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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in SOHO China Limited (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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)

**DISCLOSEABLE TRANSACTION**

**THE ACQUISITION OF CHAOYANGMEN SOHO (KAIHENG CENTRE)  
PROJECT AND THE ENTIRE INTERESTS IN BEIJING KAIHENG  
REAL ESTATE COMPANY LIMITED**

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## DEFINITIONS

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

“Acquisition Agreement”	the acquisition agreement dated 26 May 2008 entered into between the Kuok Hang Shareholders, Baofeng Properties, the Company and Kaiheng Company in relation to the acquisition of 40% equity interest in Kaiheng Company and the Kuok Hang Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baofeng Properties”	珠海經濟特區寶豐物業投資服務有限公司 (Zhuhai Special Economic Zone Baofeng Properties Investment Services Company Limited), a company established in the PRC which owned 40% equity interest in Kaiheng Company as at the Latest Practicable Date
“Beijing SOHO Properties”	北京搜候物業管理有限公司 (Beijing SOHO Properties Management Limited), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Beijing Zhuzong”	北京住總集團有限責任公司 (Beijing Zhuzong Group Company Limited), a company established in the PRC which owned 20% equity interest in Kaiheng Company as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day(s)”	the day(s) (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open for business generally
“Chaoyangmen SOHO (Kaiheng Centre)”	凱恒中心項目 (Kaiheng Centre project), which is located at 北京東城區朝內危改小區G、F地塊 (Plots G and F, Wei Gai Xiao Qu, Dong Cheng Qu Chao Nei, Beijing), Kaiheng Centre will be renamed as Chaoyangmen SOHO (Kaiheng Centre) after the Acquisition Agreement becoming effective
“Company”	SOHO China Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who are independent of the Company and connected persons of the Company
“Kaiheng Company”	北京凱恒房地產有限公司 (Beijing Kaiheng Real Estate Company Limited), a Sino-foreign cooperative joint venture established in the PRC, which was owned as to 40% by Kuok Hang, 40% by Baofeng Properties and 20% by Beijing Zhuzong as at the Latest Practicable Date
“Kuok Hang”	Kuok Hang Enterprises Development Company Limited (Kuok Hang Kei Ip Fat Chin Iao Han Cong Si), a company incorporated in Macau on 10 November 1987 and registered under number 2765 (SO), with share capital of MOP100,000.00, which owned 40% equity interest in Kaiheng Company as at the Latest Practicable Date
“Kuok Hang Acquisition”	the acquisition of the entire issued share capital of and interests in Kuok Hang by the Company through SOHO BVI-7 and SOHO BVI-11 from the Kuok Hang Shareholders pursuant to the Acquisition Agreement
“Kuok Hang Shareholders”	Mr Lei and Ms Lam
“Latest Practicable Date”	10 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Minsheng Bank”	中國民生銀行股份有限公司 (Minsheng Bank of China Limited)
“MOP”	Macau Patacas, the lawful currency of the Macau Special Administrative Region of the PRC
“Mr Lei”	Mr Lei Kuan Ieong (李軍陽), who is a registered shareholder of Kuok Hang, owner of a share in the amount of MOP65,000.00, equivalent to 65% interest in Kuok Hang as at the Latest Practicable Date
“Ms Lam”	Ms Lam Kuo (林戈), who is a registered shareholder of Kuok Hang, owner of a share in the amount of MOP35,000.00, equivalent to 35% interest in Kuok Hang as at the Latest Practicable Date

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## DEFINITIONS

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“PRC”	the People’s Republic of China
“Qi Tong Yi Ping”	constructions in relation to tap water, rain water, polluted water, intermediate water, electric power, telecommunication, natural gas, thermal power, road opening and site levelling
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Shareholder(s)”	shareholder(s) of the Company
“SOHO BVI-7”	SOHO China (BVI-7) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“SOHO BVI-11”	SOHO China (BVI-11) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transfer Agreement”	the equity interests transfer agreement dated 26 May 2008 entered into between Beijing Zhuzong, Zhuzong Kaifa, Beijing SOHO Properties and Kaiheng Company in relation to the transfer of 20% equity interest in Kaiheng Company
“USD”	United States dollar, the lawful currency of the United States of America
“Zhuzong Kaifa”	北京住總房地產開發有限責任公司 (Beijing Zhuzong Real Estate Development Company Limited), a company established in the PRC
“%”	per cent.

In this circular, for purpose of illustration only, amounts quoted in RMB and USD have been converted into HK\$ at the rate of HK\$1.00 to RMB0.8901 and USD1.00 to HK\$7.8 respectively. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

In this circular, the English names of enterprises established in the PRC and projects located in the PRC are translations of their Chinese names and are included for identification purposes only.

