 million to US$49.5 million, of which US$11.97 million was paid after the equity transfer from Mr. Pan and Ms. Yan Yan to BVI-10.

(xiii) *Beijing Chaowai*

As at the Latest Practicable Date, the registered capital of Beijing Chaowai, a sino-foreign joint venture, was US$20 million, of which US$12 million was paid. There was no alteration in its stakeholding within the last two years.

Save as disclosed in this prospectus, there has been no alteration in the Share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

D. Written Resolutions of our Shareholders passed on 14 September 2007

Written resolutions were passed by our shareholders on 14 September 2007 pursuant to which, among other matters:

(i) conditional on the conditions set out in "Structure of the Global Offering — Conditions of the Global Offering":

(a) the Directors were authorised to implement the listing of the Shares on the Hong Kong Stock Exchange;

(b) the Global Offering (including the grant of the Over-allotment Option) was approved and the Directors were authorised to allot and issue such number of Shares in connection with the Global Offering as they may see fit, on and subject to such terms and conditions that they may in their absolute discretion decide;

(c) conditional further on the Listing Committee of the Hong Kong Stock Exchange granting approval of the Share Option Scheme and the grant of the options thereunder and the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme, the Share Option Scheme was approved and, subject to applicable rules, laws and regulations, the Directors were authorised to approve any further amendments to the rules of the Share Option Scheme and, at their absolute discretion, to grant options to subscribe for Shares thereunder, and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(ii) a general unconditional mandate was given to the Directors to allot, issue and deal with unissued Shares, save that, otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights under the options which may be granted under the Share Option Scheme, any scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our articles of association, any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by the Shareholders, such mandate is limited to Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal amount of our Share capital in issue and to be issued as mentioned in this prospectus (including without limitation any issue of Shares pursuant to the exercise of the Over-allotment Option), and (b) the aggregate nominal amount of our Share capital which may be repurchased by us under the authority referred to in paragraph (iii) below, such mandate to expire at the conclusion of our next annual general meeting or the expiry of the period within which our next annual general meeting is required by our articles of association to be held, or when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

(iii) a general unconditional mandate was given to the Directors to exercise all our powers to repurchase, on the Hong Kong Stock Exchange or on any stock exchange on which Shares may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, such aggregate nominal amount (or number, as the case may be) of shares as shall be not exceeding 10% of the aggregate nominal amount of our share capital in issue and to be issued as mentioned in this prospectus (including without limitation any issue of Shares pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting or the expiry of the period within which our next annual general meeting is required by our articles of association to be held, or when revoked or varied or renewed by ordinary resolution of our Shareholders in general meeting whichever occurs first.

2. INFORMATION ABOUT OUR NON-WHOLLY OWNED SUBSIDIARIES AND CERTAIN CONNECTED PERSONS

A. Our Non-wholly-owned Subsidiaries

Name	Place of Incorporation	Minority Shareholders and Interest Held
Zhonghongtian	PRC	• Metro City Development Pte. Ltd. (18%) • Hongyun (17%) • Zelihang (11%)
Redstone Jianwai	PRC	• Redstone Industry (5%)
Hainan Redstone	PRC	• Hainan Xiaoao (10%)
Jianhua Real Estate	PRC	• Huayuan (5%)
Shanshi Company	PRC	• Mr. Pan (5%)
Redstone Newtown	PRC	• Mr. Pan (5%)
Beijing SOHO	PRC	• Mr. Pan (5%)
Beijing Chaowai	PRC	• Beijing SOHO (10%)

B. **Certain of Our Connected Persons**

Name	Place of Incorporation	Shareholders and Interest Held
Beijing Liteng	PRC	• 80% held by Mr. Pan • 20% held by Yan Yan
China Link.	Hong Kong	• 100% held by Ms. Zhang
China Link Capital.	Hong Kong	• 56% held by China Link • 44% held by Mr. Pan
Hainan Xiaoao Group Co., Ltd.	PRC	• 80% held by All Coast Investments Limited • 20% held by others
Hongyun	PRC	• 34.81% held by 北京富萊茵實業公司 (Beijing Fulaiyin Enterprise Company) • 22.59% held by 北京富萊茵益輕科技有限公司 (Beijing Fulaiyin Yiqing Technology Company Limited) • 9.91% held by Zelihang • 8.89% held by 北京玻璃集團公司 (Beijing Glass Group Company) • 3.93% held by 北京食品研究所 (Beijing Food Research Institute) • 19.87% held by (Others)
Metro City Development Pte. Ltd. .	Singapore	• Controlled by 黃紹文 (Huang Shaowen), who is not a connected person of the Company
Zelihang	PRC	• 40% held by 左軍 (Zuo Jun) • 35% held by Beijing Zeli Investment Co. Ltd (北京澤利投資有限公司) • 25% held by 李琦 (Li Qi)

The above information has been provided to the best of the Directors' knowledge.

3. GROUP REORGANISATION

The companies comprising our Group underwent a reorganisation in order to rationalise our Group's corporate structure in preparation for the Company's listing on the Hong Kong Stock Exchange.

As part of our reorganisation in contemplation of the Global Offering, we have acquired 95% equity interests in Redstone Newtown, Shanshi Company and Beijing SOHO. We have also increased our equity interests in Redstone Jianwai from 90% to 95% and in SOHO China Leasing from 80% to 100%. Please see the section entitled "Our Restructuring — Our Restructuring" for a description of the steps taken to effect the reorganisation. These transactions were effected through a number of agreements described in paragraphs (i) to (iv) in the section headed "Summary of Material Contracts" below.

4. REPURCHASE OF OUR OWN SECURITIES

This section sets out information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

A. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction, We will send to our Shareholders an explanatory statement complying with the applicable provisions of the Listing Rules.

Note: Pursuant to a resolution in writing passed by all of our Shareholders on 14 September 2007, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SEC and the Hong Kong Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of our share capital in issue, until our next annual general meeting or the date by which our next annual general meeting is required by our articles of association or any applicable laws to be held or the passing of an ordinary resolution revoking or varying or renewing the authority given to the Directors, whichever shall first occur.

(ii) Repurchases must be funded out of funds legally available for the purpose in accordance with a company's memorandum of association and articles of association and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange.

(iii) Trading restrictions

The total number of shares which a company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. The Listing Rules also prohibit a company from repurchasing its securities on the Hong Kong Stock Exchange if such repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

B. **Reasons for Repurchases**

The Directors believe that it is in our best interest and the best interests of our Shareholders for the Directors to have general authority from the shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

C. **Funding of Repurchases**

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and /or our gearing position as compared with the position disclosed in this prospectus. However, the Directors do not intend to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirement or on the gearing levels, which in the opinion of the Directors, are from time to time appropriate for us.

D. **General**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our memorandum and articles of association and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. We believe that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person (as defined in the Listing Rules) has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

5. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of Material Contracts

We or our subsidiaries have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(i) on 6 February 2007, BVI-2 entered into an equity transfer agreement with Redstone Industry whereby Redstone Industry agreed to transfer its 5% equity interest in Beijing Redstone Jianwai Real Estate Development Co. Ltd. (北京紅石建外房地產開發有限公司) to BVI-2 for US$1.5 million;

(ii) on 6 February 2007, BVI-6 entered into an equity transfer agreement with Beijing Liteng Property Consultants Company Limited (北京利騰房地產咨詢有限公司) whereby Beijing Liteng Property Consultants Company Limited agreed to transfer its 20% equity interest in SOHO China Leasing Company Limited (北京新石房地產經紀有限公司) to BVI-6 for US$20,000 (payable in RMB);

(iii) on 27 March 2007, BVI-5 entered into an equity transfer agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest respectively in Redstone Newtown to BVI-5 for RMB15 million and RMB4 million respectively (payable in US dollars), after which the total investments and the registered capital of Redstone Newtown shall be increased to US$20 million and US$10 million respectively;

(iv) on 3 September 2007, BVI-5 entered into a confirmation agreement with Mr. Pan and Ms. Yan Yan whereby all parties confirmed that the consideration paid to Mr. Pan and Ms. Yan Yan pursuant to the equity transfer agreement dated 27 March 2007, in the sum of RMB15 million and RMB4 million respectively (payable in US dollars) was determined based on both the net asset value and the registered capital of Redstone Newtown;

(v) on 23 January 2007, BVI-8 entered into an equity transfer and capital increase agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest respectively in Beijing Shanshi Real Estate Company Limited (北京山石房地產有限責任公司) to BVI-8 for RMB8.20 million and RMB2.05 million respectively, after which the total investments and the registered capital of Beijing Shanshi Real Estate Company Limited shall be increased to US$77.4 million and US$38.7 million respectively;

(vi) on 27 March 2007, BVI-10 entered into an equity transfer and capital increase agreement with Mr. Pan and Ms. Yan Yan whereby Mr. Pan and Ms. Yan Yan agreed to transfer their 75% and 20% equity interest respectively in Beijing SOHO Real Estate Co. Ltd. (北京搜候房地產有限責任公司) to BVI-10 for RMB15 million and RMB4 million respectively (payable in US dollars), after which the total investments and the registered capital of Beijing SOHO Real Estate Co. Ltd. shall be increased to US$99 million and US$49.5 million respectively;

(vii) an entrustment loan agreement dated 9 April 2007 (No. 18075011WT) entered into between Beijing Redstone Jianwai Real Estate Development Co. Ltd, Beijing Danshi and the Beijing Fangzhuang Branch (北京方莊支行) of the Guangdong Development Bank (廣東發展銀行股份有限公司), pursuant to which Beijing Redstone Jianwai Real Estate Development Co. Ltd entrusted Guangdong Development Bank to release a loan of RMB500 million to Beijing Danshi for a period of 24 months;

(viii) an entrustment loan agreement dated 11 April 2007 (No. 18075013WT) entered into between Beijing Redstone Jianwai Real Estate Development Co. Ltd, Beijing Danshi and the Beijing Fangzhuang Branch of the Guangdong Development Bank to release a loan of RMB500 million to Beijing Danshi for a period of 24 months;

(ix) an entrustment loan agreement dated 12 April 2007 (No. 18075014WT) entered into between Beijing Redstone Jianwai Real Estate Development Co. Ltd, Beijing Danshi and the Beijing Fangzhuang Branch of the Guangdong Development Bank, pursuant to which Beijing Redstone Jianwai Real Estate Development Co. Ltd entrusted Guangdong Development Bank to release a loan of RMB144.2 million to Beijing Danshi for a period of 24 months;

