

Real Estate Sector

1st Quarter 2006

China Real Estate Foreign Investment Quarterly

INTRODUCTION

This quarterly review provides a summary of foreign investment activity in China's real estate market. We track notable developments and transactions in the Office, Retail, Residential, Industrial and Hospitality sectors, as well as corporate transactions relating to foreign investment into Chinese property or real estate services.

Highlights

- **Shanghai remains the primary destination for foreign capital**

Shanghai continued to be the main investment focus of foreign real estate investors and developers, accounting for nearly 80% of all announced transactions during the quarter.

- **Growing interest in Industrial Sector**

Transactions announced by industrial end-users, developers and financial investors signals broadening interest in China's industrial and warehousing assets.

- **First SGX listing for a PRC developer**

Sunshine Holding's IPO, albeit small, illustrates the stock market's willingness to look at medium-sized regional China developers. The deal also establishes Singapore as an alternative listing venue to Hong Kong for Chinese property companies.

- **Brokerage Sector attracts further Private Equity investment**

A Credit Suisse-led consortium acquired a stake in Shanghai Real Estate Consultant & Sales (Group) following similar investments by Goldman Sachs and Carlyle into other brokerages.

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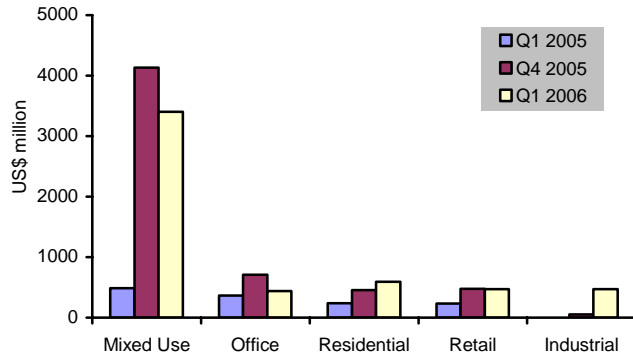
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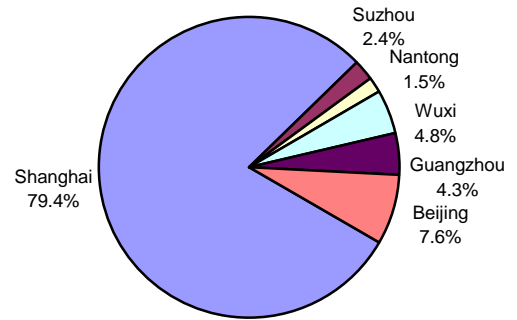
CAPITAL FLOWS

A total of US\$5.4 billion in foreign investment transactions were announced in the first quarter of 2006, mirroring transaction volume in the immediately preceding quarter (Q4 05) and reflecting a significant increase over the approximately US\$1.3 billion of transactions announced in the same period in 2005. This bodes well for the market in 2006, as the first quarter is typically a slower period due to the Chinese New Year holidays. Shanghai remained the primary destination for foreign capital, accounting for nearly 80% of announced deals.

Announced Foreign Investment by Sector (Q1 2006)



Announced Foreign Investment by Destination (Q1 2006)



TRANSACTION UPDATE

Office Sector

In Beijing, **Asia International Finance Investment Co Ltd** acquired 2 office blocks in Huapu Centre Mansion near Dongsishitiao subway station in Beijing for US\$272 million. Huapu Centre Mansion is a mixed-use complex, comprising 3 office towers and 2 service apartment blocks, all of which are still under construction. Based upon market estimates, the investment should generate a gross yield of approximately 10-11% when the 2 buildings reach stabilized occupancy.

In Shanghai, Hong Kong listed **Dynamic Holdings Limited** acquired 16 office floors in the West Tower of Eton Place in Lujiazui, Shanghai for US\$93 million. Eton Place is a mixed-use development, comprising office, hotel and retail space. This was the only significant office transaction announced in Shanghai during the quarter, in contrast to 3 completed office block transactions and 2 development deals announced in Q4 05.