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**LETTER FROM THE BOARD**

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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)

*Executive Directors:*

Mr. PAN Shiyi  
Ms. PAN ZHANG Xin Marita  
Ms. YAN Yan  
Mr. SU Xin

*Independent non-executive Directors:*

Mr. CHA Mou Zing, Victor  
Mr. Ramin KHADEM  
Mr. YI Xiqun

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Corporate Headquarters:*

11F, Section A,  
Chaowai SOHO  
No. 6B, Chaowai Street  
Chaoyang District  
Beijing 100020, China

*Principal place of business in Hong Kong:*

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

16 June 2008

*To the Shareholders*

Dear Sir or Madam,

**THE ACQUISITION OF CHAOYANGMEN SOHO (KAIHENG CENTRE)  
PROJECT AND THE ENTIRE INTERESTS IN BEIJING KAIHENG  
REAL ESTATE COMPANY LIMITED**

**INTRODUCTION**

The Board announced on 26 May 2008 that, the Company entered into the Acquisition Agreement with the Kuok Hang Shareholders, Baofeng Properties and Kaiheng Company, pursuant to which the Company agreed to, amongst other matters, (i) direct SOHO BVI-7 and SOHO BVI-11, each a wholly-owned subsidiary of the Company, to acquire the entire share capital of and interests in Kuok

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## LETTER FROM THE BOARD

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Hang from the Kuok Hang Shareholders; and (ii) direct Beijing SOHO Properties, a wholly-owned subsidiary of the Company, to acquire 40% equity interest in Kaiheng Company from Baofeng Properties.

On the same day, Beijing SOHO Properties entered into the Transfer Agreement with Beijing Zhuzong, Zhuzong Kaifa and Kaiheng Company, pursuant to which Beijing Zhuzong agreed to transfer its 20% equity interest in Kaiheng Company to Beijing SOHO Properties in accordance with the terms of the Transfer Agreement.

The entering into of the Acquisition Agreement and the Transfer Agreement constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information of the Acquisition Agreement and the Transfer Agreement.

### THE ACQUISITION AGREEMENT

On 26 May 2008, the Company entered into the Acquisition Agreement with the Kuok Hang Shareholders, Baofeng Properties and Kaiheng Company, pursuant to which the Company agreed to, amongst other matters, (i) direct SOHO BVI-7 and SOHO BVI-11, each a wholly-owned subsidiary of the Company, to acquire the entire share capital of and interests in Kuok Hang from the Kuok Hang Shareholders; and (ii) direct Beijing SOHO Properties, a wholly-owned subsidiary of the Company, to acquire 40% equity interest in Kaiheng Company from Baofeng Properties.

The principal terms of the Acquisition Agreement are as follows:

- Date: 26 May 2008
- Parties:
- (1) Mr Lei
  - (2) Ms Lam
  - (3) Baofeng Properties
  - (4) the Company
  - (5) Kaiheng Company

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Mr Lei, Ms Lam, Baofeng Properties and its ultimate beneficial owners are Independent Third Parties.

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## LETTER FROM THE BOARD

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Subject matter: As at the Latest Practicable Date, Kaiheng Company was owned as to 40% by Kuok Hang and 40% by Baofeng Properties.

Pursuant to the terms of the Acquisition Agreement:

- (1) SOHO BVI-7 and SOHO BVI-11 will acquire 65% interest in Kuok Hang from Mr Lei and 35% interest in Kuok Hang from Ms Lam respectively (i.e. SOHO BVI-7 and SOHO BVI-11 will together acquire the entire issued share capital of and interests in Kuok Hang).
- (2) Beijing SOHO Properties will acquire 40% equity interest in Kaiheng Company from Baofeng Properties.

Consideration: RMB2,199,836,323.71 (equivalent to approximately HK\$2,471,448,515.57) or an equivalent amount in foreign currency, of which:

- (1) an amount in RMB equivalent to USD6,000,000 (equivalent to approximately HK\$46,800,000) shall be applied as the consideration for the transfer of the 40% equity interest in Kaiheng Company from Baofeng Properties to Beijing SOHO Properties (“**Baofeng Equity Transfer Consideration**”); and
- (2) the difference between RMB2,199,836,323.71 or an equivalent amount in foreign currency and the Baofeng Equity Transfer Consideration shall be applied as the consideration for the Kuok Hang Acquisition (“**Kuok Hang Acquisition Consideration**”).

The Kuok Hang Acquisition Consideration will be adjusted subject to the actual liabilities of Kaiheng Company as at the date of the Acquisition Agreement. If the amount of actual liabilities of Kaiheng Company as at the date of the Acquisition Agreement exceeds the amount of liabilities as stated in the Acquisition Agreement, the Kuok Hang Acquisition Consideration will be reduced by the excess amount.

Upon completion of the transactions contemplated under the Acquisition Agreement, the account receivables and other possible receivables of approximately RMB88,835,874 (equivalent to approximately HK\$99,804,374.79) of Kaiheng Company will be, after deduction of relevant tax payment, paid to the Kuok Hang Shareholders.

The above consideration was arrived at after arm’s length negotiation between the Company, the Kuok Hang Shareholders and Baofeng Properties and was determined by reference to the value of the assets and liabilities of Kaiheng Company as at the date of the Acquisition Agreement, the recent market value of the land and properties nearby Chaoyangmen SOHO (Kaiheng Centre) and the potential growth in the value of Chaoyangmen SOHO (Kaiheng Centre) when it is completed in future.