(x) on 16 May 2007, BVI-9 entered into the Equity Transfer Agreement with Beijing Danshi, District SASAC, and Chongyuan whereby, among other matters, BVI-9 would acquire a 49% equity interest in Beijing Tianjie for RMB144,117,647;

(xi) on 14 May 2007, BVI-9 entered into the Second Supplemental Agreement with Beijing Redstone Jianwai Real Estate Development Co. Ltd, Beijing Danshi, District SASAC, Chongyuan, and Beijing Tianjie, whereby, among other matters, all the rights and benefits under the Cooperation Agreement and the First Supplemental Agreement will be enjoyed by BVI-9 and all the first and second instalments in the sum of RMB1 billion and the third and fourth instalments in the sum of RMB2.15 billion under the Cooperation Agreement will be borne by Beijing Redstone Jianwai Real Estate Development Co. Ltd;

(xii) on 18 May 2007, Ms. Yan Yan, our Director, and her immediate family namely Cheng Ming (程明) and Cheng Ying Han (程英瀚) entered into a second supplemental agreement with Beijing Chaowai, pursuant to which Ms. Yan Yan, Mr. Cheng Ming and Mr. Cheng Ying Han shall, among other matters, settle the remaining RMB1.4 million under the property purchase contract with Beijing Chaowai dated 25 April 2007 by mortgage and the application of which shall be made within ten working days after 30 June 2007;

(xiii) on 21 May 2007, Beijing Zeli Investment Co. Ltd (北京澤利投資有限公司) and Zhonghongtian entered into a supplemental agreement, pursuant to which Beijing Zeli Investment Co. Ltd shall pay 50% of the outstanding RMB15,572,207 on 30 June 2008 and the remaining 50% on 31 December 2008;

(xiv) on 21 May 2007, Hongyun and Zhonghongtian entered into a supplemental agreement, pursuant to which Hongyun shall pay 50% of the outstanding RMB4,840,128 on 30 June 2008 and the remaining 50% on 31 December 2008;

(xv) the Third Supplemental Agreement dated 6 June 2007 entered into among Beijing Redstone Jianwai Real Estate Development Co. Ltd, BVI-9, District SASAC, Chongyuan, Beijing Tianjie, Beijing Danshi and Tianshi Property, pursuant to which, among other matters, the parties have agreed that the land use rights in respect of 11 heritage sites will not be transferred to Beijing Tianjie and the Guanghezhalou land parcel (廣和查樓地塊) will be transferred from Beijing Tianjie to Tianshi Property before 30 June 2008;

(xvi) on 23 July 2007, Zhonghongtian entered into a third supplemental agreement with Beijing Zeli Investment Co. Ltd whereby Beijing Zeli Investment Co. Ltd agreed to repay 50% of the outstanding sum of RMB15,572,207 on 30 June 2008 and the remaining 50% on 31 December 2008, together with interest calculated from 1 April 2007;

(xvii) on 24 July 2007, Zhonghongtian entered into a third supplemental agreement with Hongyun whereby Hongyun agreed to repay 50% of the outstanding sum of RMB3,916,128 to Zhonghongtian on 30 June 2008 and the remaining 50% on 31 December 2008, together with interest calculated from 1 April 2007;

(xviii) on 15 August 2007, BVI-7 entered into a confirmation agreement with Beijing Huayuan Real Estate Co. Ltd (北京市華遠地產股份有限公司) and Beijing Shangcheng Investment Management Co. Ltd (北京尚城投資管理有限公司) whereby Beijing Huayuan Real Estate Co. Ltd (北京市華遠地產股份有限公司) and Beijing Shangcheng Investment Management Co. Ltd (北京尚城投資管理有限公司) confirmed that the actual consideration for the transfer of their 60% equity interest in Jianhua Real Estate to BVI-7 pursuant to the cooperation framework agreement and the first equity transfer agreement should be RMB62,382,000;

(xix) on 11 September 2007, BVI-9 entered into the Fourth Supplemental Agreement with Beijing Redstone Jianwai Real Estate Development Co. Ltd, Beijing Tianjie, District SASAC, Chongyuan, Beijing Danshi and Tianshi Property, pursuant to which, among other matters, the payments of 3rd and 4th instalments in the total sum of RMB2,150,000,000 be suspended until all the relevant government approvals for the transfer of Beijing Danshi's equity interest in Beijing Tianjie to BVI-9 are obtained;

(xx) on 12 September 2007, Mr. Pan, Ms. Yan Yan, Beijing Danshi, BVI-9, Beijing Redstone Jianwai Real Estate Development Co. Ltd and our Company entered into the Interim Agreement, pursuant to which, among other matters, consideration of RMB144,117,647 payable by BVI-9 to Beijing Danshi for the transfer of the 49% interest in Beijing Tianjie would not be paid until such time as the requisite government approvals for the transfer to BVI-9 or another subsidiary of our Company has been granted, and Mr. Pan agreed to pledge his shares in Beijing Danshi to one of our subsidiaries which shall be a PRC entity to be nominated by our Company, and not to transfer any of his interest in Beijing Danshi without the prior written consent of BVI-9;

(xxi) on 3 September 2007, Beijing SOHO Properties Management Limited (北京搜候物業管理有限公司), Beijing Danshi and BVI-9 entered into the Project Management Agreement, pursuant to which, among other matters, Beijing SOHO Properties agreed to provide services including planning, design, project management, sales and leasing, marketing, advertising and properties management consultancy to Beijing Danshi for a period of two years at a fee which is equal to 5% of the construction costs;

(xxii) on 4 September 2007, Ms. Zhang issued a letter of undertaking to Beijing Redstone Jianwai Real Estate Development Co. Ltd, pursuant to which Ms. Zhang undertook to procure the repayment of the three entrustment loans (No.18075011WT, No. 18075013WT and No. 18075014WT) by Beijing Danshi to Beijing Redstone Jianwai Real Estate Development Co. Ltd;

(xxiii) a non-competition deed dated 18 September 2007 entered into between us, our Controlling Shareholders, Mr. Pan, Beijing Danshi, Ms. Zhang and HSBC Trustee (in its capacity as the trustee of the Trust) pursuant to which our Controlling Shareholders, Mr. Pan, Beijing Danshi, Ms. Zhang, and HSBC Trustee (in its capacity as the trustee of the Trust) have severally undertaken not to compete with our business as referred to in "Relationship with our Controlling Shareholders and Founders — Non-competition deed";

(xxiv) a trademark assignment agreement dated 14 August 2007 entered into between Mr. Pan and our Company, pursuant to which Mr. Pan transferred his ownership rights in certain trademarks to our Company;

(xxv) a trademark assignment agreement dated 14 August 2007 entered into between Redstone Industry and our Company, pursuant to which Redstone Industry transferred its ownership rights in certain trademarks to our Company;

(xxvi) the deed of domain name transfer dated 14 August 2007 entered into between Redstone Industry and our Company pursuant to which Redstone Industry transferred certain domain names to our Company;

(xxvii) a deed of indemnity dated 18 September 2007 entered into between Mr. Pan, Ms. Zhang, our Controlling Shareholders, HSBC Trustee (in its capacity as the trustee of the Trust) and our Company, pursuant to which Mr. Pan, Ms. Zhang, our Controlling Shareholders and HSBC Trustee (in its capacity as the trustee of the Trust) provided certain indemnities in favour of the Group as referred to in "10. Other Information — Estate Duty and Deed of Indemnity" in this Appendix; and

(xxviii) the Hong Kong Underwriting Agreement dated 20 September 2007 between our Company, our Controlling Shareholders, the Executive Directors, the Hong Kong Underwriters and the Joint Global Coordinators, pursuant to which the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares.

(xxix) a placing agreement dated 14 September 2007 entered into by and among Trebanos Investment Company Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$120 million;

(xxx) a placing agreement dated 14 September 2007 entered into by and among Honeybush Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$420 million;

(xxxi) a placing agreement dated 14 September 2007 entered into by and among Kerry Asset Management Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$60 million;

(xxxii) a placing agreement dated 14 September 2007 entered into by and among Margingle International Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$600 million;

(xxxiii) a placing agreement dated 14 September 2007 entered into by and among Bright Century Development Ltd., Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$114 million;

(xxxiv) a placing agreement dated 14 September 2007 entered into by and among Facina Holdings Inc., Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$114 million;

(xxxv) a placing agreement dated 14 September 2007 entered into by and among Standard Chartered Private Equity Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$228 million;

(xxxvi) a placing agreement dated 14 September 2007 entered into by and among Will Rich Investments Limited, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$228 million;

(xxxvii) a placing agreement dated 17 September 2007 entered into by and among Government of Singapore Investment Corporation Pte Ltd, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$228 million; and

(xxxviii) a placing agreement dated 14 September 2007 entered into by and among Mr. Lau Luen Hung, Goldman Sachs (Asia) L.L.C, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and our Company in relation to the placement and allocation of our Shares for the aggregate purchase price of HK$228 million.

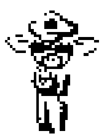
B. **Our Intellectual Property Rights**

(i) As at the Latest Practicable Date, we were the registered proprietor of the following trade marks in respect of the classes of goods and services below:

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
建筑师走廊	PRC	35	Redstone Newtown	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
建筑师走廊	PRC	36	Redstone Newtown	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
建筑师走廊	PRC	37	Redstone Newtown	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
COMMUNEBYTHEGREATWALL	PRC	35	Redstone Newtown	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
COMMUNEBYTHEGREATWALL	PRC	36	Redstone Newtown	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
COMMUNEBYTHEGREATWALL	PRC	37	Redstone Newtown	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
COMMUNEBYTHEGREATWALL	PRC	42	Redstone Newtown	Legal services; packaging design; construction consulting; computer programming	6 January 2014
COMMUNEBYTHEGREATWALL	PRC	43	Redstone Newtown	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014
	PRC	35	Redstone Newtown	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
	PRC	36	Redstone Newtown	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
	PRC	37	Redstone Newtown	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
	PRC	42	Redstone Newtown	Legal services; packaging design; construction consulting; computer programming	6 January 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
	PRC	43	Redstone Newtown	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014
	PRC	19	Redstone Newtown	Wood flooring; marble; plasterboard; cement; concrete building elements; bricks and tiles (non-metallic) for construction uses; fire-resisting materials; waterproof roll materials; non-metallic building framework; non-metallic buildings; building glass; framework for building; adhesives for stone construction materials; stone; concrete or marble statue	20 August 2016
	PRC	35	Redstone Newtown	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	6 May 2014
	PRC	36	Redstone Newtown	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 July 2014
	PRC	37	Redstone Newtown	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 July 2014
	PRC	43	Redstone Newtown	Hotels; dwelling places (inn, accommodation); rental of meeting rooms; coffee shops; catering (food and drink); restaurants; fast-food shops; rental of tourist homes; motel	13 March 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
八戒网	PRC	35	Beijing SOHO	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	6 January 2014
八戒网	PRC	36	Beijing SOHO	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
八戒网	PRC	37	Beijing SOHO	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
八戒网	PRC	38	Beijing SOHO	Television broadcasting; cable television broadcasting; telephone services; communications by computer terminals; cable television; computer aided transmission of messages and images; transmission of messages and images (computer aided); electronic mail; transmission of telegrams; communications by fibre optic networks	13 September 2013
八戒网	PRC	39	Beijing SOHO	Crating of goods; boat rental; car transport; parking place rental; storage of goods; rental of diving suits; water distribution; operation of canal locks; courier services documents or merchandise; arranging of tours	13 September 2013
八戒网	PRC	41	Beijing SOHO	Arranging and conducting of conferences; paid library; publication of books; provision of sports facilities; modelling for artists	20 May 2014
	PRC	9	Beijing SOHO	Computer peripherals; electronic agendas; facsimile machines; electronic notice boards; telephone apparatus; self-motion advertising machine; magic lanterns; audio- and visual teaching equipment; theft prevention installations, electric; cinematographic film	27 September 2011

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
	PRC	38	Beijing SOHO	Computer aided transmission of messages and images; communications by computer terminals; electronic mail; rental of telephones; communications by fibre optic networks; rental of modems; message sending; rental of telecommunication equipment	13 January 2012
	PRC	42	Beijing SOHO	Plant maintenance and protection; rental of meeting rooms; house-keeping; beauty parlours; animal feeding; horticulture; guards (night); professional consulting on non-trading business; meteorological information; computer software maintenance	13 February 2012
8J	PRC	35	Beijing SOHO	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
8J	PRC	36	Beijing SOHO	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux apartments	20 February 2014
8J	PRC	37	Beijing SOHO	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
8J	PRC	38	Beijing SOHO	Television broadcasting; cable television broadcasting; telephone services; communications by computer terminals; cable television; computer aided transmission of messages and images; transmission of messages and images (computer aided —); electronic mail; transmission of telegrams; communications by fibre optic networks	13 September 2013

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
8 J	PRC	39	Beijing SOHO	Crating of goods; boat rental; car transport; parking place rental; storage of goods; rental of diving suits; water distribution; operation of canal locks; courier services messages or merchandise; arranging of tours	13 September 2013
8 J	PRC	41	Beijing SOHO	Practical training demonstration; arranging and conducting of conferences; paid library; publication of books; production of radio and television programmes; production of radio and television programmes; production of shows; club services entertainment or education; provision of sports facilities; modelling for artists	13 September 2013
猪八戒	PRC	9	Beijing SOHO	Computer peripherals; electronic agendas; facsimile machines; electronic notice boards; telephone apparatus; self-motion advertising machine; magic lanterns; audio- and visual teaching equipment; theft prevention installations, electric; cinematographic film	6 October 2011
猪八戒	PRC	38	Beijing SOHO	Computer aided transmission of messages and images; communications by computer terminals; electronic mail; rental of telephones; communications by fibre optic networks; rental of modems; rental of telecommunication equipment	13 January 2012
猪八戒	PRC	42	Beijing SOHO	Plant maintenance and protection; rental of meeting rooms; house-keeping; beauty parlours; animal feeding; horticulture; guards (night); professional consulting on non-trading business; meteorological information; computer software maintenance	20 December 2011
JWSOHO	PRC	36	Zhonghongtian	Rental of real estate; real estate agencies; home agencies; real estate brokers; real estate appraisal, real estate management; apartment house management; accommodation bureaux (apartments); rental of offices real estate, rental of flats	20 January 2013
BJSOHO	PRC	36	Zhonghongtian	Rental of real estate; real estate agencies; home agencies; real estate brokers; real estate appraisal, real estate management; apartment house management; accommodation bureaux (apartments); rental of offices (real estate), rental of flats	20 January 2013

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
博鰲藍色海岸	PRC	35	Hainan Redstone	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
博鰲藍色海岸	PRC	36	Hainan Redstone	Insurance; banking; antique appraisal; brokerage; guarantees; raising of charity funds; estate management; pawn	13 April 2014
博鰲藍色海岸	PRC	37	Hainan Redstone	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
博鰲藍色海岸	PRC	42	Hainan Redstone	Legal services; packaging design; construction consulting; computer programming	6 January 2014
博鰲藍色海岸	PRC	43	Hainan Redstone	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014
BOAOCANALVILLAGE	PRC	35	Hainan Redstone	Outdoor advertisement; advertising; advertisement planning; business management consultation (adviser); organising commercial or advertisement exhibition; hotel business management; hotel management; auction; marketing (on behalf of others); leasing of office machines and equipment	27 December 2013
BOAOCANALVILLAGE	PRC	36	Hainan Redstone	Insurance; banking; antique valuation; real estate leasing; residential apartment (serviced apartment); brokerage; guarantee; raising of charity funds; commissioned management of assets; pawn	20 February 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
BOAOCANALVILLAGE	PRC	37	Hainan Redstone	Construction information; construction; interior decoration; installation and repair of heating supply equipment; installation, maintenance and repair of computer hardware; vehicle maintenance and repair; camera equipment repair; furniture maintenance; garments reconditioning; telephone installation and repair	20 February 2014
BOAOCANALVILLAGE	PRC	42	Hainan Redstone	Legal services; package design; construction consultation; computer programming	6 January 2014
BOAOCANALVILLAGE	PRC	43	Hainan Redstone	Accommodation (hotel apartment with catering); dining hall; rental of counters; canteen; restaurant; bar; teahouse; motel; leasing of movable dwellings; conference room leasing	20 August 2014
	PRC	43	Hainan Redstone	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile homes; rental of meeting rooms	27 August 2014
现代城	PRC	19	Zhonghongtian	Wood flooring; marble; plasterboard; cement; concrete building elements; non-metallic bricks and tiles for construction uses; fire-resisting materials; waterproof roll materials; non-metallic buildings; building glass; non-metallic building framework; binding agents for making briquettes; statues of stone, concrete or marble	27 June 2016
现代城	PRC	35	Zhonghongtian	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	6 January 2016
现代城	PRC	37	Zhonghongtian	Construction information; photographic apparatus repair; furniture maintenance; renovation of clothing	13 April 2014
现代城	PRC	37	Zhonghongtian	Construction information; installation and repair of air-conditioning equipment; furniture manufacture/repair; dry cleaning; installation and repair of entertainment and sport equipment	27 August 2016
现代城	PRC	42	Zhonghongtian	Packaging design	20 March 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
SOHO	PRC	35	Zhonghongtian	Personnel management consulting; relocation services for businesses; office machine and equipment rental; rental (office machines and equipment); systemisation of information into computer databases; categorisation of information in computer databases; computer recording; location of freight cars by computer; book-keeping; auditing	6 January 2016
SOHO	PRC	36	Zhonghongtian	Antique appraisal; brokerage; raising of charity funds; estate management; pawn	13 April 2014
SOHO	PRC	42	Zhonghongtian	Packaging design	20 March 2014
SOHO	PRC	43	Zhonghongtian	Rental of counters; rental of mobile home; rental of meeting rooms	13 December 2014
SOHONEWTOWN	PRC	35	Zhonghongtian	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
SOHONEWTOWN	PRC	36	Zhonghongtian	Insurance; banking; antique appraisal; rental of real estate; accommodation bureaux (apartments); brokerage; guarantees; raising of charity funds; estate management; pawn	20 February 2014
SOHONEWTOWN	PRC	37	Zhonghongtian	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
SOHONEWTOWN	PRC	42	Zhonghongtian	Legal services; packaging design; construction consulting; computer programming	6 January 2014
SOHONEWTOWN	PRC	43	Zhonghongtian	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
建 外	PRC	35	Redstone Jianwai	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	6 January 2014
建 外	PRC	36	Redstone Jianwai	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
建 外	PRC	37	Redstone Jianwai	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
建 外	PRC	42	Redstone Jianwai	Legal services; packaging design; construction consulting; computer programming	6 January 2014
建 外	PRC	43	Redstone Jianwai	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014
JIANWAISOHO	PRC	35	Redstone Jianwai	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	6 January 2014
JIANWAISOHO	PRC	36	Redstone Jianwai	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014

Trade Mark	Place of registration	Class	Name of proprietor	Goods or Services Covered	Expiry Date
JIANWAISOHO	PRC	37	Redstone Jianwai	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
JIANWAISOHO	PRC	42	Redstone Jianwai	Legal services; packaging design; construction consulting; computer programming	13 January 2014
JIANWAISOHO	PRC	43	Redstone Jianwai	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014
	PRC	35	Redstone Jianwai	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
	PRC	36	Redstone Jianwai	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
	PRC	37	Redstone Jianwai	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
	PRC	43	Redstone Jianwai	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	27 November 2014

(ii) As at the Latest Practicable Date, we have applied for registration of the following trade marks in respect of the classes of goods and services below:

Trade Mark	Place of application	Class	Name of proprietor	Goods or Services Covered	Application Date
现代城	PRC	43	Zhonghongtian	Accommodation (hotel, apartment with catering service); dining hall; canteen; restaurant; bar; teahouse; motel	1 November 2002

(iii) As at the Latest Practicable Date, the following trade marks in respect of the classes of goods and services listed below were owned by Mr. Pan or his affiliates (as the case may be) and were in the process of being assigned to the Company:

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	1	Mr. Pan	Ammonia; acids; actinium; industrial chemicals; flower preservatives; litmus Paper; Baryta paper; plasticiser; nitrogenous fertilisers; fire extinguishing powder; metal tempering preparations; brazing fluxes; saccharin; sizing agent; rubber solutions; paper pulp	13 December 2013
潘石屹	PRC	2	Mr. Pan	Colorants; silver foils; food colours; inks for leather; paints; preservatives; rosins	6 October 2013
潘石屹	PRC	3	Mr. Pan	Shampoos; oil cleansers; shoe polishes; emery cloth; herbal oils; lipsticks; gem water; perfumery; fragrant bubbles for pets	27 December 2013
潘石屹	PRC	4	Mr. Pan	Wood oils; fuels; wood spills for lighting; bee waxes; small candles; dust-removing preparations	27 August 2013
潘石屹	PRC	5	Mr. Pan	Alcohols for medical uses; candies for medical purposes; purifiers; repellents for dogs; pesticides; sanitary pads; teeth filling materials	20 September 2013
潘石屹	PRC	6	Mr. Pan	Alloy steel; metal nozzles; metal letterboxes; railway frogs; steel wire; iron connect boards; metal rings; door rings; bells; padlocks; safes; anvils; vats of metal; memorial plaques of metal; horseshoe nails; metal welding rods; anchors; handcuffs; metal weathercocks; metal plant protectors; traps for wild animals; statues of common metal; metal ores; metal monuments	6 January 2014