**Eton Place
Dong Fang Road,
Shanghai**

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$ mm)	Implied Price (US\$psm)
09-Jan-06	Floors 7-22 West Tower of Eton Place (construction in progress)	Dong Fang Road, Pudong District, Shanghai	Dynamic Holdings Ltd	Eton Properties Group Ltd	100%	30,188	\$93.3	\$3,090.6
20-Jan-06	Huapu Centre Mansion (construction in progress)	Dongsishitiao Road, Chaoyang District, Beijing	Asia International Finance Investment Co Ltd	N/A	100%	130,000	\$271.6	\$2,089.3

Mixed-use Sector

Mixed-use site developments totaling US\$3.4 billion were announced during the quarter. The most sizeable of these is **Citic Pacific** and **China State Shipbuilding Corporation's** joint venture 846,700 square meter development project on a former shipyard site in Lujiazui, Shanghai. The entire project, comprising luxury serviced apartments, high-end retail, hotel and office space, involves a total investment cost of US\$2.7 billion.

Hutchison Whampoa and **Cheung Kong** partnered with **Guangzhou Fang Xing Real Estate Development** to undertake a mixed-use development in Zhongxin Town, Guangdong. This project will require a total investment of US\$191 million to complete.

Hong Kong Construction (Holdings) Ltd partnered with **Sinar Mas** to successfully bid US\$441 million for a site in Hongkou District, Shanghai. The site will be developed into a composite hotel/office project on a retail podium adjacent to an area designated for Shanghai's planned cruise terminal.

Credit Suisse Group formed a joint venture with **Beijing Tianhong Real Estate Development and Management Corp** to develop an office/commercial complex on Nong Zhan Guan Road South, Beijing. The project will involve a total investment cost of US\$74.1 million.

Hines announced a 48-storey mixed-use re-development comprising 51,000 square meters of Grade A office space, a 190-room Four Seasons hotel, and 60 Four Seasons Residences on the highest floors of Century Boulevard, Shanghai. The project is being undertaken in partnership with **China Everbright Group** and **Hotel Properties Ltd** and is scheduled for completion in 2008.

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$m)	Implied Price (US\$psm)
6-Jan-06	Mixed-use Complex (under construction)	Century Boulevard, Lujiazui, Pudong, Shanghai	Hines & China Everbright Group & Hotel Properties Limited	China Everbright Group	N/A	N/A	N/A	N/A
20-Jan-06	Mixed-use Site	Pudong Road South & Chang Yi Road, Lujiazui, Shanghai	Citic Pacific (49%) & China State Shipbuilding Corporation (51%)	China State Shipbuilding Corporation	100%	846,700	\$2,700.0 ¹	\$3,188.9
23-Jan-06	Mixed-use Site	Nong Zhan Guan South Road, Chaoyang District, Beijing	Credit Suisse Group & Beijing Tianhong Real Estate Development and Management Corp	N/A	100%	70,000	\$74.1 ¹	\$1,058.2
23-Jan-06	Mixed-use Site	North Area of International Passenger Transportation Terminal, Hongkou District, Shanghai	HK Construction (Holdings) Ltd & Sinar Mas	Shanghai Lands Bureau	100%	250,000	\$441.0	\$1,764.0
6-Feb-06	Mixed-use Site	Zhongxin Town, Guangdong	Hutchison Whampoa and Cheung Kong (Holdings) (45.7%) & Guangzhou Fang Xing Real Estate Development (54.3%)	N/A	100%	N/A	\$190.7 ¹	N/A

Retail Sector

Sun Hung Kai Properties secured the “Xiang Yang Market” site in Shanghai for US\$444 million. The site is currently used as an outdoor market, renowned for selling low-priced counterfeit clothing and electronics. Sun Hung Kai Properties intends to develop the site into a shopping mall once the market is cleared in May 2006.