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## LETTER FROM THE BOARD

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Payment: The Kuok Hang Acquisition Consideration will be paid in the following manner:

- (1) On the day of signing of the Acquisition Agreement, Mr Lei and SOHO BVI-7 will set up a joint account maintained with a bank in Macau (“**Joint Account**”). Within two Business Days after signing of the Acquisition Agreement, the Company will deposit an amount equivalent to approximately RMB500,000,000 (equivalent to approximately HK\$561,734,636.56) in foreign currency into the Joint Account.
- (2) Upon fulfillment of the following conditions, an amount equivalent to RMB500,000,000 (equivalent to approximately HK\$561,734,636.56) in foreign currency will be withdrawn from the Joint Account and be paid to the Kuok Hang Shareholders as initial payment for the Kuok Hang Acquisition (“**Initial Payment**”):
  - (i) completion of the Kuok Hang Acquisition (including the effective registration of SOHO BVI-7 and SOHO BVI-11 as the registered shareholders of Kuok Hang in the Macau Commercial Registry); and
  - (ii) execution of the documents effecting the transfer of 40% equity interest in Kaiheng Company by Baofeng Properties and Beijing SOHO Properties and submission of such transfer document and all other required documents to the Beijing Municipal Bureau of Commerce.

If the documents effecting the transfer of 40% equity interest cannot be submitted to the relevant department for approval at the default of Beijing SOHO Properties, the Initial Payment shall be withdrawn from the Joint Account upon fulfilment of the condition set out in 2(i) above.

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## LETTER FROM THE BOARD

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- (3) RMB985,137,708.53 (equivalent to approximately HK\$1,106,771,945.32) will be paid to the Kuok Hang Shareholders as the second payment (the “**Second Payment**”) for the Kuok Hang Acquisition: within two Business Days after the Initial Payment, an amount of RMB500,000,000 (equivalent to approximately HK\$561,734,636.56) in foreign currency will be paid to the Kuok Hang Shareholders as part of the second payment (“**Second Payment Part I**”). After RMB300,000,000 (equivalent to approximately HK\$337,040,781.93 (which figure was incorrectly stated as HK\$337,040,789.93 in the Chinese text of the announcement of the Company dated 26 May 2008 due to inadvertent clerical printing mistakes)) of the Second Payment Part I has been applied by the Kuok Hang Shareholders and Baofeng Properties for the purposes of payment of indebtedness owed by Kuok Hang Shareholders or Baofeng Properties to other third parties incurred up to the date of the Acquisition Agreement, and within two Business Days after the Company has received the relevant documents confirming such payment of indebtedness or the release or discharge of the obligation of Kaiheng Company in relation to such payment of indebtedness in full, the Company will pay the remaining part of the Second Payment of RMB485,137,708.53 (equivalent to approximately HK\$545,037,308.76) to the Kuok Hang Shareholders.

Within sixty Business Days after the Second Payment, the Kuok Hang Shareholders and Baofeng Properties shall provide:

- (i) the written confirmations by Kuok Hang Shareholders and Baofeng Properties from such third parties mentioned above evidencing that all the debts owed by Kuok Hang Shareholders as set out in the Acquisition Agreement have been fully repaid; and
- (ii) the relevant documents evidencing the freezing order over the 40% equity interest in Kaiheng Company owned by Kuok Hang and the seizure orders over the assets of Kaiheng Company have been fully discharged.

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## LETTER FROM THE BOARD

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- (4) The difference between RMB714,698,615.18 (equivalent to approximately HK\$802,941,933.69) or an equivalent amount in foreign currency and USD6,000,000 (equivalent to approximately HK\$46,800,000) will be paid to the Kuok Hang Shareholders in Macau by SOHO BVI-7 in an account designated by the Kuok Hang Shareholders as third payment (the “**Third Payment**”) for the Kuok Hang Acquisition, within one year from the signing date of the Acquisition Agreement, upon fulfillment of the following conditions:
- (i) completion of registration in the Macau Commercial Registry of the acquisition of the entire issued share capital of and interests in Kuok Hang by SOHO BVI-7 and SOHO BVI-11;
  - (ii) completion of registration for the transfer of 40% equity interest in Kaiheng Company from Baofeng Properties to Beijing SOHO Properties and obtaining of a new certificate of approval for foreign investment enterprise by Kaiheng Company; and
  - (iii) the freezing order over the equity interest in Kaiheng Company owned by Kuok Hang and all the seizure orders over the assets of Kaiheng Company have been fully discharged and Kuok Hang Shareholders or Baofeng Properties providing the Company, Beijing SOHO Properties, SOHO BVI-11 and SOHO BVI-7 with documents evidencing such discharge.

The Baofeng Equity Transfer Consideration will be paid by Beijing SOHO Properties to Baofeng Properties within two Business Days after:

- (1) the granting of approval in respect of the transfer of the 40% equity interest in Kaiheng Company under the Acquisition Agreement by the Beijing Municipal Bureau of Commerce; and
- (2) the obtaining of a new certificate of approval for foreign investment enterprise by Kaiheng Company reflecting the transfer of the 40% equity interest in Kaiheng Company.