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	7	Mr. Pan	Plows; aerating pumps for aquaria; woodworking machines; paper-making machines; printing plates; clear cotton machines; sizing machines; unravel machines; sausage machines; brewing machines; cigarette machines for industrial purposes; tannery machines; lockbutton machines; block chain machines; potters' wheels; stone working machines; batteries engines; rope making machines; porcelain enamel manufacture machines; bulb manufacture machines; scald size tools; coalball machines; scrubbing machines; washing machines; sugar coating machines; superheaters; glass working machines; synthesising towers; rosin facility; rinsing machines; mix iron furnaces; wash well machines; road rollers; capstans; wine presses; chill moulds; steam turbine machines; gas machines; hydraulic turbines; pin-making machines; slide fastener machines; stands for machines; electric shears; electronic industry equipment; optics cold processing equipment; gas separating equipment; painting machines; dynamo brushes; centrifuge; machine wheels; acetylene cleaning apparatus; snow ploughs; smoothing presses	6 January 2014
潘石屹	PRC	8	Mr. Pan	Whetstone holders; forks; syringes for spraying insecticides; cattle stunning apparatus; fish forks; shaving knives; awls; handy press machines; lettering pens; palette knives; swords; keys	20 June 2013
潘石屹	PRC	9	Mr. Pan	Adding machines; counters; facsimile machines; weighbridges; measures; signal balls; antennae; audio-tubes; set slice wares; aerometers; optical lanterns; electric wires; single crystal silicon; thunder arresters; electrolysis devices; fire escapes; electric welding apparatus; radiology screens for industrial purposes; goggles; electric door bells; spectacles; battery holders; animated cartoons; electrical gloves	6 August 2013
潘石屹	PRC	10	Mr. Pan	Needles for medical purposes; artificial teeth; electric blankets for medical purposes; hearing aids for the debts; milk bottles; pessaries; artificial limbs; abdominal belts; catgut	20 June 2013

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	11	Mr. Pan	Hangings for lamps; blowtorch; gas lighters; hot air ovens; freeze-dry machines ventilation hoods; hot air apparatus; hydrants; bathtubs; disinfectant apparatus; electric radiators; gas lighters; atomic piles	6 October 2013
潘石屹	PRC	12	Mr. Pan	Dining cars; forklift trucks; wheels; bicycles; elevated cables cars; wheelchairs; omnibuses; inner tubes for pneumatic tires; aircraft; vessels	20 June 2013
潘石屹	PRC	13	Mr. Pan	Gun powder; explosives; fireworks	20 June 2013
潘石屹	PRC	14	Mr. Pan	Iridium; objects of imitation gold; tie clips; wrist watches	13 August 2013
潘石屹	PRC	15	Mr. Pan	Accordions; tuning hammers	20 October 2013
潘石屹	PRC	17	Mr. Pan	Gum; rings of rubber; cords of rubber; drainage hoses; asbestos paper; insulating materials; waterproof packing; non-metallic horseshoes	6 October 2013
潘石屹	PRC	18	Mr. Pan	Cattle skins; purses; skin of kid goats; umbrellas; canes; horse riding gear belts; sausage wrap	20 October 2013
潘石屹	PRC	19	Mr. Pan	Semi-worked wood; lime; gypsum; cement; cement board; bricks; asbestos mortar; bitumen; balustrading; non-metallic advertising railing; building glass; coating (building materials); adhesives for stone construction materials; stone; concrete or marble statue; tombstones	27 August 2013
潘石屹	PRC	20	Mr. Pan	Furniture; nonmetal vats; cork tubes; picture frames; straw plaits; mannequins; display boards; straws for drinking; honeycombs; non-metallic identification bracelets for hospitals; coffins; non-metallic hooks for clothes rails; pillows; curtain rings	13 September 2013
潘石屹	PRC	21	Mr. Pan	Basins (receptacles); glass flasks (containers); pottery; Tangsancai; beer mugs; pails; combs; toothbrushes; toothpicks; cosmetic utensils; ice pails; brooms; crystals; ringers for birds; fly flaps	27 September 2013
潘石屹	PRC	22	Mr. Pan	Strings; twine for nets; flour bags; stuffing; raw silk flaps	20 June 2013
潘石屹	PRC	23	Mr. Pan	Yarn; threads; wool thread	13 August 2013

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	25	Mr. Pan	Clothing; layettes; swimming suits; waterproof clothing; theatrical costume; football shoes; shoes; headgear for wear; hosiery; gloves (clothing); collars (clothing); girdles; wedding cloth	27 October 2013
潘石屹	PRC	26	Mr. Pan	Hair bands; hair grip; fastenings for clothing; false hair; needles; artificial flowers; shoulder pads for clothing; heat adhesive patches for repairing textile articles; numerals for marking monogram tabs for marking linen; tea cosies	20 November 2013
潘石屹	PRC	27	Mr. Pan	Carpets; carpets for automobiles; tapestry, not of textile; mat	6 October 2013
潘石屹	PRC	28	Mr. Pan	Game machines; toys; chess; playing balls; beauty wares; targets; bob-sleighs; swimming pools (environment articles); visors; small bells for Christmas tree; fishing rods; racket sweatbands	20 October 2013
潘石屹	PRC	29	Mr. Pan	Meat juice; dried fish floss; fruit cans; raisins; fruit salads; refined nut meat; Nostoc flagelliform	13 February 2015
潘石屹	PRC	30	Mr. Pan	Coffee; tea; sugar; chocolate; honey; cakes; porridge; cereal preparations; convenient noodles; popcorn; soybean milk; powder thread; ice cream; cooking salt; vinegar; condiments; leaven; aromatic preparations for food; meat tenderisers for household purposes	20 July 2013
潘石屹	PRC	31	Mr. Pan	Trees; wheat; hay; living animals; coconuts; beet; seeds; fodder; malt for brewing and distilling; litter	20 June 2013
潘石屹	PRC	32	Mr. Pan	Beer; non-alcoholic fruit extracts; coke; beverage preparations; waters (beverages); mineral water; fruit juices	27 December 2013
潘石屹	PRC	33	Mr. Pan	Fruit wine (alcoholic); yellow wine; liqueurs; brandy; wine; clear wine; feed wine; edible alcohol	20 June 2013
潘石屹	PRC	34	Mr. Pan	Tobacco; tobacco pipes; matches; lighters for smokers; cigarette filter	20 June 2013
潘石屹	PRC	35	Mr. Pan	Advertisement; organisation of trade fairs for commercial or advertising purposes; import-export agencies; personnel management consulting; relocation services for businesses; secretarial services; book-keeping	6 January 2014

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	36	Mr. Pan	Insurance; financial evaluation; evaluation of works of art; rental of real estate; brokerage; guarantees; PRC raising of charity funds; fiduciary; pawn	20 February 2014
潘石屹	PRC	37	Mr. Pan	Construction information; factory construction; quarrying services; upholstering; burner maintenance and repair; electric appliance installation and repair; motor vehicle maintenance and repair; airplane maintenance and repair; shipbuilding; photographic apparatus repair; clock and watch repair; strong-room maintenance and repair; rustproofing; retreading of tyres; furniture maintenance; cleaning of clothing; disinfecting; escalator installation and repair	20 February 2014
潘石屹	PRC	38	Mr. Pan	Radio broadcasting; transmission of telegrams; electronic mail; information about telecommunication; television broadcasting; cable television	20 September 2013
潘石屹	PRC	39	Mr. Pan	Transport brokerage; boat rental; vehicle towing; air transport; car rental; storage of goods; rental of diving suits; water distribution; operation of canal locks; message delivery; arranging of tours; transport by pipeline	20 September 2013
潘石屹	PRC	40	Mr. Pan	Information on materials handling; electro-plating; applying finishes to textiles; wood manufacture; paper finishing; optical glass grinding; pottery firing; tea processing; stripping finishes; dressmaking; cinematographic films; waste treatment transformation; air purification; water purification; medicinal materials processing	6 January 2014
潘石屹	PRC	41	Mr. Pan	Education; arranging and conducting of conferences; bookmobile services; publication of texts (other than publicity texts); radio entertainment; animal training; operating lotteries	13 September 2013
潘石屹	PRC	42	Mr. Pan	Legal research; technical research; analysis for oil-field exploitation; cosmetic research; biological research; meteorological information; physics research; industrial design; architecture; computer rental; authenticating works of art	6 January 2014

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
潘石屹	PRC	44	Mr. Pan	Animal raising; medical consulting; psychologists; weeding; flower arrangement; manicure; tree trimming; hair transplanting	27 July 2013
	PRC	35	Mr. Pan	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
	PRC	36	Mr. Pan	Insurance; banking; antique appraisal; rental of real estate; accommodation bureaux apartments; brokerage; guarantees; raising of charity funds; pawn; estate management	20 February 2014
	PRC	37	Mr. Pan	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
	PRC	42	Mr. Pan	Legal services; packaging design; construction consulting; computer programming	6 January 2014
	PRC	43	Mr. Pan	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile homes; rental of meeting rooms	20 August 2014
	PRC	35	Mr. Pan	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
	PRC	36	Mr. Pan	Insurance; banking; antique appraisal; rental of real estate; accommodation bureaux (apartments); brokerage; guarantees; raising of charity funds; pawn; estate management	20 February 2014

