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SOHO CHINA LIMITED

SOHO 中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

CONNECTED TRANSACTION AND NON-COMPLIANCE WITH THE LISTING RULES

SUMMARY

It has come to the Company's attention that a Fund Monitoring Agreement entered into by Redstone Jianwai, a wholly-owned subsidiary of the Company, may constitute financial assistance to a connected person under Chapter 14A of the Listing Rules. The Fund Monitoring Agreement was entered into in connection with the financing arrangements relating to the proposed acquisition by the Group of an interest in the Tiananmen South (Qianmen) Project from Beijing Danshi, a connected party, which acquisition was originally disclosed in the Prospectus. These financing arrangements included the provision of the BEA Loan by BEA to Beijing Danshi, which was used to repay monies owed by Beijing Danshi to Redstone Jianwai.

Redstone Jianwai and Beijing Danshi entered into the Fund Monitoring Agreement with BEA, following the Company's listing, as a back-up arrangement for the security already provided for the repayment of the BEA Loan. The Fund Monitoring Agreement allows BEA to monitor the Redstone Jianwai Bank Deposit of RMB800,000,000. However the parties have agreed that no recourse will be had to the Redstone Jianwai Bank Deposit unless the primary security provided for the BEA Loan, equivalent to an aggregate deposit of approximately HKD909,744,000 and a deed of charge provided by Crystal Smart, a company controlled by Ms. Zhang, and personal guarantees provided by our directors Mr. Pan and Ms. Zhang, is unable to settle the default amount within one month of such default.

The management of the Company therefore took the view at the time that the Fund Monitoring Agreement was entered into on 11 October 2007 following the Company's listing on 8 October 2007, that it was at most a stand-by arrangement which did not involve the granting of credit or security nor the lending of money by Redstone Jianwai. However, contrary to the view taken by the management of the Company, the Stock Exchange has confirmed that it considers that the Fund Monitoring Agreement, *prima facie*, constitutes a non-exempt connected transaction under Rule 14A.63 of the Listing Rules and should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company is working with Beijing Danshi to take urgent steps to arrange alternative funding to repay the BEA Loan and allow the Fund Monitoring Agreement to be terminated and prevent a continuing breach of the Listing Rules. The Company will publish an announcement to update the Stock Exchange, its Shareholders and the public of any further developments.

BACKGROUND

As disclosed in the Prospectus, Beijing Danshi has agreed to transfer its interest in the Tiananmen South (Qianmen) Project to Redstone Jianwai upon obtaining the relevant PRC government approvals, which remain outstanding. Prior to the Company's listing, Redstone Jianwai provided entrustment loans to Beijing Danshi to enable Beijing Danshi to acquire its interest in the Tiananmen South (Qianmen) Project and as part of the preparation for listing, Beijing Danshi agreed to repay the entrustment loans to Redstone Jianwai and entered into the BEA Loan Agreement pursuant to which BEA provided the BEA Loan to Beijing Danshi which Beijing Danshi used to repay the entrustment loans.

In order to secure the BEA Loan, Crystal Smart deposited the Crystal Smart Bank Deposit, an aggregate sum of approximately HKD909,744,000 with BEA and entered into a deed of charge with BEA dated 11 October 2007 pursuant to which arrangements it agreed to use the Crystal Smart Bank Deposit as security for the BEA Loan. The Crystal Smart Bank Deposit is currently made up of approximately HKD534,557,441 and USD49,302,330 amounting to more than 100% of the BEA Loan. Mr. Pan and Ms. Zhang also provided personal guarantees, each dated 11 October 2007, in respect of repayment of the BEA Loan.

CIRCUMSTANCES LEADING TO THE NON-COMPLIANCE WITH THE LISTING RULES

Shortly before the execution of the BEA Loan Agreement on 11 October 2007, BEA requested that the Fund Monitoring Agreement be entered into as a back-up to the security over the Crystal Smart Bank Deposit and the personal guarantees provided by Mr. Pan and Ms. Zhang.

It was the understanding between the relevant parties, including BEA, that in the event of default by Beijing Danshi under the BEA Loan Agreement, BEA will have first recourse to the Crystal Smart Bank Deposit and then to the personal guarantees of Mr. Pan and Ms. Zhang to settle such default amount and that BEA would not call upon the Redstone Jianwai Bank Deposit unless the Crystal Smart Bank Deposit or the personal guarantees provided by Mr. Pan and Ms. Zhang were not able to settle the default amount within one month of such default.

The management of the Company therefore took the view that the Fund Monitoring Agreement was at most a stand-by arrangement which does not involve the granting of credit or security nor the lending of money by Redstone Jianwai. It was the Company's understanding that there would be no financial assistance provided by Redstone Jianwai to Beijing Danshi unless and until BEA has recourse to the Redstone Jianwai Bank Deposit. At the time the Fund Monitoring Agreement was entered into, the management of the Company did not therefore consider that the Fund Monitoring Agreement constituted financial assistance or a connected transaction under Chapter 14A of the Listing Rules and did not consult its legal or compliance advisers on this issue at the time.

These arrangements were subsequently brought to the attention of the Company's Audit Committee which requested that the Company obtain clarification as to the contingent nature of the Fund Monitoring Agreement and its status under the Listing Rules.