Each of Mrs. Pan Zhang Xin Marita (an executive director of the Company) (by using her own assets), the Company (by using its own assets) and Kaiheng Company (by using its own assets) will issue a separate guarantee in favour of the Kuok Hang Shareholders and Baofeng Properties for the Company’s payment obligation under the Acquisition Agreement.

Before the Third Payment has been fully paid to the Kuok Hang Shareholders and Baofeng Properties, the Company (or Kaiheng Company) shall not sell the South District of Chaoyangmen SOHO (Kaiheng Centre) without the prior written consent of the Kuok Hang Shareholders and Baofeng Properties.

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## LETTER FROM THE BOARD

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Management: After making the Initial Payment and the Second Payment Part I, the provision of the shareholder's loan in the amount of RMB62,000,000 (equivalent to approximately HK\$69,655,094.93) by the Company to Kaiheng Company (as mentioned below) and the issue of a separate guarantee by each of Mrs. Pan Zhang Xin Marita (an executive director of the Company), the Company and Kaiheng Company in favour of the Kuok Hang Shareholders and Baofeng Properties (as mentioned above), the management of Kaiheng Company and Chaoyangmen SOHO (Kaiheng Centre) shall be handed over to the Company (the "**Transfer Date**").

All the investments shall be borne by the Company and all the profits and rights of Kaiheng Company and Chaoyangmen SOHO (Kaiheng Centre) will be enjoyed by the Company.

Repayment of debts of Kaiheng Company and shareholder's loan: It is agreed that debts and liabilities of Kaiheng Company as at the date of the Acquisition Agreement up to an amount of RMB3,343,761,770.50 (equivalent to approximately HK\$3,756,613,605.77) (including the fees for "Qi Tong Yi Ping" and other payments payable to Beijing Zhuzong and Zhuzong Kaifa under the Transfer Agreement) shall remain with Kaiheng Company after the Transfer Date in accordance with the terms of the Acquisition Agreement. In addition, on the day of the payment of the Initial Payment, the Company will provide a shareholder's loan in the amount of RMB62,000,000 (equivalent to approximately HK\$69,655,094.93) to Kaiheng Company as applied in accordance with the terms of the Acquisition Agreement (this shareholder's loan has been included in the debts and liabilities of Kaiheng Company mentioned above).

Severance pay: The Company has the right to terminate the employment of any existing employees of Kaiheng Company after the Transfer Date. If the employment agreements of the existing employees have been terminated, Kaiheng Company shall pay severance pay up to an amount of RMB4,140,000 (equivalent to approximately HK\$4,651,162.79) to employees whose employment will be terminated. The Kuok Hang Shareholders and Baofeng Properties shall bear any other severance pay in excess of such amount.

### THE TRANSFER AGREEMENT

On 26 May 2008, Beijing SOHO Properties, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with Beijing Zhuzong, Zhuzong Kaifa and Kaiheng Company, pursuant to which Beijing Zhuzong agreed to transfer its 20% equity interest in Kaiheng Company to Beijing SOHO Properties.

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## LETTER FROM THE BOARD

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The principal terms of the Transfer Agreement are as follows:

Date: 26 May 2008

Parties: (1) Beijing Zhuzong  
(2) Beijing SOHO Properties  
(3) Kaiheng Company  
(4) Zhuzong Kaifa

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Beijing Zhuzong, Zhuzong Kaifa and their respective ultimate beneficial owners are Independent Third Parties.

Subject matter: As at the Latest Practicable Date, 20% equity interest in Kaiheng Company was owned by Beijing Zhuzong.

Pursuant to the terms of the Transfer Agreement, Beijing SOHO Properties will acquire 20% equity interest in Kaiheng Company from Beijing Zhuzong.

Consideration: Prior to the entering into of the Transfer Agreement, the 20% equity interest in Kaiheng Company is held by Beijing Zhuzong as a security for receiving the payment for the completion of “Qi Tong Yi Ping” for the development of Chaoyangmen SOHO (Kaiheng Centre) by Beijing Zhuzong and Zhuzong Kaifa.

Pursuant to the terms of the Transfer Agreement, Beijing SOHO Properties, Beijing Zhuzong and Kaiheng Company have agreed that, in consideration of the transfer of the 20% equity interest in Kaiheng Company from Beijing Zhuzong to Beijing SOHO Properties, Beijing SOHO Properties shall be responsible for the payment of indebtednesses as at the date of the Transfer Agreement in an aggregate amount of RMB630,414,169.09 (equivalent to approximately HK\$708,250,948.31) owed by Kaiheng Company to Beijing Zhuzong and Zhuzong Kaifa. The indebtednesses include:

(1) the fees for completing “Qi Tong Yi Ping” of Chaoyangmen SOHO (Kaiheng Centre) and all other payments of RMB510,491,800 (equivalent to approximately HK\$573,521,851.48) to be paid by Kaiheng Company to Zhuzong Kaifa; and

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## LETTER FROM THE BOARD

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- (2) the outstanding loan and the interest accrued on it in the sum of RMB119,922,369.09 (equivalent to approximately HK\$134,729,096.83) as at the date of the Transfer Agreement owed by Kaiheng Company to Beijing Zhuzong.

