

SouFun Holdings Ltd
Form F-1
September 02, 2010

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As filed with the Securities and Exchange Commission on September 2, 2010

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

SouFun Holdings Limited

(Exact name of registrant as specified in its charter)

Cayman Islands

*(State or other jurisdiction of
incorporation or organization)*

7379

*(Primary Standard Industrial
Classification Code Number)*

Not Applicable

*(I.R.S. Employer
Identification Number)*

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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, or the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Amount to be registered⁽¹⁾⁽²⁾	Proposed maximum offering price per share⁽²⁾	Proposed Maximum Aggregate Offering Price⁽²⁾	Amount
13,492,896	US\$10.625	US\$143,362,020	

⁽¹⁾ Includes Class A ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date such ordinary shares are first bona fide offered to the public, and also includes Class A ordinary shares that may be offered upon the exercise by the underwriters of their over-allotment option. The Class A ordinary shares are not being registered for the purpose of sales outside the United States. American depositary shares, or ADSs, evidenced by American depositary receipts, or ADRs, issuable upon deposit of the Class A ordinary shares registered hereby, will be registered pursuant to a separate registration

statement on Form F-6. Each ADS represents four Class A ordinary shares.

- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act. Includes offering price of Class A ordinary shares that may be offered upon the exercise by the underwriters of their over-allotment option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. No one may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Preliminary Prospectus Dated September 2, 2010

**SouFun Holdings Limited
2,933,238 American depositary shares
representing 11,732,952 Class A ordinary shares**

This is the initial public offering of American depositary shares, or ADSs, representing Class A ordinary shares of SouFun Holdings Limited. Each ADS represents four of our Class A ordinary shares.

We are selling 246,914 ADSs. Telstra International Holdings Limited, or Telstra International, is selling 1,826,002 ADSs, and the other selling shareholders named in this prospectus are selling an aggregate of 860,322 ADSs. We will not receive any proceeds from the sale of the ADSs by the selling shareholders. We anticipate that the initial public offering price per ADS will be between US\$40.50 and US\$42.50.

Investing in the ADSs involves risks that are described in Risk Factors beginning on page 13 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Public offering price	US\$	US\$
Underwriting discounts and commissions	US\$	US\$
Proceeds, before expenses, to SouFun Holdings Limited	US\$	US\$
Proceeds, before expenses, to the selling shareholders	US\$	US\$

Telstra International, one of the selling shareholders, has granted the underwriters an option to purchase up to an aggregate of 439,986 additional ADSs solely to cover over-allotments, if any.

Following this offering, we will have two classes of authorized ordinary shares, Class A ordinary shares and Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each Class A ordinary share will be entitled to one vote per share. Each Class B ordinary share will be entitled to 10 votes per share and is convertible at any time into one Class A ordinary share. Assuming the underwriters have not exercised their over-allotment option to purchase additional ADSs, upon the completion of this offering, our existing shareholders will hold 25,298,329 Class B ordinary shares and 6,579,090 Class A ordinary shares. Our Class B ordinary shares will represent 83.8% of the total voting rights in our Company. Our dual-class ordinary share structure involves certain risks. Until the closing date of this offering, we may also have a class of non-voting ordinary shares outstanding related to the exercise of certain option grants. Such

non-voting ordinary shares will automatically convert into Class A ordinary shares on a 1:1 basis upon the closing of this offering. See the relevant risk factors on page 54 of this prospectus for a detailed discussion of such risks.

Prior to this offering, there has been no public market for our ADSs or ordinary shares. We have received approval to list our ADSs on the New York Stock Exchange under the symbol SFUN.

The underwriters expect to deliver the ADSs on or about _____, 2010.

Deutsche Bank Securities

Goldman Sachs (Asia) L.L.C.

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You should only rely on the information contained in this prospectus and any free-writing prospectus filed with the Securities and Exchange Commission in connection with this offering. We have not authorized anyone to provide you with information different from that contained in this prospectus and such filed free-writing prospectus. We and the selling shareholders are offering to sell, and seeking offers to buy, ADSs only in jurisdictions where such offers and sales of ADSs are permitted. The information contained in this prospectus or any filed free-writing prospectus is accurate only as of its date, regardless of the time of its delivery or of any sale of ADSs.

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CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

Unless we indicate otherwise, information contained in this prospectus assumes that the underwriters have not exercised their right to purchase ADSs pursuant to the over-allotment option and that there has been no exercise of the 9,564,050 options outstanding as of June 30, 2010 to purchase Class A or Class B ordinary shares granted to our executive officers and employees.