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
	PRC	37	Mr. Pan	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
	PRC	42	Mr. Pan	Legal services; packaging design; construction consulting; computer programming	6 January 2014
	PRC	43	Mr. Pan	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile homes; rental of meeting rooms	20 August 2014
SOHOSOUTH	PRC	35	Redstone Industry	Outdoor advertising; publicity; advertisement plan; business management consulting (consultants); organisation of trade fairs for commercial or advertising purposes; business management of hotels; management of hotels; auction; sales promotion (for others); office machines and equipment rental	27 December 2013
SOHOSOUTH	PRC	36	Redstone Industry	Insurance; banking; antique appraisal; rental of real estate; brokerage; guarantees; raising of charity funds; estate management; pawn; accommodation bureaux (apartments)	20 February 2014
SOHOSOUTH	PRC	37	Redstone Industry	Construction information; construction; upholstering; heating equipment installation and repair; installation, maintenance and repair of computer hardware; motor vehicle maintenance and repair; photographic apparatus repair; furniture maintenance; renovation of clothing; installation and repair of telephones	20 February 2014
SOHOSOUTH	PRC	42	Redstone Industry	Legal services; packaging design; construction consulting; computer programming	6 January 2014
SOHOSOUTH	PRC	43	Redstone Industry	Dwelling places (inn, accommodation); restaurants; rental of counters; hotels; dining rooms; bars; teahouses; motels; rental of mobile home; rental of meeting rooms	20 August 2014

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Expiry Date
	PRC	35	Redstone Industry	Business consultation; business management consultation; commercial valuation; business investigation; commercial information; professional consultation on trade business; market analysis; market research; economic forecast; public opinion poll	27 September 2007
红 石 REDSTONE	PRC	35	Redstone Industry	Business consultation; business management consultation; commercial valuation; business investigation; commercial information; professional consultation on trade business; market analysis; market research; economic forecast; public opinion poll	6 October 2007

(iv) On 17 September 2007, the Group made applications for the registration of following trademarks:

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Application Date
SOHO 中国 CHINA	Hong Kong	36	SOHO China Limited	Analysis (financial); banking; capital investments; charitable fund raising; debt collection agencies; financial consultancy; financial evaluation (insurance, banking, real estate); financial information; financial management; financing services; fiscal assessments; fund investments; funds transfer (electronic); exchanging money; guarantees; home banking; housing agents; instalment loans; Insurance brokerage; insurance consultancy; insurance information; lease-purchase financing; leasing of real estate; loans (financing); real estate agencies; real estate appraisal; real estate brokers; real estate management; rent collection; rental of offices (real estate); renting of apartments; renting of flats; repair costs evaluation (financial appraisal)	17 September 2007

Trade Mark	Place of registration	Class	Name of proprietor	Products or Services Covered	Application Date
SOHO CHINA	Hong Kong	37	SOHO China Limited	Air conditioning apparatus installation and repair; bricklaying; building construction supervision; building insulating; building of fair stalls and shops; building sealing; burglar alarm installation and repair; burner maintenance and repair; cabinet making (repair); cleaning of buildings (exterior surface); cleaning of buildings (interior); computer hardware (Installation, maintenance and repair of); construction; construction information; damp-proofing (building); demolition of buildings; drilling of wells; electric appliance installation and repair; elevator installation and repair; factory construction; fire alarm installation and repair; freezing equipment installation and repair; furniture maintenance; furniture restoration; harbour construction; installation of doors and windows; ironing (linen); kitchen equipment installation; lift installation and repair; machinery installation, maintenance and repair; masonry; office machines and equipment installation, maintenance and repair; painting, interior and exterior; pipeline construction and maintenance; plastering; plumbing; pump repair; quarrying services; rat exterminating; rebuilding engines that have been worn or partially destroyed; rebuilding machines that have been worn or partially destroyed; refilling of toner cartridges; rental of toner cartridges; rental of bulldozers; rental of construction equipment; rental of cranes (construction equipment); rental of excavators; rental of road sweeping machines; repair information; repair of security locks; restoration of musical instruments; restoration of works of art; road paving; roofing services; rustproofing; safe maintenance and repair; sanding; scaffolding; service stations (vehicle) (refuelling and maintenance); street cleaning; strong-room maintenance and repair; swimming-pool maintenance; telephone installation and repair; underwater construction; underwater repair; wallpapering; warehouse construction and repair; window cleaning	17 September 2007

(v) As at the Latest Practicable Date, the Group has registered the following domain names:

Domain Names	Expiry Date
博鰲凱賓斯基 .COM	6 April 2010
laopanjincheng.com	21 April 2012
sohoblog.com.cn	26 July 2008
sohostreets.com	25 November 2007
sohoshops.net	25 December 2007
sohoshops.cn	26 December 2007
sohoshops.com.cn	26 December 2007
soho-shangdu.com	28 March 2008
朝外 soho.中國 /朝外 soho.cn	23 September 2008
soho尚都 .中國 /soho尚都 .cn	29 March 2008
sohosouth.com.cn	3 April 2008
長城腳下公社 .COM	6 April 2015
newtown.com.cn	10 April 2008
chaowaisoho.com	13 July 2008
sohochina.cn	23 September 2008
soho 中國 .公司 /soho 中國 .公司 .cn	23 September 2008
潘石屹 .中國 /潘石屹 .cn	23 September 2008
jw-soho.com	24 October 2008
現代城 .中國 /現代城 .cn	25 November 2008
soho 現代城 .中國 /soho 現代城 .cn	25 November 2008
建外 soho.中國 /建外 soho.cn	25 November 2008
長城腳下的公社 .中國 /長城腳下的公社 .cn	25 November 2008
soho城 .中國 /soho城 .cn	10 December 2008
sohochina.com	24 December 2008
boaocanalvillage.com	16 December 2009
chaowai-soho.com	17 September 2009
sohoxiaobao.com	20 January 2011
sohochina.com.cn	5 March 2010
sohochina.bj.cn	23 September 2011
communekempinski.com	23 October 2011
commune.com.cn	24 October 2011
soho-city.com	3 December 2011
Communebythegreatwall.com	22 February 2012
Boaokempinski.com	22 February 2012
sohosanlitun.com	12 March 2012
sohochina-ir.com	16 March 2012
Guanghualusoho.com	12 March 2012
Soho中國 .cn/Soho中國 .中國	12 June 2012
博鰲藍色海岸 .中國 /博鰲藍色海岸 .cn	25 November 2008
三里屯 soho.中國 /三里屯 soho.cn	12 March 2010
三里屯 soho.com	9 March 2010

(vi) As at the Latest Practicable Date, the following domain names were owned by Redstone Industry and were in the process of being assigned to the Company:

Domain Names	Expiry Date
panshiyi.net	12 September 2008
panshiyi.com	19 April 2008
panshilyi.com.cn	19 July 2008
redstone.com.cn	18 December 2011

6. DISCLOSURE OF INTERESTS

A. Shareholding Interests of Directors

Immediately following the Global Offering and assuming the Over-allotment Option is not exercised, the interests or short positions of the Directors or the chief executive officer of the Company in the shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests in which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed on the Hong Kong Stock Exchange, or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange once the Shares are listed on the Hong Kong Stock Exchange are as follows:

(i) ***Shares of the Company***

	Personal Interests	Family Interests	Corporate Interests	Total (No. of Shares)	Total (Percentage of Shares)
Pan Shiyi	—	3,324,100,000	—	3,324,100,000	66.482%
Pan Zhang Xin Marita	—	—	3,324,100,000	3,324,100,000	66.482%
Yan Yan	1,242,500	—	—	1,242,500	0.025%
Su Xin	750,000	—	—	750,000	0.015%

(ii) ***Shares of our subsidiaries***

	Name of subsidiary	Nature of interest	Approximate percentage of interest in the subsidiary
Pan Shiyi	Redstone Jianwai	indirect	4.25%
	Beijing SOHO	beneficial	5%
	Redstore Newtown	beneficial	5%
	Shanshi Company	beneficial	5%
Yan Yan	Redstone Jianwai	indirect	0.75%

B. **Substantial Shareholders**

So far as is known to the Directors, immediately following the Global Offering and assuming the Over-allotment Option is not exercised, the beneficial interests of Shareholders having an interest of 10% or more of our issued share capital or the share capital of any member of our Group which will have to be notified to us and the Hong Kong Stock Exchange pursuant to the SFO once the Shares are listed on the Hong Kong Stock Exchange are as follows:

	Number of Shares	Percentage of shares
Pan Zhang Xin Marita	3,324,100,000	66.482%
Capevale Cayman	3,324,100,000	66.482%
Boyce	1,662,050,000	33.241%
Capevale (BVI)	1,662,050,000	33.241%

C. **Particulars of Service Contracts**

We had entered into service agreements with Mr. Pan, Ms. Zhang, Ms. Yan Yan and Mr. Su Xin. These agreements set out the terms on which we employ each of these individuals.

Under the employment agreements, Mr. Pan, Ms. Zhang, Ms. Yan Yan and Mr. Su Xin each will receive a base salary and a director's allowance and will be eligible for a discretionary bonus as well as reimbursement of all out of pocket expenses properly and reasonably incurred in the course of his/her employment. We also provide Ms. Zhang and her family with the use of House No. 35 of the Commune by the Great Wall, or any other house of similar type, and will bear the expenses of taxing, insuring, repairing and maintaining such house.

Each employment agreement is for an initial period of three years commencing on the Listing Date, and will continue thereafter unless and until terminated by either party by serving not less than six months' prior written notice.

For each complete financial quarter, we may, at our discretion, consider and pay each of Mr. Pan, Ms. Zhang, Ms. Yan Yan and Mr. Su Xin a bonus of such amount as the Board may determine, calculated with reference to the guidelines approved by our remuneration committee.

The employment agreements described above set out the circumstances under which the relevant individual's employment with our company may be terminated. See also "Compensation of Directors" in the section headed "Directors, Senior Management and Employees".

In consideration of, among other things, their respective employment and compensation arrangements under their respective employment agreements, these individuals will agree to be bound by certain restrictive covenants, including a covenant which restricts their ability to compete with our Company both during and subsequent to their employment by us. Please see the paragraph headed "Compensation of Directors" in the section headed "Directors, Senior Management and Employees".

Each of the independent non-executive Directors has entered into an appointment letter with us for a term of one year commencing from 11 May 2007 with an annual fee of HK$250,000 (less any necessary statutory deductions). Their appointments are subject to re-election in the general meeting.

Save as disclosed in this prospectus, none of the Directors has entered or has proposed to enter into any service contract with us or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

D. **Directors' Remuneration**

During the year ended 31 December 2006, the aggregate emoluments paid by us to our Directors (excluding the independent non-executive directors) was RMB7,152,000.

Under the arrangements currently in force, the aggregate emoluments payable by us to our Directors for the year ending 31 December 2007 is estimated to be RMB22,810,000.