The consideration of RMB630,414,169.09 (which figure was incorrectly stated as RMB63,414,169.09 in the Chinese text of the announcement of the Company dated 26 May 2008 due to inadvertent clerical printing mistakes) (equivalent to approximately HK\$708,250,948.31) under the Transfer Agreement was determined on the basis of the fees for completing “Qi Tong Yi Ping” for the development of Chaoyangmen SOHO (Kaiheng Centre) and the outstanding loan and interest accrued on it as mentioned above.

The transfer of the 20% equity interest in Kaiheng Company have been acknowledged by the relevant authority of the PRC government.

Undertakings: Beijing SOHO Properties has undertaken that within five days after the execution of the Transfer Agreement, Beijing SOHO Properties shall procure a bank in China to issue a bank guarantee for the remaining payment of the fees for “Qi Tong Yi Ping” of RMB500,000,000 (equivalent to approximately HK\$561,734,636.56) and all other relevant costs and expenses to be paid by Kaiheng Company to Zhuzong Kaifa.

Payment: The consideration will be paid in the following manner:

- (1) within five days after the signing of the Transfer Agreement, Kaiheng Company will (i) pay a sum of RMB10,491,800 (equivalent to approximately HK\$11,787,214.92) to Zhuzong Kaifa as part payment of fees for “Qi Tong Yi Ping”; and (ii) repay the outstanding loan and the interest accrued thereon in the sum of RMB119,922,369.09 (equivalent to approximately HK\$134,729,096.83) owed by Kaiheng Company to Beijing Zhuzong;
- (2) after the transfer of 20% equity interest in Kaiheng Company from Beijing Zhuzong to Beijing SOHO Properties has been approved by the Beijing Municipal Bureau of Commerce, Kaiheng Company will pay a sum of RMB200,000,000 (equivalent to approximately HK\$224,693,854.62) to Zhuzong Kaifa as part of the fees for “Qi Tong Yi Ping” to be paid by Kaiheng Company to Zhuzong Kaifa;

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## LETTER FROM THE BOARD

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- (3) after the registration of the transfer of 20% equity interest in Kaiheng Company from Beijing Zhuzong to Beijing SOHO Properties has been completed with the Beijing Administration for Industry and Commerce, Kaiheng Company will pay a sum of RMB200,000,000 (equivalent to approximately HK\$224,693,854.62) to Zhuzong Kaifa as part of the fees for “Qi Tong Yi Ping” to be paid by Kaiheng Company to Zhuzong Kaifa; and
- (4) On the date of completion of “Qi Tong Yi Ping” and delivery of the land for construction of Chaoyangmen SOHO (Kaiheng Centre) by Zhuzong Kaifa for Kaiheng Company, Kaiheng Company will pay a sum of RMB100,000,000 (equivalent to approximately HK\$112,346,927.31) to Zhuzong Kaifa as balance of the fees for “Qi Tong Yi Ping” to be paid by Kaiheng Company to Zhuzong Kaifa.

If Kaiheng Company fails to make the above payments, Beijing SOHO Properties will make the above payments on behalf of Kaiheng Company or Zhuzong Kaifa shall be indemnified under the bank guarantee mentioned above.

Immediately upon completion of the transactions contemplated under the Acquisition Agreement and the Transfer Agreement, Kaiheng Company will be owned as to 60% by Beijing SOHO Properties and 40% by Kuok Hang. The entire share capital of and interests in Kuok Hang will be owned by SOHO BVI-7 and SOHO BVI-11. Accordingly, the Company will indirectly own 100% equity interest in Kaiheng Company, and in turn Chaoyangmen SOHO (Kaiheng Centre).

### LOAN FACILITIES OBTAINED FOR KAIHENG COMPANY

On 28 April 2008, Kaiheng Company has entered into a series of loan arrangement agreements with Minsheng Bank. Upon the execution of the Acquisition Agreement, Minsheng Bank will conditionally provide a three-year loan to Kaiheng Company of an amount not exceeding RMB3,000,000,000, including a loan facility of approximately RMB1,600,000,000, currently provided to Kaiheng Company by Minsheng Bank. In addition, upon the investment of not less than 35% of the required investment amount in respect of the South District of the project by Kaiheng Company, and the obtaining of the corresponding State-owned Land Use Rights Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit, Minsheng Bank agrees to continue to provide a loan of an amount not exceeding RMB2,600,000,000 to Kaiheng Company after review and examination based on the review and approval procedures of Minsheng Bank. The above loans shall bear the benchmark lending interest rates of the People’s Bank of China for the same period. Furthermore, if upon the completion of Chaoyangmen SOHO (Kaiheng Centre), there are investment properties to be let, Minsheng Bank agrees to provide Kaiheng Company with rental income and property value related operating loans after review and examination based on the review and approval procedures of Minsheng Bank and the prevailing circumstances. The term of the loan is initially set to be 5-8 years.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE COMPANY, BEIJING SOHO PROPERTIES, SOHO BVI-7 AND SOHO BVI-11

#### The Company

The Company is a company incorporated in the Cayman Islands with limited liability. Its shares are listed on the Main Board of the Stock Exchange.