Except where the context otherwise requires and for purposes of this prospectus only,

we, us, Company, our or SouFun refers to SouFun Holdings Limited, SouFun.com Limited, the name of Company prior to July 14, 1999, and its PRC subsidiaries as follows:

SouFun Media Technology (Beijing) Co., Ltd., or SouFun Media;

Beijing SouFun Network Technology Co., Ltd., or SouFun Network;

Beijing SouFun Information Consultancy Co., Ltd., or Beijing Information;

Beijing Zhong Zhi Shi Zheng Information Technology Co., Ltd., or Beijing Zhong Zhi Shi Zheng;

Shanghai SouFun Information Co., Ltd., or SouFun Shanghai;

SouFun Information (Shenzhen) Co., Ltd., or SouFun Shenzhen;

SouFun Information (Tianjin) Co., Ltd., or SouFun Tianjin; and

SouFun Information (Guangzhou) Co., Ltd., or SouFun Guangzhou;

and its offshore subsidiaries as follows:

China Index Academy Limited, incorporated in Hong Kong, or China Index Academy;

Bravo Work Investments Limited, incorporated in Hong Kong, or Bravo Work;

Max Impact Investments Limited, incorporated in Hong Kong, or Max Impact;

Selovo Investments Limited, incorporated in the British Virgin Islands, or Selovo Investments; and

Pendiary Investments Limited, incorporated in the British Virgin Islands, or Pendiary Investments;

and, in the context of describing our operations and consolidated financial statements, our 11 consolidated controlled entities in China (also referred to as PRC Domestic Entities in our consolidated financial statements and related notes included elsewhere in this prospectus) as follows:

Beijing SouFun Internet Information Service Co., Ltd., or Beijing Internet;

Beijing Jia Tian Xia Advertising Co., Ltd., or Beijing Advertising;

Beijing SouFun Science and Technology Development Co., Ltd., or Beijing Technology;

Beijing China Index Information Co., Ltd., or Beijing China Index;

Shanghai Jia Biao Tang Advertising Co., Ltd., or Shanghai JBT Advertising;

Shanghai SouFun Advertising Co., Ltd., or Shanghai Advertising;

Beijing Century Jia Tian Xia Technology Development Co., Ltd., or Beijing JTX Technology;

Tianjin Jia Tian Xia Advertising Co., Ltd., or Tianjin JTX Advertising;

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Shanghai China Index Consultancy Co., Ltd., or Shanghai China Index;

Beijing Li Tian Rong Ze Technology Development Co., Ltd., or Beijing Li Tian Rong Ze; and

Tianjin Xin Rui Jia Tian Xia Advertising Co., Ltd., or Tianjin Xin Rui.

China or PRC or Chinese refers to the People's Republic of China, which, for geographical and statistical purposes, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

GFA refers to gross floor area and sq.m. refers to square meter(s);

shares or ordinary shares refers to our ordinary shares, which, following this offering, will include both Class A ordinary shares and Class B ordinary shares; and

all references to RMB or Renminbi are to the legal currency of China, all references to Hong Kong dollars or HK\$ are to the legal currency of the Hong Kong Special Administrative Region, and all references to U.S. dollars or US\$ are to the legal currency of the United States of America.

We have sourced various Internet and online marketing industry data used in this prospectus from CR-Nielsen, an independent market research firm, and Data Center of China Internet, or DCCI, an independent market research institution, both of which were commissioned by us. We have assumed the correctness and truthfulness of such data, including projections and estimates, when we use them in this prospectus. You should read our cautionary statement in *Forward-Looking Statements* in this prospectus.

This prospectus contains translations of Renminbi amounts into U.S. dollars and vice versa at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations were made using the noon buying rate in The City of New York rate as set forth in the H.10 statistical release of the Federal Reserve Board and in effect on December 31, 2009, which was RMB6.8259 to US\$1.00. We make no representation that any Renminbi amount referred to in this prospectus could have been or could be converted into U.S. dollars at any particular rate, or at all. On August 27, 2010, the noon buying rate in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York was RMB6.7977 to US\$1.00.

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information regarding us, the ADSs being sold in this offering, and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

Overview

We operate the leading real estate Internet portal in China in terms of the number of page views and visitors to our website in 2009, according to a report issued in March 2010 by DCCI, an independent market research institution, commissioned by us. We are also a leading home furnishing and improvement website in terms of unique visitors according to research from CR-Nielsen, an independent market research firm, commissioned by us. According to a report issued in March 2010 by CR-Nielsen, our website, *www.soufun.com*, had a 46.3% market share of the online real estate advertising market in China in 2009 by estimated revenues. Through our website, we provide marketing, listing and other value-added services and products for China's fast-growing real estate and home furnishing and improvement sectors. Our user-friendly website supports an active online community and network of users seeking information on, and other value-added services and products for, the real estate and home furnishing and improvement sectors in China. Our current and forthcoming service offerings include:

Marketing services: We offer marketing services on our website, mainly through advertisements, to real estate developers in the marketing phase of new property developments, as well as to real estate agencies and other home furnishing and improvement vendors who wish to promote their products and services, including home furnishing and improvement products and services, furniture, electronics and other products. We also intend to integrate paid priority placement of customer links in keyword search results into our current search and search ranking services. The substantial majority of our revenues are derived from marketing services;

Listing services: We offer basic and special listing services. Basic listing services are mainly offered to real estate agents, brokers, property developers, property owners and managers and providers of home furnishing and improvement products and services, and allow them to post information on properties, home furnishing and improvement and other related products and services on our website. Special listings consist of a customized marketing program primarily involving the coordination and promotion of offline themed events; and

Other value-added services and products: We offer subscription-based access to our information database, research reports and total web solution services, which integrate our customers' services and products into our website, and also include website design services.

We have built a large and active community of users who are attracted by the comprehensive real estate and home furnishing and improvement content available on our portal that forms the foundation of our service offerings. We currently maintain 63 offices to focus on local market needs and, as of June 30, 2010, our website and database contained:

over 139,000 listings for new residential property complexes, approximately eight million listings of secondary and rental residential properties, as well as over 140,000 listings of commercial properties for sale and lease;

over 8,000 brands and one million listings from home furnishing and improvement vendors across China; and

content coverage of real estate-related content, search services, marketing and listing coverage of 106 cities in China.

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Our user base has also attracted numerous customers, which include real estate developers, real estate agents and brokers, property owners, property managers, mortgage brokers, lenders and suppliers of home furnishing and improvement products and services. According to a report issued in March 2010 by DCCI, we obtained advertisements from 60.0% of online real estate advertisers among real estate information services websites in China in 2009. Our diverse offerings and broad geographic coverage have resulted in an active and dynamic online community that provides an effective and targeted channel for advertisers to market their products and services, and serves as a centralized source of information, products and services for consumers interested in the real estate and home furnishing and improvement markets.

In 2007, 2008, 2009 and the six months ended June 30, 2010, we had revenues of US\$57.9 million, US\$104.1 million, US\$127.0 million and US\$68.2 million, respectively. During the same periods, our net income attributable to our shareholders was US\$12.2 million, US\$23.4 million, US\$52.7 million and US\$5.3 million, respectively. Marketing, listing and other value-added services and products accounted for 80.6%, 13.8% and 5.6%, respectively, of our revenues in 2009 and 66.9%, 20.5% and 12.6%, respectively, of our revenues in the six months ended June 30, 2010. According to a report issued in March 2010 by CR-Nielsen, in 2008 and 2009, our website, *www.soufun.com*, received a weekly average of over 8.2 million and 9.8 million unique visitors, respectively, and generated a weekly average of over 12.0 million and 12.3 million website visits, respectively.

Our Strengths

We believe we have the following strengths, which have enabled us to become a leading real estate and home furnishing and improvement Internet portal in China:

- Leading market position and national brand name with powerful network effects;
- Broad geographic coverage with local market expertise and highly scalable business model;
- Extensive customer relationships and strategic partnerships in China;
- Robust technology platform with focus on user experience; and
- Experienced management team with extensive industry knowledge and proven track record.

Our Strategies

We intend to continue building an online destination that appeals to a wide variety of consumers and provides a comprehensive and in-depth source of real estate, home furnishing and improvement information and other value-added services and products. We intend to further consolidate our position as a leading real estate and home furnishing and improvement Internet portal in China by strengthening our customer relationships and expanding our service platform and geographic reach. To achieve this goal, we will pursue the following strategies:

- Strengthen relationships with customers through premium, customized services;
- Strategically phase in service offerings in our existing network of cities;
- Leverage our user base to introduce and monetize additional product offerings;
- Continue to enhance our technology platform and user interface to strengthen user experience; and

Selectively pursue strategic alliances and acquisitions.

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Online Advertising Market in China

According to iResearch Inc., a leading PRC online market research company headquartered in Shanghai, China, the online advertising market in China, including brand advertising and paid search, is projected to grow from RMB17.0 billion (US\$2.5 billion) in 2008 to RMB58.5 billion (US\$8.6 billion) in 2012, representing a compound annual growth rate, or CAGR, of 36.2%. At the same time, China's advertising market and online advertising market are still underpenetrated as compared to those of more developed countries. Based on data provided by iResearch, total advertising revenues in China were RMB201.4 billion (US\$29.5 billion) in 2008, accounting for 0.7% of total gross domestic product, or GDP. Online advertising revenues in China were RMB17.0 billion (US\$2.5 billion) in 2008, accounting for 8.4% of total advertising revenues.