E. **Personal Guarantees**

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

F. **Related Party Transactions**

During the two years preceding the date of this prospectus, the Group has engaged in related party transactions as described under the section headed "Financial Information — Related Party and Other Transactions", "Connected Transactions" and Note 12 of the Accountants' Report set out in Appendix 1 to this prospectus.

7. DISCLAIMERS

Save as disclosed in this prospectus:

(i) none of the Directors or chief executive has for the purposes of section 28 of the SFO, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SFO, any interest in the securities of our company or any of our associated corporations (within the meaning of the SFO) or any interest which will have to be entered in the register to be kept by us pursuant to section 29 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange once such securities are listed on the Hong Kong Stock Exchange:

(ii) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix is interested in our promotion, or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group;

(iv) none of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(v) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any of our promoter nor is any such cash, securities or benefit intended to be paid, allotted or given; and

(vi) none of the Directors are interested in any business apart from our Group's business, which competes or is likely to compete, directly or indirectly, with the business of our Group.

8. PRE-IPO SHARE OPTION SCHEME

Summary of Terms

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to acquire a personal stake in our Company and help motivate such participants to optimise their performance and efficiency, and also to help retain the participants whose contributions are important to the long-term growth and profitability of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the Shareholders dated 14 September 2007, are substantially the same as the terms of the Share Option Scheme except that:

(a) the exercise price per Share under the Pre-IPO Share Option Scheme shall be equal to the Offer Price;

(b) the term of the Pre-IPO Share Option Scheme is six years;

(c) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 12,058,000 Shares representing approximately 0.241% of the enlarged issued share capital of our Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and

(d) save for the options which have been granted, no further options will be granted on or after the Listing Date, as the right to do so will end upon the listing of our Shares on the Hong Kong Stock Exchange.

Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the approval of the listing of and permission to deal in the 12,058,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Outstanding Options Granted

As at the date of this prospectus, options to subscribe for an aggregate of 12,058,000 Shares (representing approximately 0.241% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price equal to the Offer Price have been conditionally granted to 277 participants by our Company at a consideration of HK$1.00 under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 14 September 2007 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

Particulars of the options granted under the Pre-IPO Share Option Scheme are as follows:

Name of grantee	Residential address	Position	No. of Shares subject to the option	% of issued share capital immediately after completion of the Global Offering[(1)]
Directors				
Yan Yan	Apartment 1708, Building No. 14, Fang Cheng Yuan, Fang Zhuang Area, Feng Tai District, Beijing 100078, PRC	chief financial officer	1,242,500	0.025
Su Xin	Apartment 1206, Tower 4, Jianwai SOHO, No. 39 East 3rd Ring Road, Chaoyang District, Beijing 100022, PRC	chief operating officer	750,000	0.015
Senior management of the Company				
Li Hong	Apartment 2303, Building 4, No. 209 North 4th Ring Road, Haidan District, Beijing 100083, PRC	senior vice president	1,006,250	0.020
Xu Yang	Apartment 2508, Building 72, Ocean Paradise, No. 1 Bahi Zhuang Xi Li, Chaoyang District, Beijing 100025, PRC	senior vice president	517,500	0.010
Zhao Guilin	Apartment D9-1205, Fuli Jiayuan, No. 5 Guangqu Menwai Dajie, Chaoyang District, Beijing 100022, PRC	Financial Controller	500,000	0.010
Tong Ching Mau	Building 8-133, Kangcheng Huayuan, No.9 Shuangqiao Donglu, Chaoyang District, Beijing 100024, PRC	Director of Corporate Finance	331,250	0.007

Name of grantee	Residential address	Position	No. of Shares subject to the option	% of issued share capital immediately after completion of the Global Offering[(1)]
Officers of the Group with options to subscribe for more than 200,000 shares				
Xia Guorong	Apartment 1-102, Building 108, Vanke Qingqing Huayuan, Dougezhuang, Chaoyang District, Beijing 100023, PRC	Manager of Legal Department	293,750	0.006
Wang Shengjiang . . .	Apartment 2903, Building 2, SOHO Newtown, No. 88 Jianguo Road, Chaoyang District, Beijing 100022, PRC	Director of Sales Marketing	217,500	0.004
Gao Hong	Apartment 5, Building 10, No.5 Dong Dajie, Fengtai District, Beijing 100071, PRC	Director of Project Management	217,500	0.004
Xu Qiang	Apartment 2-303, Building 5, Yicheng Yuan, Chengnan Jiayuan, South 4th Ring Road, Fengtai District, Beijing 100068, PRC	Director of Project Management	217,500	0.004
Zhao Jian	Apartment 2-402, Building 49, Anxiangli, Chaoyang District, Beijing 100101, PRC	Director of Project Management	217,500	0.004
Sub-total:			5,511,250	0.110
266 employees of the Group with options to subscribe for less than 200,000 Shares	—	—	6,546,750	0.131
Total:			12,058,000	0.241

Note:
1. Assuming that the Over-allotment Option is not exercised.

Out of the Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, options representing 1,992,500 Shares were granted to two Directors of the Company, options representing 3,518,750 Shares were granted to four senior managers and five officers of the Company and options representing 6,546,750 Shares were granted to 266 other employees and officers of the Group.

Assuming that all of the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be changed from approximately 30.99% to approximately 31.11% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. All the options under the Pre-IPO Share Option Scheme will not be exercisable within the first twelve months after the Listing Date. The Directors will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements of the Listing Rules.

The exercise price for the options set out in the table above is equal to the Offer Price. The number of options granted to each grantee under the Pre-IPO Share Option Scheme was determined by the Board at the time of grant based upon a number of factors including the length of service and performance of the grantees, the requirement that our Shares be listed on a recognised stock exchange before the options could be exercised and an estimate of the likely period before which any such listing would occur.

The options issued under the Pre-IPO Share Option Scheme represent approximately 0.241% of our enlarged share capital as at the Listing Date. If all options are exercised, this would have a dilutive effect on our Shareholders of approximately 0.241% (assuming no exercise of the Over-allotment Option) and a dilutive effect of approximately 0.241% on earnings per Share. However, as the options are exercisable over a period of not more than six years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Waiver from the Stock Exchange and exemption from the SFC

Under Rule 17.02(1)(b) of the Listing Rules and item 27 of Appendix 1A and paragraph 10(d) of Part I of the Third Schedule to the Hong Kong Companies Ordinance, this prospectus is required to include details of the number, description and amount of any of our Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given. We have granted options to 277 persons to subscribe for 12,058,000 Shares on the terms set out in the table in this section entitled "8. Pre-IPO Share Option Scheme''.

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Hong Kong Companies Ordinance on the ground that full compliance with these requirements would be irrelevant and unduly burdensome for us for the following reasons:

(a) in light of the large number of participants involved in the Pre-IPO Share Option Scheme, strict compliance with the disclosure requirements on an individual basis in the prospectus will be unduly burdensome on the Company;

(b) as the options granted under the Pre-IPO Share Option Scheme are considered a part of the participants' remuneration package, individual information regarding such options is highly sensitive and confidential to the employees concerned;

(c) options granted to directors of the Company will be disclosed under the section headed "Disclosure of Interest — Shareholding Interests of Directors" in this Appendix;

(d) the grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse change in the financial position of the Company;

(e) the non-compliance of the disclosure requirements will not hinder the Company in providing an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Company to its potential investors; and

(f) the disclosure of a summary of the information in relation to the options granted under the Pre-IPO Share Option Scheme, as described in the section headed "(8) Pre-IPO Share Option Scheme" in this Appendix should provide potential investors with sufficient information to make a relevant assessment of the Company in their investment decision-making process.

The Stock Exchange has granted the waiver and the SFC has granted the exemption to us on the conditions that:

(a) the full details of the options granted by the Company under the Pre-IPO Share Option Scheme to each of the grantees who is (i) a Director of the Company, (ii) a senior management of the Company or (iii) other employee or officer of the Group entitling him or her to subscribe for 200,000 or more Shares, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Hong Kong Companies Ordinance (as in relation to the SFC exemption) and Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules (as in relation to the Stock Exchange waiver), are disclosed in this prospectus;

(b) in respect of the options granted by the Company under the Pre-IPO Share Option Scheme to employees and officers other than those referred to in paragraph (a) above, the following details are disclosed in this prospectus:

  (i) the aggregate number of grantees and the number of Shares subject to the options;

  (ii) the consideration paid for the grant of the options; and

  (iii) the exercise period and the exercise price for the options;

(c) a full list of all the grantees (including the persons referred to in paragraph (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme containing all the details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules (as in relation to the Stock Exchange waiver) and paragraph 10 of Part I of the Third Schedule to the Hong Kong Companies Ordinance (as in relation to the SFC exemption) will be made available for public inspection in accordance with the paragraph headed "Documents Available for Inspection" in Appendix X to this prospectus;

(d) in relation to the Stock Exchange waiver only, the dilution effect and impact on earnings per Share upon full exercise of the options conditionally granted under the Pre-IPO Share Option Scheme are disclosed in this prospectus; and

(e) in relation to the Stock Exchange waiver only, the aggregate number of Shares subject to the outstanding options granted by the Company under the Pre-IPO Share Option Scheme and the percentage of the Company's issued share capital of which such number represents are disclosed in this prospectus.

9. SHARE OPTION SCHEME

Summary of principal terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution of the Shareholders passed on 14 September 2007 (the "**Adoption Date**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. The purpose of the Share Option Scheme is to provide the Participants (defined in paragraph 2 below) who have been granted options (the "**Options**") under the Share Option Scheme (the "**Grantees**") to subscribe for Shares with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company for the benefit of our Company and Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants.

2. The Directors may make an offer to (i) any directors (including executive directors, non-executive directors and independent non-executive directors), employees and officers of any member of our Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of our Group (collectively, these listed in (ii) being the "**Business Associate**"), as the Board may in its absolute discretion select, to take up Options (collectively the "**Participants**").

3. Initially the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme or any other share option schemes adopted by our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on the Listing Date (such 10% limit represents 500,000,000 Shares, assuming that the Over-allotment Option is not exercised). Options which have lapsed shall not be counted in calculating the 10% limit. However, our Company may refresh this 10% limit with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the Shares in issue as at the date such Shareholders' approval is provided. Options previously granted under the Share Option Scheme and any other share option schemes adopted by our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed. Our Company may seek separate approval by Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of the limit are granted only to Participants specially identified by our Company before such approval is sought. The total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the total Shares in issue from time to time. On the Listing Date, such 30% represents 1,500,000,000 Shares (assuming that the Over-allotment Option is not exercised).