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are development and sale of commercial properties in central Beijing.

#### Beijing SOHO Properties

Beijing SOHO Properties is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, the Company was the beneficial owner of the entire interests in Beijing SOHO Properties, which is principally engaged in the business of property development.

#### SOHO BVI-7 and SOHO BVI-11

SOHO BVI-7 and SOHO BVI-11 are companies incorporated in the British Virgin Islands with limited liability and direct wholly-owned subsidiaries of the Company.

As at the Latest Practicable Date, the Company was the beneficial owner of the entire issued share capital of both SOHO BVI-7 and SOHO BVI-11.

### INFORMATION ON BAOFENG PROPERTIES, BEIJING ZHUZONG AND KUOK HANG

The Directors are informed that:-

#### Baofeng Properties

Baofeng Properties is a company established in the PRC which owned 40% equity interest in Kaiheng Company as at the Latest Practicable Date. It is principally engaged in the business of the sale of building and construction materials, metals, daily groceries, household appliances and clothing, properties consultation, interior decoration and renovation, and installation of air-conditioning.

#### Beijing Zhuzong

Beijing Zhuzong is a company established in the PRC which owned 20% equity interest in Kaiheng Company as at the Latest Practicable Date. It is principally engaged in the business of development of properties, acting as contractor for different kinds of construction projects such as constructions of resources, transportation etc., sale of building and construction materials and metallic materials and interior decoration and renovation.



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## LETTER FROM THE BOARD

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### **Zhuzong Kaifa**

Zhuzong Kaifa is a company established in the PRC. It is a wholly-owned subsidiary of Beijing Zhuzong and is principally engaged in the business of the development of properties and technology, sale of properties, building materials and metallic materials and management of properties.

### **Kuok Hang**

Kuok Hang is a company incorporated in Macau on 10 November 1987 and registered under number 2765 (SO), which owned 40% equity interest in Kaiheng Company as at the Latest Practicable Date. It is principally engaged in the business of export and import commodities trading and acting as authorised dealer of commodities.

### **INFORMATION ON KAIHENG COMPANY AND CHAOYANGMEN SOHO (KAIHENG CENTRE)**

Kaiheng Company is a Sino-foreign cooperative joint venture established in the PRC, which was owned as to 40% by Kuok Hang, 40% by Baofeng Properties and 20% by Beijing Zhuzong as at the Latest Practicable Date. It owns the legal rights to develop and construct Chaoyangmen SOHO (Kaiheng Centre).

#### **1. Brief introduction of Chaoyangmen SOHO (Kaiheng Centre) project:**

Chaoyangmen SOHO (Kaiheng Centre) project is an unique large scale commercial property located at the city center of Beijing. The project is within the Second Ring Road with direct access to two major subway lines (Number 2 and the planned Number 6). It is one of the largest commercial development within the Second Ring Road with total GFA of 485,166 sq.m. Chaoyangmen SOHO (Kaiheng Centre) has been approved to be developed for retail, offices, residential and others. The project is divided into three phases: the North District Phase 1, the North District Phase 2, and the South District. The development of the North District Phase 1 has been completed and nearly half of the building was purchased by the Bank of China, Beijing Branch, and is currently used as its headquarters. North District Phase 2 of Chaoyangmen SOHO (Kaiheng Centre) has completed its structural construction. The site for the South District of Chaoyangmen SOHO (Kaiheng Centre) project has completed the land leveling process.

#### **2. Project area and approved purpose:**

The total site area of the project is approximately 76,500 sq.m., of which area of construction site is approximately 68,642 sq.m., with a total construction scale of approximately 485,166 sq.m. Its actual boundaries are: up to East 2nd Ring Road to the east, Dafangjia Lane to the south, Chaoyangmennei Nanxiao Street to the west, and Chaoyangmennei Da Street to the north.

Construction site of the North District: By calculation based on the “Notice of piling results in construction sites”, length from north to south is approximately 216 meters, width from east to west is approximately 145 meters, with an area of 27,300 sq.m. The planned land uses are retail and offices. The GFA of North District Phase 1 shall be 119,874.12 sq.m., and the planned GFA of North District Phase 2 shall be 60,464.00 sq.m.