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$m)	Implied Price (US\$psm)
25-Jan-06	Retail Site	Xiang Yang Road, Xu Hui District, Shanghai	Sun Hung Kai Properties Ltd & Maxdo Group	N/A	100%	220,000	\$444.4	\$2,020.0

Residential Sector

Hong Kong-listed Chinese development companies added to their residential land banks in secondary cities over the quarter. Among these, China Overseas Property, a subsidiary of **China Overseas Land**, successful bid to acquire a residential site on Ji Chang Road, Suzhou, for US\$127.3 million. The site, one of the largest made available by the Suzhou Government in the auction, is designated for a residential community comprising low and high-rise apartments and villas.

Cadim Inc., a unit of Canadian pension fund, Caisse de dépôt et placement du Québec, entered into joint venture with **Shanghai Forte Land Co Ltd** to invest approximately US\$123.5 million in a residential project in Huishan District, Wuxi. The project will be divided into 4 phases and is scheduled for completion in 2010. In addition, **Beijing Capital Land** made its debut in the southern China property market by acquiring a residential site in Dongtin Town, Wuxi for US\$54.3 million. This acquisition reinforces Beijing Capital Land’s expansion plans outside Beijing,



Somerset Grand Shanghai

¹ This figure represents the total investment cost of the project.

following similar moves in Tianjin and Taiyuan. **Guangzhou R&F Properties** also undertook an acquisition of a residential site in Haizhu District, Guangzhou for US\$41.7 million.

Pacific Century Premium Developments made an approximately US\$62 million investment to secure a residential site in Gong Ti Road North, Beijing, a mid- to high-end residential area sought after by expatriates.

Concord Land acquired Somerset Grand Shanghai, a twin-tower service apartment complex near Xintiandi, Shanghai, from **ING Real Estate**. The consideration was approximately US\$100 million, equating to US\$2,392 per square meter.



Lakeville Regency, Shanghai

Gateway Capital acquired a 26-storey apartment block in the Lakeville Regency project in Luwan District, Shanghai for US\$78 million² from **Shui On Land**. Lakeville Regency is the second phase of the Taipingqiao Redevelopment project being carried out by Shui On Land. The total project comprises 17 apartment blocks with comprehensive clubhouse, education and medical facilities, located within walking distance from Xintiandi.

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$mm)	Implied Price (US\$psm)
1-Jan-06	Residential Site	Ji Chang Road North, Suzhou	China Overseas Property (China Overseas Land)	Suzhou Lands Bureau	100%	226,950	\$127.3	\$560.8
20-Jan-06	Residential Site	Dongtin Town, Xishan District, Wuxi	Beijing Capital Land Limited	N/A	100%	351,600	\$54.3	\$154.5
23-Jan-06	Residential Site	Gongti Road North, Chaoyang District, Beijing	Pacific Century Premium Developments	Beijing Lands Bureau	100%	46,300	\$61.9	\$1,335.9
24-Jan-06	Residential Site	Bin Jiang East Road, Haizhu District, Guangzhou	Guangzhou R&F Properties	N/A	100%	180,000	\$41.7	\$231.5
26-Jan-06	Residential Site	Huishan District, Wuxi	Shanghai Forte Land Co Ltd & Cadim	N/A	100%	530,000	\$123.5 ²	\$232.9
28-Feb-06	Somerset Grand	Jinan Road, Luwan, Shanghai	Concord Land Limited	ING Real Estate	100%	41,800	\$100.0	\$2,392.3
21-Mar-06	Block 18, Lakeville Regency	Huang Pi Road South & Zi Zhong Road, Luwan District, Shanghai	Gateway Capital	Shui On Land	100%	15,000	\$78.0 ²	\$5,200.0

Industrial Sector

Mapletree Investment Pte Ltd announced industrial deals in both Shanghai and Wuxi. In Wuxi, Mapletree (80%) partnered with the Wuxi Government (20%) to develop 215,000 square meters of warehousing and other logistics facilities in four phases. The total projected investment amounts to approximately US\$83 million, with the first 49,000 square meters of warehouse space scheduled for completion in mid-2006. Mapletree also entered into an agreement with a Chinese company to invest in 2 warehouse blocks in Lingang Free Port near Shanghai.