We believe that Internet users who search for real estate or home furnishing and improvement information on the Internet are an especially attractive demographic for real estate and home furnishing and improvement advertisers in China because they often comprise the more affluent and educated consumers. The Internet also provides a more targeted and cost-effective advertising medium for real estate developers, brokers and suppliers of home furnishing and improvement products and services to reach desirable customers. As such, over the long term, we expect that demand for online advertising, online listing and other Internet services from China's real estate and home furnishing and improvement sectors will continue to grow.

China Real Estate and Home Furnishing and Improvement Market

China's real estate market, and in particular the market for new residential properties, has experienced significant growth in recent years. According to the 2009 China Statistical Yearbook, the total area of real estate development sold in GFA grew from approximately 720.5 million sq.m. in 2004 to 1,252.5 million sq.m. in 2008, representing an increase of 73.8%. The secondary real estate market in China is at an early stage of development, but we expect it to grow quickly in the coming years as an increasing number of high quality properties in desirable locations become available in the secondary market, as buyers move into secondary properties being vacated by buyers of new properties and as the proportion of government-assigned properties diminishes. We believe that the real estate sector will continue to be one of the major industries in China and will grow significantly in the foreseeable future, largely driven by increasing urbanization, continued macroeconomic growth and rising personal consumption across the nation.

We believe that with the growing supply of and demand for primary, secondary and rental properties, as well as increasing competition among property developers, owners, brokers and agents, demand for online advertising, online listing and other Internet services will continue to experience strong growth. In addition, we expect the fast growing home furnishing and improvement market to create additional demand for online advertising and online listing services. According to Datamonitor Inc., an independent information and market analysis company, the market value of the home improvement industry in China grew from RMB212.0 billion in 2004 to RMB357.6 billion in 2008, representing a CAGR of 14.0%. Furthermore, according to the 2006-2009 China Statistical Yearbooks, the per capita annual living expenditure of urban households for household facilities and services grew from RMB407 in 2004 to RMB692 in 2008, representing a CAGR of 14.2%. We believe this trend will continue in line with the growth in per capita disposable income.

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Risks and Challenges

Our ability to achieve our goals and execute our strategies is subject to risks and uncertainties, including the following:

whether the online marketing industry in China will continue to develop and our ability to obtain listings from our key customer groups, such as property developers, real estate agents, brokers, and property owners and managers;

our ability to compete successfully against our current or future competitors;

our ability to maintain and enhance brand awareness;

the performance of the real estate sector in China, which is heavily regulated, relatively immature and volatile, and subject to stringent government regulations that may change from time to time;

our ability to develop and maintain an effective system of internal controls over financial reporting;

uncertainties associated with the effectiveness of our contractual arrangements in providing operational control over our controlled consolidated entities in China, including effectiveness of voting proxies and our ability to enforce our rights under these contractual arrangements; and

the uncertain legal and regulatory environment in China for foreign-invested companies operating in the Internet and online advertising sectors.

Please see **Risk Factors** and other information included in this prospectus for a discussion of these risks, challenges and uncertainties.

Corporate History and Structure

We were incorporated on June 18, 1999 in the British Virgin Islands and changed our corporate domicile to the Cayman Islands on June 17, 2004, becoming a Cayman Islands exempted company with limited liability. We maintain our operational headquarters in Beijing, China and have various subsidiaries and offices across China. Our principal executive office is located at 8th Floor, Tower 3, Xihuan Plaza, No. 1 Xizhimenwai Avenue, Xicheng District, Beijing 100044, China, and our telephone number is +86-10-5930-6668. Our website address is www.soufun.com. The information contained in our website, as well as any information contained in our other websites referenced elsewhere in this prospectus, is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017.

Foreign ownership in the Internet content provision and advertising businesses is subject to restrictions under current PRC laws, rules and regulations. To comply with the applicable PRC laws, rules and regulations, we conduct our operations in China through a series of contractual arrangements entered into among two of our PRC subsidiaries, SouFun Media and SouFun Network, and our 11 consolidated controlled entities: Beijing Internet, Beijing Advertising, Beijing Technology, Beijing China Index, Shanghai JBT Advertising, Shanghai Advertising, Beijing JTX Technology, Tianjin JTX Advertising, Shanghai China Index, Beijing Li Tian Rong Ze and Tianjin Xin Rui. We refer to these contractual arrangements, each as amended, as the Structure Contracts in this prospectus. These consolidated controlled entities hold the licenses and approvals that are required to operate our Internet content provision, or ICP, and advertising businesses. As a result of these Structure Contracts, under accounting principles generally accepted in

the United States, or U.S. GAAP, we demonstrate the ability to control the consolidated controlled entities through our rights to all the residual benefits of the consolidated controlled entities and our obligation to fund the losses of the consolidated controlled entities. Accordingly, we consolidate their results in our financial statements. For a description of these contractual arrangements, see Our History and Corporate Structure Structure Contracts.