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## LETTER FROM THE BOARD

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Construction site of the South District: By calculation based on the “Notice of piling results in construction sites”, length from north to south is approximately 276 meters, width from east to west is approximately 175 meters, with an area of 45,159 sq.m. The planned land uses are retail, offices and residential. As set out in the “Reply document of Beijing Municipal Planning Commission in respect of the review opinions on the design plans of Kaiheng Centre” (2008 Gui Fu Han Zi No.0097): “The total construction area shall be 304,828 sq.m., of which construction above the land is 192,513 sq.m. (including 62,932 sq.m. residential areas, 47,935 sq.m. retail areas, 41,200 sq.m. offices and 40,446 sq.m. hotels (which figure was incorrectly stated as 4,446 sq.m. in the English text of the announcement of the Company dated 26 May 2008 due to inadvertent clerical printing mistakes)), underground construction is 112,315 sq.m. (including 34,065 sq.m. retail areas, car parks and auxiliary facilities of 78,250 sq.m.). Height of construction is 60 meters, with plot ratio of 4.1.

### 3. Current situation and ownership of the project

North District Phase 1 of the project: currently the inspection and filing have been completed, and the relevant State-owned Land Use Rights Certificate and Building Ownership Certificate have been obtained. During the pre-sale of North District Phase 1, a total GFA of 53,029.2 sq.m. (known as block 1 of North District Phase 1) has been sold to Bank of China, Beijing Branch. Currently, Building Ownership Certificate in respect of the above sold area has been obtained. The remaining area of the North District Phase 1 (known as block 2 of North District Phase 1) has yet not been sold.

North District Phase 2: currently the structural construction is completed, and the State-owned Land Use Rights Grant Contract in respect of North District Phase 2 has been signed and taken effect. Currently Kaiheng Company has completed payment of the land grant fees in respect of North District Phase 2, and as at the date of the Acquisition Agreement and the Transfer Agreement, there is still a default payment of approximately RMB12,000,000 outstanding. Upon settlement of the payment, Kaiheng Company will be able to obtain the State-owned Land Use Rights Certificate in respect of North District Phase 2. Of the three storeys of underground car parks of the North District Phase 2 of the project, 100 car parks have been sold to Bank of China, Beijing Branch.

South District: the State-owned Land Use Rights Grant Contract has been signed and taken effect. Currently Kaiheng Company has paid 15% of the total land grant fees in respect of the South District of the project. After Kaiheng Company pays the balance of the land grant fees and deed tax, the State-owned Land Use Rights Certificate in respect of the South District of the project can be obtained. Currently the land has basically completed levelling.

The net profit (loss) attributable to Kaiheng Company for the financial year ended 31 December 2006 was RMB13,993,207.12 (equivalent to approximately HK\$15,720,938.23) (before taxation and extraordinary items) and RMB4,540,433.44 (equivalent to approximately HK\$5,101,037.46) (after taxation and extraordinary items), and the net profit (loss) attributable to Kaiheng Company for the financial year ended 31 December 2007 was RMB(7,341,406.07) (equivalent to approximately HK\$(8,247,844.14)) (before taxation and extraordinary items) and RMB(28,196,817.68) (equivalent to approximately HK\$(31,678,258.26)) (after taxation and extraordinary items). The net asset value of Kaiheng Company as at 31 December 2006 and 2007 was RMB46,663,427.98 (equivalent to approximately HK\$52,424,927.51) and RMB18,466,610.30 (equivalent to approximately HK\$20,746,669.25) respectively.

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## LETTER FROM THE BOARD

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The consideration of RMB2,919,086,366.80 (equivalent to approximately HK\$3,279,503,838.67) for the acquisition of Chaoyangmen SOHO (Kaiheng Center) and the entire interests in Kaiheng Company will be settled by internal funding and working capital of the Group. After the completion of the transfer of equity interest, Kaiheng Company will become an indirect wholly-owned subsidiary of the Company, and all the income and expenses, as well as, the assets and liabilities of Kaiheng Company will be recorded in the consolidated financial statements of the Group. Moreover, it is expected that there will be a positive impact on the earnings and assets of the Group in the future.

### **REASONS FOR THE ACQUISITIONS UNDER THE ACQUISITION AGREEMENT AND THE TRANSFER AGREEMENT**

As a result of the acquisition of the entire equity interests in Kaiheng Company, the Company will indirectly own the legal right to continue to develop Chaoyangmen SOHO (Kaiheng Centre). The Group intends to increase its degree of participation in the continuing growth of the property market in the PRC, by way of a further expansion of its business of sale and development of properties in Beijing, the PRC. The involvement of the Company in the development and construction of Chaoyangmen SOHO (Kaiheng Centre) is in line with the business strategies and activities of the Group.

Having regard to the nature of and benefits resulting from the acquisition of the entire equity interests in Kaiheng Company and the legal right to develop Chaoyangmen SOHO (Kaiheng Centre), the Directors consider that the terms of the Acquisition Agreement and the Transfer Agreement are fair and reasonable and are in the interest of Company and the Shareholders taken as a whole.

### **LISTING RULES IMPLICATIONS OF THE ACQUISITION AGREEMENT AND THE TRANSFER AGREEMENT**

The entering into of the Acquisition Agreement and the Transfer Agreement constitutes a discloseable transaction for the Company under the Listing Rules. Accordingly, the Acquisition Agreement and the Transfer Agreement are subject to the disclosure requirements under the Listing Rules.