In an interesting development, **Shanghai Forte Land** made its first foray into the industrial sector by forming a joint venture with **Shanghai Ganglian Investment and Development Co Ltd** and **Shanghai Xinyanghang Economic Development Co Ltd**. Shanghai Forte and its joint venture partners will each share equally the total investment cost of approximately US\$309 million to build logistics facilities in Baoshan District, Shanghai, housing 500 steel & iron plants, logistics and trading enterprises.

Separately, **GE Toshiba Silicones** made its first investment into the industrial sector by completing the acquisition of an industrial site in Nantong, Jiangsu Province, in partnership with the **Nantong Municipal Government**. The industrial project is estimated to incur a total investment of US\$78 million and is scheduled for completion at the end of 2007.

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$mm)	Implied Price (US\$psm)
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² This figure represents the total investment cost of completed project.

Date	Property	Location	Buyer	Seller	Interest %	Total GFA (sqm)	Total Price (US\$mm)	Implied Price (US\$psm)
8-Feb-06	Industrial Site	Nantong, Jiangsu	GE Toshiba Silicones & Nantong Municipal Government	N/A	100%	N/A	\$78.0 ³	N/A
8-Feb-06	Logistics Site	You Yi Xi Road & Tie Shan Road, Baoshan District, Shanghai	Shanghai Forte Land Co Ltd (50%), Shanghai Ganglian Investment and Development Co Ltd & Shanghai Xinyanghang Economic Development Co Ltd (50%)	N/A	100%	262,800	\$308.6 ⁴	\$1,174.4
2-Mar-06	Bonded Logistics Centre (under construction)	Wuxi	Mapletree Investments Pte Ltd (80%) & Wuxi New District Government (20%)	N/A	100%	215,000	\$82.7 ⁴	\$384.7
2-Mar-06	2 Warehouse Blocks (under construction)	Lingang Free Port, Outer Shanghai	Mapletree Investment Pte. Ltd	N/A	N/A	N/A	N/A	N/A

CORPORATE TRANSACTIONS AND JOINT VENTURES

Among the more notable corporate transactions during the quarter was an investment into Shanghai Real Estate Consultant & Sales (Group) Co Ltd by a consortium comprising **Credit Suisse Group** entities, **SIG** and **Farallon Capital**. The consortium invested approximately US\$25 million into the nationwide real estate agency network chain, which provides comprehensive real estate agency services, including research and project consultancy. This follows the US\$40 million investment into China Real Estate Network Limited by **Carlyle** and **SAIF**, and **Goldman Sachs'** US\$22 million investment into Century 21 China Real Estate in the two prior quarters.