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The following diagram illustrates our current corporate and share ownership structure with our consolidated controlled entities as of the date of this prospectus:

- (1) Affiliates of IDG Technology Venture Investment Inc. include IDG-Accel China Capital L.P. and IDG-Accel China Capital Investors L.P.

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The following diagram illustrates our expected corporate and share ownership structure with our consolidated controlled entities immediately following the closing of this offering (assuming full exercise by the underwriters of their over-allotment option) and the Telstra Private Placement:

- (1) Refers to the following three entities affiliated with Apax Partners LLP: Hunt 7-A Guernsey L.P. Inc, Hunt 7-B Guernsey L.P Inc and Hunt 6-A Guernsey L.P. Inc.
- (2) Affiliates of IDG Technology Venture Investment Inc. include IDG-Accel China Capital L.P. and IDG-Accel China Capital Investors L.P.

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THE OFFERING

Price per ADS	We currently estimate the initial public offering price will be between US\$40.50 and US\$42.50 per ADS.
ADSs offered by us	246,914 ADSs
ADSs offered by the selling shareholders	2,686,324 ADSs (or 3,126,310 ADSs if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
ADSs outstanding immediately after this offering	2,933,238 ADSs (or 3,373,224 ADSs if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Class A ordinary shares outstanding immediately after this offering	49,007,482 Class A ordinary shares (or 50,767,426 Class A ordinary shares if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Class B ordinary shares outstanding immediately after this offering	25,298,329 Class B ordinary shares (or 25,298,329 Class B ordinary shares if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Ordinary shares	Our share capital will consist of Class A and Class B ordinary shares upon completion of this offering. Holders of Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Each Class A ordinary share will be entitled to one vote on all matters subject to shareholders' vote, and each Class B ordinary share will be entitled to 10 votes on all matters subject to shareholders' vote. Each Class B ordinary share will be convertible into one Class A ordinary share at any time by its holder. Upon transfer of any Class B ordinary share by its holder to any person or entity that is not an affiliate of such holder (as defined in our amended and restated articles of association), such Class B ordinary share will be automatically and immediately converted into a Class A ordinary share. Class A ordinary shares will not be convertible into Class B ordinary shares under any circumstance.
Right to purchase additional ADSs	Telstra International, one of the selling shareholders, has granted to the underwriters the right, exercisable for 30 days after the date of this prospectus, to purchase from it up to an aggregate of 439,986 additional ADSs at the initial public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions.

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The ADSs	<p>Each ADS represents four Class A ordinary shares, par value HK\$1.00 per share. The ADSs will be evidenced by ADRs. The depositary will be the holder of the ordinary shares underlying the ADSs and you will have the rights of an ADR holder as provided in the deposit agreement among us, the depositary and owners and beneficial owners of ADSs from time to time.</p> <p>You may surrender your ADSs to the depositary to withdraw the ordinary shares underlying your ADSs. The depositary will charge you a fee for such an exchange.</p> <p>We may amend or terminate the deposit agreement for any reason without your consent. If an amendment becomes effective, you will be bound by the deposit agreement as amended if you continue to hold your ADSs.</p> <p>To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled Description of American Depositary Shares. We also encourage you to read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.</p>
Use of proceeds	<p>We plan to use the net proceeds we receive from this offering for general corporate purposes. See Use of Proceeds for additional information.</p> <p>We will not receive any of the proceeds from the sale of the ADSs by the selling shareholders.</p>
Risk factors	<p>See Risk Factors and other information included in this prospectus for a discussion of the risks and uncertainties you should carefully consider before deciding to invest in our ADSs.</p>
Listing	<p>We have received approval to list our ADSs on the New York Stock Exchange. Our ordinary shares will not be listed for trading on any exchange or quoted for trading on any over-the-counter trading system.</p>
Proposed New York Stock Exchange symbol	<p>SFUN</p>
Depositary	<p>JPMorgan Chase Bank, N.A.</p>
Lock-up	<p>We, the selling shareholders, all of our other existing shareholders, General Atlantic Mauritius Limited, or General Atlantic, Hunt 7-A Guernsey L.P. Inc, Hunt 7-B Guernsey L.P. Inc and Hunt 6-A Guernsey L.P. Inc, such three Hunt entities collectively, Apax, our directors and executive officers and a substantial majority of our option holders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. In addition, through a letter agreement, we have agreed to instruct JPMorgan Chase Bank, N.A., as</p>

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depository, not to accept any deposit of any ordinary shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance, and not to provide consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares. See Shares Eligible for Future Sale and Underwriting.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

You should read the following information with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

The following summary consolidated statement of operations data and consolidated cash flow data for the years ended December 31, 2007, 2008 and 2009, and summary consolidated balance sheet data (except for ADS information) as of December 31, 2008 and 2009 are derived from our audited consolidated financial statements included elsewhere in this prospectus, and should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and related notes. Our consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Ernst & Young Hua Ming, an independent registered public accounting firm. The report of Ernst & Young Hua Ming on our consolidated financial statements is included in this prospectus. The summary consolidated statement of operations data (except for ADS information) and summary consolidated cash flow data for the six months ended June 30, 2009 and 2010 and the summary consolidated balance sheet data as of June 30, 2010 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period.