4. Unless approved by Shareholders the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, canceled and outstanding Options) under the Share Option Scheme or any other share option scheme adopted by our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit will be subject to prior Shareholders' approval with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting.

   Each grant of Options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) (as such terms are defined in rule 1.01 of the Listing Rules) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed grantee of the Option). Where any grant of Options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12 month period up to and including the date of such grant:

   (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue;

   (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

   No offer shall be made and no Option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no Options may be granted during the period commencing one month immediately preceding the earlier of:

   (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with rule 13.43 of the Listing Rules or such other rule or law for the time in force which applies to our Company) for the approval of our Company's interim or annual results; and

   (b) the deadline for our Company to publish its interim or annual results announcement under the Listing Rules,

   and ending on the date of the results announcement.

5. (a) The period within which the Options may be exercised shall expire no later than 10 years from the relevant date of which the offer of the grant of an Option is made to a Participant (the "**Offer Date**").

(b) In the event that a Grantee who is also an employee or director of any member of our Group ceases to be an employee or a director for any reason including resignation, redundancy and any kind of involuntary termination, but other than (i) subject to paragraph 5(d) his or her death or permanent and total disability and incapacity or (ii) on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 12(f), the Grantee may exercise an Option at any time during the Option Period up the date of cessation of their employment (to the extent that the Option has vested and such Grantee is entitled to exercise such Option at the date of cessation but has not already exercised the option) within 3 months of the date of such cessation of employment (or such period as the Board may determine and notify to the Grantee), which date shall be the Grantee's last actual working day with the Group, regardless of whether salary is paid in lieu of notice or not, failing which such Option will lapse. In the event that such cessation of employment is due to the resignation of the Grantee and such Grantee is a Director, chief executive officer, chief financial officer, chief operation officer and vice-president of the Company at the date of resignation, he or she shall not offer, pledge, charge, sell or otherwise transfer or dispose of either directly or indirectly, conditionally or unconditionally, any of the shares derived from the exercise of the Option for a period of 3 months following the exercise of the Option (or such period as notified by the Board to the Grantee);

(c) in the situation (1) where the Grantee is an employee or a director of any member of our Group or a Business Associate under a fixed term contract, if the Grantee ceases to be an Employee, a Director or a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract, without any extension or renewal of such contract for reasons other than (i) on one or more of the grounds specified in paragraph 12(f), or (ii) on his or her death or permanent and total disability and incapacity; or (2) where the Grantee is a Business Associate not under any fixed term contract, if the Grantee ceases to be a Business Associate by reason of the Director's serving notice in writing that such Business Associate should cease to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to our Group, within one year after the provision of its last services, support, assistance or contribution to our Group for reasons other than (i) on one or more of the grounds specified in paragraph 12(f), or (ii) on his or her death or permanent and total disability and incapacity if the Business Associate is a natural person, the Grantee may exercise Option up to the date of cessation of employment (to the extent that such Option has vested but not already exercised) within the period of twelve months (or such period as the Directors may determine and notify to the Grantee) following the date of such cessation of employment, which date shall, in the case of (1) above, be the date of expiry of the relevant fixed term contract; and in the case of (2) above, be the date of the aforesaid written notification to the Business Associate, failing which any such Option lapse;

(d) In the event the Grantee dies or has become totally and permanently disabled and incapacitated before exercising the Option in full, and none of the events for termination of employment or engagement under paragraph 12(f) then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled, within a period of twelve months (or such period as the Directors may determine and notify to the Grantee) from the date of death (provided that such exercise is during the relevant Option Period), to exercise the Option to its full extent or becoming totally and permanently disabled and incapacitated (to the extent not already exercised), failing which it will lapse;

(e) In the event the date of retirement of a Grantee falls before the date of the Grantee exercising the Option in full and none of the events for termination of employment or engagement under paragraph 12(f) then exists with respect to such Grantee, the Grantee shall be entitled to exercise the Option on the date of retirement (or within such period as the Directors may determine and notify to the Grantee provided that the Option is then exercised during the relevant Option period and to the extent that such Option has been vested and has not already been exercised), failing which it will lapse;

(f) If a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 5(g) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent immediately or else within such period as shall be notified by the Company;

(g) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall then be entitled to exercise the Option to its full extent immediately or within such period as shall be notified by the Company;

(h) In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall then be entitled to exercise the Option to its full extent immediately or within such period as shall be notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option; and

(i) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5(g) above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee shall then be entitled to exercise the Option to its full extent immediately or within such period as shall be notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

6. At the time of grant of the Options, our Company may impose restrictions on the exercise of an Option during the period an Option may be exercised, including any minimum period(s) for which an Option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period.

7. The Share Option Scheme does not contain any performance targets which need to be achieved by a Grantee before the Options can be exercised.

8. The amount payable by a Grantee on acceptance of a grant of Options is HK$1.00.

9. The price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option (the "**Exercise Price**") shall be at a price determined by the Directors at its absolute discretion and notified to the Participant and shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the Offer Date; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the date of grant.

10. The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date when the name of the Grantee is registered on the register of members of the Company in respect of such Shares. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the Option.

11. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date after which period no further Options shall be granted.

12. An Option shall lapse automatically (to the extent that such Option has vested but not yet been exercised), on the earliest of:

    (a) the expiry of the Option period;

    (b) the date or the expiry of the period for exercising the Option as referred to in paragraphs 5(b), 5(c), 5(d), 5(e), 5(f) and 5(i);

    (c) subject to the scheme of arrangement (referred to in paragraph 5(g) above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5(g) above;

    (d) subject to paragraph 5(h) above, the date of commencement of the winding up of our Company;

    (e) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any Option in breach of the Share Option Scheme;

    (f) the date on which:

        (i) the Grantee (being an employee, an officer or a director of any member of our Group) ceases to be an employee, an officer or a director by reason of the termination of his or her employment, appointment or directorship on the grounds that he or she has been guilty of serious misconduct or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(ii) the Grantee, being a Business Associate under any contract with our Group and such contract is terminated by reason of breach of contract on the part of the Business Associate; or

(iii) the Grantee, being a Business Associate, appears either to be unable to pay or have no reasonable prospect of being able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threatens to cease to carry on its business, or is wound up, or with respect to whom an administrator or liquidator is appointed for the whole or any part of its undertakings or assets; or has been convicted of any criminal offence involving integrity or honesty,

provided that whether any one or more of the events specified above occurs in relation to a Grantee shall be solely and conclusively determined by the reasonable opinion of Board;

(g) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs 5(b) to 5(i), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason; and

(h) the date on which the Option is cancelled by the Board.

13. In the event of any capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, the auditors or the financial adviser engaged by our Company for such purpose shall determine what adjustment is required to be made to the subscription price and/or the number of Shares to be issued on exercise of the Options, and such auditors or financial advisers shall certify in writing to the Board that such adjustments are in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the "**Supplemental Guidance**").

Any such adjustments shall give the Participant the same proportion of the equity capital of our Company (as interpreted in accordance with the Supplemental Guidance) and any adjustments to the advantage of the Participants to the exercise price or to the number of Shares subject to the Options must be approved by the Shareholders in general meeting, and no adjustment may be made to the extent that Shares would be issued at less than their nominal value. In addition, any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

14. The Directors may at any time cancel Options previously granted to, but not yet exercised by a Grantee. Where the Company cancels Options and offers any further Options to the same Grantee, the offer of such new Options may only be made with respect to new Options which have not yet been granted or cancelled and within the limit approved by the shareholders of the Company as mentioned in paragraph 3 of this Scheme.

15. Our Company, by ordinary resolution of the Shareholder, or the Board, may at any time terminate the operation of the Share Option Scheme, and in such event, no further Options will be offered or granted, but in all other respects the Share Option Scheme shall remain in full force and effect. Any granted but unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

16. The Options are not assignable or transferable, except for the transmission of an Option on the death of a Grantee to his personal representative(s) on terms of the Share Option Scheme.

17. Subject to the terms set out in this paragraph below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

    Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

Present status of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme;

(ii) the obligations of the underwriters under the underwriting agreements relating to the initial public offering of the Shares and the listing of the Shares on the Stock Exchange ("**IPO**") becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) therein) and not being terminated in accordance with the terms of that agreement or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the above conditions are not satisfied on or before the date which is 30 days after the date of the Hong Kong prospectus in respect of the IPO (or such later date as the Board may decide), the Share Option Scheme shall forthwith be determined and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the 500,000,000 Shares under the Share Option Scheme representing 10% of the issued share capital of our Company upon listing assuming that the Over-allotment Option is not exercised, excluding Shares to be allotted under the Over-allotment Option.

10. OTHER INFORMATION

Estate Duty and Deed of Indemnity

The Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in the Cayman Islands and the PRC. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares, whose deaths occur on or after 11 February 2006.

Mr. Pan, Ms. Zhang, Boyce, Caperale (BVI), HSBC Trustee, in its capacity as trustee of the Trust, and our Company (the "**Indemnifiers**") have entered into the Deed of Indemnity on 18 September 2007 with and in favour of the Company and its subsidiaries from time to time (the "**Beneficiaries**") to jointly and severally indemnify, and keep the Beneficiaries indemnified, against any loss or liability or diminution in value of assets suffered by any Beneficiary as a result of or in connection with any tax liability arising from (i) any income, profit or gain earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, (ii) as a consequence of any event, activity or omission which occurred or is deemed to occur on or before the Listing Date; or (iii) as a result of the Company or any of its subsidiaries receiving or being entitled to receive any payment under the Deed of Indemnity, save in the following circumstances:

(a) to the extent that provision or reserve has been made for such taxation in the accountants' report set out in Appendix 1A;

(b) for which we are or may become liable as a result of transactions in the ordinary course of business after 31 March 2007;

(c) to the extent that such taxation arises or is incurred as a consequence of any retrospective change in the law or practice thereof by the taxation authorities of the PRC, Hong Kong or the Cayman Islands coming into force after the date of the deed of tax indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect; or

(d) to the extent that any provision or reserve made for any taxation in our audited accounts as at 31 March 2007 is determined to contain an excessive reserve.