### **ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board of  
**SOHO China Limited**  
**Pan Shiyi**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### A. Shareholding Interests of Directors

As at the Latest Practicable Date, 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 Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in the Listing Rules, which were required to be notified to the Company and the Stock Exchange, were as follows:

#### (i) *Shares of the Company*

	Personal Interests	Family Interests	Corporate Interests	Total (Number of Shares)	Total (Approximate percentage of Shares)
Pan Shiyi	—	3,324,100,000	—	3,324,100,000	63.529%
Pan Zhang Xin Marita	—	—	3,324,100,000	3,324,100,000	63.529%
Yan Yan ( <i>Note</i> )	2,143,500	—	—	2,143,500	0.041%
Su Xin ( <i>Note</i> )	1,443,000	—	—	1,443,000	0.028%
Ramin Khadem	300,000	—	—	300,000	0.006%

*Note:* These are interests in the underlying shares pursuant to (1) options granted on 14 September 2007 under the Company’s pre-IPO share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on 14 September 2007, and (2) options granted on 30 January 2008 under the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on 14 September 2007.

(ii) *Shares of the Company's subsidiaries*

	Name of subsidiary	Nature of interest	Approximate percentage of interest in the subsidiary
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	indirect	4.25%
	Beijing SOHO Real Estate Co. Ltd.	beneficial	5%
	Beijing Redstone Newtown Real Estate Co. Ltd.	beneficial	5%
	Beijing Shanshi Real Estate Company Limited	beneficial	5%
Yan Yan	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	indirect	0.75%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code, which were required to be notified to the Company and the Stock Exchange.

**B. Substantial Shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following Shareholders had notified the Company of their relevant interests or short position in the issued share capital of the Company discloseable under Divisions 2 and 3 of Part XV of the SFO:

	Nature of Interest	Number of Shares	Approximate percentage of Shares
Pan Zhang Xin Marita	Beneficiary of a trust	3,324,100,000	63.529%
Capevale Limited (Cayman Islands) (Note 1)	Interest of controlled corporation	3,324,100,000	63.529%
Boyce Limited (Notes 1 and 2)	Beneficial owner	1,662,050,000	31.765%
Capevale Limited (BVI) (Notes 1 and 3)	Beneficial owner	1,662,050,000	31.765%
JP Morgan Chase & Co.	Beneficial owner	192,000	0.004%
	Investment manager	308,558,000	5.897%
	Custodian corporation/ approved lending agent	4,764,000	0.091%

*Notes:*

- (1) HSBC International Trustee Limited (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 Limited (Cayman Islands). HSBC International Trustee Limited holds these shares under the Trust for the benefit of the beneficiaries of the Trust, including Ms. Pan Zhang Xin Marita. Each of Boyce Limited and Capevale Limited (BVI) is the registered owner of 1,662,050,000 Shares, or approximately 31.765% of the Company.
- (2) Boyce Limited is a wholly-owned subsidiary of Capevale Limited (Cayman Islands). Ms. Pan Zhang Xin Marita is a director of Boyce Limited.
- (3) Capevale Limited (BVI) is a wholly-owned subsidiary of Capevale Limited (Cayman Islands). Ms. Pan Zhang Xin Marita is a director of Capevale Limited (BVI).

Save as disclosed above, the Directors were not aware of, as at the Latest Practicable Date, any other person, other than the Directors or the chief executive of the Company, had or was deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### **4. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

#### **5. SERVICE CONTRACTS**

Each of Mr. Pan Shiyi, Ms. Pan Zhang Xin Marita, Ms. Yan Yan and Mr. Su Xin has entered into a service agreement with the Company under which each of them 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. The Company also provides 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 of the Company, 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, the Company may, at its discretion, consider and pay each of Mr. Pan, Ms. Zhang, Ms. Yan and Mr. Su a bonus of such amount as the Board may determine, calculated with reference to the guidelines approved by the Company's remuneration committee.

In consideration of, amongst other things, their respective employment and compensation arrangements under their respective employment agreements, these individuals have agreed to be bound by certain restrictive covenants, including a covenant which restricts their ability to compete with the Company both during and subsequent to their employment by the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company 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 above, as at the Latest Practicable Date, there was no existing nor proposed service contract of Directors (excluding contracts expiring or determinable by the Group within one year without payment or any compensation other than statutory compensation).

## **6. COMPETING INTERESTS**

Other than as disclosed in the prospectus of the Company dated 21 September 2007, as at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

## **7. GENERAL**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The corporate headquarters of the Company is at 11F, Section A, Chaowai SOHO, No. 6B, Chaowai Street, Chaoyang District, Beijing 100020, China and the place of business of the Company in Hong Kong is at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (c) The branch registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose office is at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Ngai Wai Fung. He is also a fellow of Hong Kong Institute of Chartered Secretaries 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.
- (e) The qualified accountant of the Company is Mr. Zhao Guilin who has qualified as a certified public accountant in Australia. Mr. Zhao also qualified as a PRC registered taxation adviser in 1998 and qualified as a PRC certified public accountant in 1994.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.