	Year ended December 31,			Six months ended	
	2007	2008	2009	2009	2010
	(US\$ in thousands, except per ordinary share and ADS data)				
Consolidated statement of operations data					
Revenues					
Marketing services ⁽¹⁾	46,552	86,252	102,367	29,503	45,586
Listing services	9,885	16,070	17,559	5,398	14,006
Other value-added services and products	1,439	1,802	7,123	2,056	8,593
Total revenues	57,876	104,124	127,049	36,957	68,185
Cost of revenues					
Cost of services	(12,630)	(22,162)	(26,484)	(9,506)	(18,164)
Cost of other value-added services and products			(4,863)	(1,185)	(6,887)
Total cost of revenues	(12,630)	(22,162)	(31,347)	(10,691)	(25,051)
Gross profit	45,246	81,962	95,702	26,266	43,134
Operating expenses:					
Selling expenses	(13,221)	(18,708)	(25,186)	(9,988)	(16,742)
General and administrative expenses	(12,158)	(19,857)	(22,176)	(9,379)	(14,330)
Operating income:	19,867	43,397	48,340	6,899	12,062
Foreign exchange gain (loss)	8	(2,826)	(59)	(17)	(481)

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Interest income ⁽²⁾	707	1,221	1,205	613	1,162
Realized gain trading securities			195	85	164
Government grant	211	360	730	336	356
Income before income tax	20,793	42,152	50,411	7,916	13,263
Income tax (expense)/benefit	(8,457)	(18,805)	2,199	(4,190)	(7,965)
Net income	12,336	23,347	52,610	3,726	5,298
Net income (loss) attributable to non-controlling interest	125	(34)	(42)	(20)	(11)
Net income attributable to SouFun Holdings Limited shareholders	12,211	23,381	52,652	3,746	5,309

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	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
(US\$ in thousands, except per ordinary share and ADS data)					
Income per ordinary share					
Basic	0.16	0.32	0.71	0.05	0.07
Diluted ⁽³⁾	0.16	0.30	0.68	0.05	0.07
Dividend declared per ordinary share	0.55		0.59		
Income per ADS					
Basic	0.64	1.28	2.84	0.20	0.28
Diluted	0.64	1.20	2.72	0.20	0.28
Dividend declared per ADS	2.20		2.36		
Weighted average number of ordinary shares outstanding					
Basic	74,020,217	74,020,217	73,986,129	74,020,217	73,932,217
Diluted	76,997,410	77,092,197	77,418,960	77,386,202	77,851,697
Weighted average number of ADSs outstanding					
Basic	18,505,054	18,505,054	18,496,532	18,505,054	18,483,054
Diluted	19,249,353	19,273,049	19,354,740	19,346,551	19,462,924
Share-based compensation included in:					
Cost of revenues	160	268	489	238	251
Selling expenses	142	323	595	295	338
General and administrative expenses	1,915	2,126	3,056	1,480	1,228

- (1) Marketing services include related-party amounts of nil and US\$375,000 in the six months ended June 30, 2009 and 2010, respectively, relating to marketing services provided to the Hainan property developer that was the subject of the Dong Fang Xi Mei commitment deposit described in the section entitled "Certain Relationships and Related Party Transactions Related Party Loans and Other Payments." See note 10 to the unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.
- (2) Interest income includes related party amounts of nil, nil, US\$85,000, nil and US\$305,000 in 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010, respectively.
- (3) Income per ordinary share (diluted) and income per ADS (diluted) for each year from 2007 to 2009 and the six months ended June 30, 2009 and 2010 have been computed, after considering the dilutive effect of the shares underlying employees' share options and, as applicable, preferred shares.

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The following table presents a summary of our consolidated balance sheet data as of December 31, 2008 and 2009 and June 30, 2010:

on an actual basis; and

on an as adjusted basis to reflect the exercise of 1,125,000 vested stock options by Media Partner to purchase 1,125,000 Class A ordinary shares, the issuance of 20,882 non-voting ordinary shares to Telstra International upon its exercise of 41,250 vested stock options by means of net-share settlement and the issuance and sale of 987,656 Class A ordinary shares in the form of ADSs by us in this offering based on the initial public offering price shown on the front cover of this prospectus, after deducting the estimated offering expenses payable by us. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$41.50 per ADS, the mid-point of the estimated range of the initial public offering price, would increase (decrease) the amounts representing total current assets, total assets, total SouFun Holdings Limited's equity, total shareholders' equity and shareholders' equity by US\$0.9 million.