Date	Lead Investor/ Buyer (Country)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Target Description
5-Jan-06	Guo Xin Group Ltd (Hong Kong listed)	Shanghai Underground Center Co Ltd	\$26.0	50%	\$52.0	Shanghai Underground Center Co Ltd is a 50-50 JV company with Shanghai Underground Space Development Co., operating an underground shopping mall.
18-Jan-06	China Vanke Co Ltd (China)	Beijing Chaowan Property Development Center (China)	\$48.0	60%	\$80.0	Beijing Chaowan Property Development Center is a real estate firm wholly owned by Beijing Chaoyang District's State-owned Assets Supervision and Administration Commission. It has RMB1.9 billion in assets, including 736,173 sqm of developable land.
12-Mar-06	CapitaLand (Singapore)	Lai Fung Holdings	\$82.6	20%	\$413.0	Lai Fung Holdings is a Hong Kong-listed property development and investment company engaged in the investment and development of residential, office, commercial properties and serviced apartments mainly in Guangzhou and Shanghai. The company currently has a land bank of approximately 1 million sqm.
21-Mar-06	Shanghai Real Estate Limited	Shanghai Qin Hai Real Estate Co Ltd	\$4.9 ⁴	40%	\$12.3	Shanghai Qin Hai Real Estate Co Ltd is engaged in property development in Shanghai. It owns a residential site located at the junction of Da Xing Street and Zhong Hua Road in Huangpu District, Shanghai.
28-Mar-06	Orix Corporation (Japan)	Tian An China Investment Co Ltd	N/A	10%	N/A	Tian An China is a Hong Kong listed property development and investment company. It holds numerous residential and commercial projects in Shanghai, Beijing, Guangzhou, Changchun, Dalian, Nanjing and Wuxi.
29-Mar-06	Credit Suisse Group, SIG and Farallon Capital (Switzerland/US)	Shanghai Real Estate Consultant & Sales (Group) Co Ltd	\$25.0	N/A	N/A	Shanghai Real Estate Consultant & Sales (Group) Co Ltd is a leading national real estate services firm. Established in July 2000, it has a presence in 17 major cities in China.

³ This figure represents the total investment cost

⁴ As part of the transaction, Shanghai Real Estate Limited agreed to provide a RMB260 million development loan to Qin Hai Real Estate.

CAPITAL MARKETS ACTIVITY

Sunshine Holdings Limited, a Henan-based developer engaged in mass residential and commercial property development in selected cities in Henan Province, was the first PRC developer to secure a listing on the Stock Exchange of Singapore. The company raised US\$42 million through the offering. A series of share placements were also undertaken in the Hong Kong market during the quarter, notably by **China Resources Land Ltd** and **Sinolink Worldwide Holdings Limited**.

Greentown China Holding, a Zhejiang based high-end residential property developer focused primarily in Hangzhou, raised US\$150 million through the issuance of US\$130 million in convertible bonds coupled with US\$20 million in equity. The equity issuance reportedly values the company at approximately US\$1 billion. The convertible bonds carry a coupon of 10% and are divided into (i) a US\$65 million mandatorily convertible tranche, the majority of which can be converted upon IPO at a 9.75% discount to the IPO price; and (ii) a US\$65 million tranche that is convertible after IPO at a 104% conversion price.

Also during the quarter, **Shanghai Zendai Property Limited**, a Hong Kong-listed Shanghai developer, undertook a US\$19 million convertible note placement.

Date	Transaction	Exchange	Company	Size	Business Description
23-Jan-06	Share Placement	Hong Kong	China Resources Land Ltd.	US\$147.4 million	China Resources Land Ltd. is engaged in property development projects mainly in Shenzhen, Xian, Shanghai, Beijing, Wuxi, Wuhan & Hangzhou.
23-Jan-06	Share Placement	Hong Kong	Sinolink Worldwide Holdings Limited	US\$56.7 million	Sinolink Worldwide Holdings Limited is engaged in the development of medium-end to high-end residential projects mainly in Shenzhen and recently committed to a 93,999 sqm regeneration project in Shanghai’s Bund area in partnership with Rockefeller Group International.
10-Jan-06	Convertible Bond	Singapore	Greentown China Holdings	US\$150.0 million (of which US\$20 million is equity)	Greentown China Holdings is engaged in property development mainly in Hangzhou and Zhejiang, but also has projects in Beijing, Shanghai, Changsha, Ningbo and Hefei.
24-Feb-06	Convertible Note	Hong Kong	Shanghai Zendai Property Ltd	US\$19.2 million	Shanghai Zendai Property Ltd is principally engaged in property investment and development in Shanghai.
31-Mar-06	IPO	Singapore	Sunshine Holdings Limited	US\$42.3 million	Sunshine Holdings Limited is a Henan-based developer of residential and commercial properties established in 1999. It has developed a total GFA of approximately 380,000 sqm comprising 6 developments.

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