In the event that on or prior to the date of Listing (i) there was any breach of the land grant contracts (including but not limited to failure to pay land premium, land costs or payment of similar nature or failure to perform any obligation of a land use right holder) in connection with any of the properties owned by the Beneficiaries, or (ii) any of the Beneficiaries did not have the building ownership right and/or the land use right or failed to obtain a land use right certificate and building ownership certificate in connection with any of their own properties as required under PRC law and regulations, or (iii) any of the Beneficiaries failed to obtain the required approvals including a construction land planning permit, construction works planning permit or work commencement permit before the construction of any of their own properties, or (iv) any of the Beneficiaries failed to comply with the applicable PRC laws and regulations to obtain a pre-sale permit before the pre-sale of any of their own Properties, or (v) there was any breach of the Pre-sale Measures promulgated by the Ministry of Construction of the PRC in November 1994 (as amended from time to time) arising from the misapplication of the proceeds obtained from the pre-sale of any of the Properties owned by the Beneficiaries, each of the Indemnifiers agreed to jointly and severally indemnify and keep the Beneficiaries indemnified against:

(a) any fines, penalties or charges which may be imposed or levied by the PRC governmental authorities for the failure of any of the Beneficiaries to comply with any PRC laws and regulations or to perform any covenants and obligations under a land grant contract, in connection with the acquisition, development or sale of any of the Properties; and

(b) any loss or liability or diminution in value suffered by any of the Beneficiaries of their own subsidiaries as a result of the failure of any of the Beneficiaries to: (i) freely transfer, sell or mortgage any of their own properties; (ii) complete the construction of any of their own properties on time; or (iii) deliver any of their own properties or their related property ownership certificates to the purchasers of such properties on time.

Each of the Indemnifiers also agreed to jointly and severally indemnify and keep the Beneficiaries indemnified against:

(i) all liability, damages, costs, loss or expense whether directly incurred or consequentially incurred by any of the Beneficiaries, arising out of, or in connection with or based on, all claims which may be instituted, made, threatened or alleged against or otherwise involve such Beneficiaries in connection with the guarantees executed by any of the Beneficiaries on or before the date of Listing to secure mortgaged loans provided by banks or financial institutions to the purchasers of any of their properties (the "**Guarantee**"). With respect to HSBC Trustee only, this particular indemnity shall not apply to any individual Guarantee the related liability, damages, costs, loss or expense of which is less than RMB200,000;

(ii) all liability, damages, costs, loss or expense failed to be undertaken or reimbursed by Beijing Huayuan Real Estate Co. Ltd. (北京市華遠地產股份有限公司) and/or Beijing Shangcheng Investment Management Co. Ltd (北京尚城投資管理有限公司) to the Beneficiaries in relation to phase I of the SOHO Shangdu project;

(iii) all liability, damages, costs, loss or expense resulting from the failure by certain third party transferors to file an asset appraisal report and to go through open tender procedures in relation to the acquisition of equity interests by the Beneficiaries in Beijing Tianjie and Jianhua Real Estate prior to the date of Listing;

(iv) all liability, damages, costs, loss or expense failed to be undertaken or reimbursed by District SASAC and/or Chongyuan to the development of the 12 Heritage Sites within the Tiananmen South (Qianmen) Project;

(v) all liability, damages, costs, loss or expense resulting from the operation of Commune by the Great Wall or Boao Kempinski which is inconsistent with the terms of the Land Use Right Certificate obtained for each;

(vi) all liability, damages, costs, loss or expense resulting from any breach by the Company or any of its subsidiaries of PRC environmental laws or regulations which occurs prior to the Listing Date;

(vii) all liability, damages, costs, loss or expense resulting from any breach of PRC laws or regulations in connection with the acquisition of Beijing Danshi, Beijing SOHO Real Estate Co. Ltd and Redstone Newtown by the Company pursuant to its restructuring; and

(viii) all liability, damages, costs, loss or expense resulting from any failure to obtain the relevant approvals from the State Administration of Foreign Exchange of the PRC for the repatriation of any funds held outside the PRC.

The indemnities provided are valid for a period of six years from Listing after which, except with respect to any claim made prior to the expiry of this period which has not been settled, the indemnifiers shall be fully released and discharged from any of the undertakings, covenants, liabilities or obligations therein.

The liability of HSBC Trustee under the Deed of Indemnity is at all times restricted to those monies being the net realised value of its indirect holding in the Company through its holding in Boyce and Capevale BVI.

Filings with the Companies Registrar of Hong Kong

The Company was registered as an overseas company under Part XI of the Hong Kong Companies Ordinance on 14 June 2002. Pursuant to the relevant provisions under the Hong Kong Companies Ordinance, the Company is required to file certain specified forms and company documents, including but not limited to annual returns and any notifications of change of directors or authorised representatives, with the Companies Registrar (the "**Companies Registrar**") within the relevant statutory periods. Default in filing such specified forms and documents with the Companies Registrar in accordance with the provisions under the Hong Kong Companies Ordinance may result in fines or penalties imposed by the Companies Registrar on the Company and/or any other relevant person, officer or agent of the Company. The Company has in the past failed to file with the Companies Registrar the following documents within the relevant statutory periods: (i) its annual returns for the years from 2002 to 2006; (ii) its accounts for the years from 2002 to 2005; (iii) notifications in respect of the resignations of Messrs Simon Murray, Robert Lessin and Cheng Li-Lan as directors of the Company; and (iv) notification in respect of the resignation of Mr. Cheng Li-Lan as an authorised representative of the Company in Hong Kong. The Company has confirmed that it has subsequently filed all of the above documents with the Companies Registrar and that the Company's public records maintained at the Companies Registry are in full compliance with the Hong Kong Companies Ordinance, and are consistent with the records maintained with the Company's register agent in the Cayman Islands. The Company has further confirmed that as at the Latest Practicable Date, it had not received any notice of fine or penalty from the Companies Registry and was not aware of any such notice having been issued by the Companies Registry against any relevant person, officer or agent of the Company.

Material Litigation

Neither we nor any of our subsidiaries are involved in any material litigation, arbitration or administrative proceedings of material importance. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened against us, that would have a material adverse effect on our results of operations or financial condition.

Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in the Shares. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Preliminary Expenses

Our estimated preliminary expenses are approximately HK$15,000 and are payable by us.

Promoters

There is no promoter of the Company.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	Licenced under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) activities as defined under the SFO.
The Hongkong and Shanghai Banking Corporation Limited	Registered institution under the Securities and Futures Ordinance to carry on type 1 (Dealing in Securities), type 4 (Advising on Securities) and type 6 (Advising on Corporate Finance) regulated activities and is also a licensed bank under the Banking Ordinance
Haiwen & Partners (“**Haiwen**”)	Legal adviser to our Company on PRC law
Zhong Lun Law Firm (“**Zhong Lun**”)	Legal adviser to our Company on PRC law
Conyers, Dill & Pearman (“**CD&P**”)	Legal adviser to our Company on Cayman Islands law
Harney Westwood & Riegels (“**Harneys**”)	Legal adviser to our Company on British Virgin Islands Law
KPMG	Certified Public Accountants
CB Richard Ellis (“**CBRE**”)	Independent professional property valuer
Savills Valuation and Professional Services Limited (“**Savills**”)	Independent Market Research

Consents of Experts

Each of the Joint Sponsors, Haiwen, Zhong Lun, CD&P, KPMG, Harneys, CBRE and Savills have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, valuation certificate, letters and/or opinions and summaries of opinion (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44E of the Hong Kong Companies Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, neither we nor our subsidiaries have issued or agreed to issue any of our Shares or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ii) no Share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our company or any of our subsidiaries;

(v) we have no outstanding convertible debt securities or debentures; and

(vi) the English text of this prospectus shall prevail over the Chinese text.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice 2001.

Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are as follows:

Name	Registered Address/Address	Number of Shares to be sold
Boyce	P.O. Box 957, Offshore Incorporated Centre, Road Town, Tortola, British Virgin Islands	115,000,000
Capevale (BVI)	P.O. Box 957, Offshore Incorporated Centre, Road Town, Tortola, British Virgin Islands	115,000,000
Mr. Fraser	16 Lord North Street, London SW1P 3LD, the United Kingdom	50,400,000
Ms. Cox-Fill.	203 Drakes Corner Road, Princeton, NJ 08540, USA	19,020,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the white and yellow Application Forms, the written consents referred to in "Statutory and General Information — Consents of experts" in Appendix IX to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of Material Contracts" in Appendix IX to this prospectus, the statements of adjustments made by KPMG in auditing the figures set out in their accountants' report set out in Appendix IB to this prospectus and details of our Selling Shareholders, including their addresses and other information required by Section 342C of the Hong Kong Companies Ordinance

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong during normal business hours up to and including 5 October 2007:

(a) the Memorandum and the Articles;

(b) the accountants' reports in respect of the Group and Beijing Tianjie, prepared by KPMG, Certified Public Accountants, the text of which is set out in Appendix IA and Appendix IB to this prospectus, and the statements of adjustments;

(c) the letter from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus.

(d) the letters from KPMG and the Joint Sponsors relating to the profit forecast of the Group, the texts of which are set out in Appendix III to this prospectus;

(e) the letter and valuation certificate relating to the Group's property interests prepared by CBRE Hong Kong Limited, the text of which is contained in Appendix IV to this prospectus;

(f) the letter prepared by Conyers, Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in "Summary of the Constitution of the Company and Cayman Islands Company Law — General" in Appendix VII to this prospectus;

(g) the PRC legal opinion issued by Haiwen & Partners, our PRC legal advisers, in relation to the corporate status of the PRC subsidiaries of the Group;

(h) the PRC legal opinion issued by Haiwen & Partners, our PRC legal advisers, in relation to the Group's land use rights and building ownership rights in the PRC;

(i) the PRC legal opinion issued by Zhong Lun Law Firm in relation to repatriation of funds;

(j) the PRC legal opinion issued by Zhong Lun Law Firm confirming and endorsing the contents in the PRC legal opinions issued by Haiwen & Partners in (g) and (h) above;

(k) the Cayman Companies Law;

(l) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme;

(m) the market research report set out in Appendix V to this prospectus;

(n) the material contracts referred to in the section headed "Statutory and General Information — Summary of material contracts" in Appendix IX to this prospectus;

(o) the written consents referred to in the section headed "Statutory and General Information — Consents of experts" in Appendix IX to this prospectus; and

(p) the service agreements referred to in the section headed "Statutory and General Information — Particulars of service contracts" in Appendix IX to this prospectus;

(q) statements of particulars of the Selling Shareholders; and

(r) a full list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme.

光华路SOHO
GUANGHUALU SOHO

三里屯SOHO
SANLITUN SOHO

长城脚下的公社
COMMUNE BY THE GREAT WALL

凯宾斯基管理 MANAGED BY KEMPINSKI

博鳌 凯宾斯基
BOAO KEMPINSKI

SOHO CHINA LIMITED
SOHO 中國有限公司