	As of December 31,		As of June 30,	
	2008	2009	2010	
	Actual	Actual	Actual	As Adjusted
	(US\$ in thousands)			
Consolidated balance sheet data				
Total current assets	102,861	149,224	176,745	114,414
Total assets	107,246	154,494	185,079	194,125
Total current liabilities	79,867	124,306	132,187	132,187
Total liabilities	93,858	129,993	141,628	141,628
Total SouFun Holdings Limited's equity	13,283	24,438	43,399	52,445
Non-controlling interests	105	63	52	52
Total shareholders' equity	13,388	24,501	43,451	52,497
Total liabilities and shareholders' equity	107,246	154,494	185,079	194,125

The following table presents a summary of our consolidated cash flow data in 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010:

	Year ended December 31,			Six months ended	
	2007	2008	2009	2009	2010
	(US\$ in thousands)				
Consolidated cash flow data					
Net cash generated from operating activities	30,493	44,568	65,966	24,005	18,198
Net cash (used in) generated from investing activities	(7,596)	(2,598)	(12,034)	8,927	(5,600)
Net cash used in financing activities	(2,647)	(16,210)	(24,789)	(24,241)	
Net increase in cash and cash equivalents	21,774	28,954	29,217	8,713	13,129
	12,294	34,068	63,022	63,022	92,239

Cash and cash equivalents at beginning of
year/period

Cash and cash equivalents at end of year/period	34,068	63,022	92,239	71,735	105,368
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RISK FACTORS

Investing in our ADSs involves significant risks and uncertainties. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our business depends substantially on revenues from our marketing services, including primarily online advertising, and participants in the real estate and home furnishing and improvement sectors may choose other advertising media over online advertising, which could lead to loss of our revenues.

All of our marketing service revenues are generated through our website, and we expect to continue to derive a significant proportion of our revenues from marketing. Marketing represents our largest source of revenues, accounting for 80.4%, 82.8%, 80.6% and 66.9% of our revenues in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively. In particular, our new home business accounted for 84.2%, 87.6%, 85.1%, 88.9% and 84.9% of our marketing service revenues in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. New home business primarily consists of sales of marketing services to residential property developers and their sales agents who are in the process of promoting newly developed properties for sale.

Although the online marketing industry in China has been growing, advertisers in the real estate sector in China have typically relied on traditional forms of advertising media, such as newspapers, magazines and outdoor advertising. If we are unable to retain and develop our base of advertising customers, including property developers and home furnishing and improvement product and service providers, our business may not grow as quickly as we expect. Moreover, advertisers may not continue to do business with us if they do not perceive our marketing services to be effective or our user demographics to be desirable.

Our ability to continue to generate and maintain marketing service revenues depends on a number of factors, many of which are beyond our control, including:

the amount of user traffic on our website, our ability to achieve user demographic characteristics that are attractive to advertisers, and our ability to demonstrate such user traffic and demographic characteristics through our website traffic tracking tools and reporting systems;

potential downward pressure on online marketing pricing due to increased competition from other online advertisers and traditional online advertising media; and

widespread adoption of technologies that permit Internet users to selectively block unwanted web views, including advertisements on web pages.

If we are unable to remain competitive and provide value to our advertisers, they may stop placing advertisements with us, which would have a material adverse effect on our business, financial condition and results of operations.

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If we are unable to continue to obtain listings from our key customer groups, including property developers, real estate agents, brokers, and property owners and managers, our business, financial condition and results of operations could be materially and adversely affected.

We derive a significant portion of our revenues from our listing services. In 2007, 2008 and 2009 and for the six months ended June 30, 2010, listing service revenues represented approximately 17.1%, 15.4%, 13.8% and 20.5%, respectively, of our revenues. Our strategy includes persuading property developers, real estate agents, brokers and property owners and managers to list their properties on our website. We believe having large numbers of high-quality listings from such real estate professionals attracts users to our website, thereby enhancing our attractiveness to advertisers and other real estate market participants. None of our listing agreements are exclusive. Our listing customers may choose not to continue to use our listing services and may choose to utilize the services of one or more of our competitors or alternative means of listing, such as real estate magazines or newspapers. If owners of large numbers of property listings, such as major developers or large brokers or property owners in key real estate markets, choose not to renew their existing agreements with us, our website could become less attractive to users. In turn, if we experience reduced user traffic on our website, advertisers from whom we derive the largest proportion of our revenues, and other real estate market participants, may discontinue the use of or be unwilling to pay for our services. In such an event, our competitive position could be significantly weakened and our business, financial condition and results of operations could be materially and adversely affected.