The Stock Exchange has confirmed its view that the Fund Monitoring Agreement constitutes the provision of financial assistance for the benefit of a connected person under Chapter 14A of the Listing Rules and that the value of such assistance should be RMB800,000,000. Accordingly, the Stock Exchange considers that the Fund Monitoring Agreement, *prima facie*, constitutes a non-exempt connected transaction under Rule 14A.63 of the Listing Rules and should have been subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REMEDIAL MEASURES TAKEN

The Directors and senior management of the Company have taken the view of the Stock Exchange very seriously and Mr. Pan, the Company's chairman and the controller of Beijing Danshi, has procured that Beijing Danshi arrange alternative funding with a view to repaying the BEA Loan, allowing the Fund Monitoring Agreement to be terminated with immediate effect and preventing a continuing breach of the Listing Rules. Beijing Danshi has entered into a memorandum of understanding with a lending bank in the PRC for the provision of a loan of up to RMB860,000,000, which is subject to approval of the lending banks.

In order to avoid a further inadvertent breach of the Listing Rules from occurring, the Company proposes to take, or has taken, the following actions:

- (i) The Board has instructed senior management of the Company to review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and future transactions and arrangements of the Company fully comply with the Listing Rules and other applicable laws and regulations;
- (ii) The Board has instructed Platinum Securities Company Limited, the Company's compliance advisers, to provide further training to the Directors, the senior management and the staff of the Company's finance and legal departments to help them better understand the requirements of the Listing Rules and identify any potential connected transactions of the Company and its subsidiaries on a timely basis; and
- (iii) The Company is at the final stage of appointing a senior lawyer from an international law firm as its general counsel who will help double check compliance with the Listing Rules.

PARTICULARS OF FUND MONITORING AGREEMENT

Date

11 October 2007

Period

11 October 2007 to 10 October 2008, being the same as the loan period under the BEA Loan Agreement

Parties

- (1) Redstone Jianwai;
- (2) BEA; and
- (3) Beijing Danshi

Principal Terms

Redstone Jianwai authorised BEA to monitor the Redstone Jianwai Bank Deposit of RMB800,000,000 in its PRC bank account with BEA and to prevent the use of the Redstone Jianwai Bank Deposit by Redstone Jianwai without the written consent of BEA. In case of default by Beijing Danshi under the BEA Loan Agreement, BEA may, after giving written notice to Redstone Jianwai, draw down the Redstone Jianwai Bank Deposit to settle the amount overdue.

Governing Law

The Fund Monitoring Agreement is governed by PRC law.

CONNECTION BETWEEN THE PARTIES

The Fund Monitoring Agreement was entered into between Redstone Jianwai, BEA and Beijing Danshi. As Mr. Pan, the chairman and executive Director of the Company, holds 90% equity interest in Beijing Danshi, Beijing Danshi constitutes a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

GENERAL

The Group and Beijing Danshi are principally engaged in the development and sale of commercial properties.

BEA is principally engaged in banking and other financial services.

Crystal Smart is principally engaged in investment activities.

The executive Directors still maintain the view held at the time that the Fund Monitoring Agreement was entered into as part of the arrangements for the proposed acquisition of the interest of Beijing Danshi in the Tiananmen South (Qianmen) Project, that the Fund Monitoring Agreement and its terms are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

DEFINITIONS

“Audit Committee”	the audit committee of the Company
“BEA”	Bank of East Asia (China) Limited
“BEA Loan”	the loan in the total sum of RMB800,000,000 provided by BEA to Beijing Danshi for one year on 11 October 2007 provided pursuant to the BEA Loan Agreement
“BEA Loan Agreement”	the RMB loan agreement (人民幣貸款合同) entered into between Beijing Danshi and BEA on 11 October 2007
“Beijing Danshi”	Beijing Danshi Investment Management Company Limited (北京丹石投資管理有限公司), which is 90% owned by Mr. Pan and 10% by Ms. Yan Yan, an executive Director and the chief financial officer of the Company
“Board”	the board of Directors
“Company”	SOHO China Limited
“Crystal Smart”	Crystal Smart International Limited (晶智國際有限公司), which is wholly owned by Ms. Zhang
“Crystal Smart Bank Deposit”	the bank deposit in USD and HKD of an aggregate sum of HKD909,744,000 into two Hong Kong Bank accounts with BEA made by Crystal Smart currently made up of approximately HKD534,557,441 and USD49,302,330
“Director(s)”	director(s) of the Company
“Fund Monitoring Agreement”	the fund monitoring agreement (資金監管協議書) entered into between Redstone Jianwai, BEA, Beijing Danshi on 11 October 2007
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mr. Pan”	Mr. Pan Shiyi, who is an executive Director and the chairman of the Board, and the husband of Ms. Zhang

“Ms. Zhang”	Mrs. Pan Zhang Xin Marita, who is an executive Director and the chief executive officer of the Company, and the wife of Mr. Pan
“PRC”	the People’s Republic of China
“Prospectus”	the Prospectus issued by the Company on 21 September 2007 pursuant to the Company’s listing on the Hong Kong Stock Exchange
“Redstone Jianwai”	Beijing Redstone Jianwai Real Estate Development Co. Ltd. (北京紅石建外房地產開發有限公司), a wholly-owned subsidiary of the Company
“Redstone Jianwai Bank Deposit”	the bank deposit of RMB800,000,000 made by Redstone Jianwai pursuant to the Fund Monitoring Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the shares of the Company
“Shareholders”	the holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tiananmen South (Qianmen) Project”	the Tiananmen South (Qianmen) Project as detailed in Appendix IC of the Prospectus
“USD”	US Dollars, the lawful currency of the United States of America

This announcement is made by the order of Board, the Directors of which individually and jointly accept responsibility for the accuracy of its announcement.

By order of the board of
SOHO China Limited
Pan Shiyi
Chairman

Beijing, the PRC, 3 April 2008

As at the date of this announcement, the Directors are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Mr. Su Xin, who are executive Directors, and Mr. Cha Mou Zing, Victor, Dr. Ramin Khadem and Mr. Yi Xiqun, being the independent non-executive Directors.