We derive a substantial portion of our revenues from four of China's major urban centers, in particular, Beijing and Shanghai, and we face market risk due to our concentration in these major urban areas.

We derive a substantial portion of our revenues from four of China's major urban centers: Beijing, Shanghai, Shenzhen and Guangzhou. In 2007, 2008, 2009 and the six months ended June 30, 2010, we generated revenues of US\$37.1 million, US\$54.6 million, US\$72.9 million and US\$37.9 million, respectively, or 64.1%, 52.4%, 57.4% and 55.5%, respectively, of our revenues, from these four urban centers. In particular, in 2007, 2008, 2009 and the six months ended June 30, 2010, Beijing and Shanghai, in aggregate, accounted for US\$29.3 million, US\$43.7 million, US\$60.5 million and US\$29.4 million, respectively, or 50.6%, 42.0%, 47.6% and 43.1%, respectively, of our revenues. We expect these four urban centers to continue to be important regional sources of revenues in all of our revenue categories. If any of these major urban centers experience events which negatively impact the real estate industry or online advertising, such as a serious economic downturn or contraction, a natural disaster, or a slower growth due to adverse governmental policies or otherwise, demand for our services could decline significantly and our revenues and profitability could be materially reduced.

We may fail to compete successfully against current or future competitors, which could significantly reduce our market share and materially and adversely affect our business, financial condition and results of operations.

We face competition from other companies in each of our primary business activities. In particular, the online real estate and home furnishing and improvement Internet service market in China is becoming increasingly competitive. The barriers of entry for establishing Internet-based businesses are low, thereby allowing new entrants to emerge rapidly. As the online real estate and home furnishing and improvement Internet service industry in China is relatively new and constantly evolving, our current or future competitors may be better able to position themselves to compete as the industry matures. We also face competition from companies in other media that offer online advertising, online listing and similar services. In particular, any

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of these competitors may offer products and services that provide significant advantages over those offered by us in terms of performance, price, scope, creativity or other advantages. These products and services may achieve greater market acceptance than our service offerings, and thus weaken our brand. Increased competition in the online real estate and home furnishing and improvement Internet service industry in China could make it difficult for us to retain existing customers and attract new customers, and could lead to a reduction in our fees. Furthermore, our current competitors include major Internet portals in China that provide real estate or home furnishing and improvement Internet services, such as *Sina.com* and *Sohu.com*, which may have more established brand names, larger visitor numbers and more extensive Internet distribution channels than we do.

In addition, we have faced and may continue to face strong competition from regionally focused websites providing regional real estate listings together with localized services. Any of our current or future competitors may also receive investments from or enter into other commercial or strategic relationships with larger, well-established and well-financed companies and obtain significantly greater financial, marketing and content licensing and development resources than us. Furthermore, some of our competitors receive support from local governments, which may place us at a disadvantage when competing with them in their local markets. We cannot assure you that we will be able to compete successfully against our current or future competitors. Any failure to compete effectively in the Internet services market for real estate and home furnishing and improvement in China would have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to maintain and enhance brand awareness for our website could lead to loss of existing customers and qualified personnel.

We believe maintaining and enhancing our brand name as a leading real estate and home furnishing and improvement Internet company in China is a critical part of our strategy. In addition to promoting the SouFun brand through our direct sales force, we also intend to continue to pursue other means to enhance brand awareness, including publication of real estate and home furnishing and improvement research reports to members of the real estate and home furnishing and improvement sectors, participation in real estate and home furnishing and improvement research organizations, event sponsorships, portal collaboration arrangements, and advertising and marketing activities. We cannot assure you that our efforts will be successful in maintaining or enhancing our brand awareness. If our brand enhancement strategy is unsuccessful, or if other brands surpass our brand in customer recognition in one or more cities in which we operate, we may fail to attract new or retain existing users, customers or qualified personnel, which could materially decrease our revenues and profitability.

Loss of our right to use the SouFun brand name, or unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition, results of operations and reputation.

We regard our copyrights, trademarks, trade secrets, domain names and other intellectual property as important to our business. Unauthorized use of such intellectual property, whether owned by us or licensed to us, may materially and adversely affect our business, financial condition, results of operations, reputation and competitive advantages. We rely on intellectual property laws and contractual arrangements with our key employees and certain of our customers, collaborators and others to protect our intellectual property rights. The measures we take to protect our intellectual property rights may not be adequate and policing the unauthorized use of our intellectual property is difficult and expensive.

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We have applied to register in China the Chinese and English dual-language SouFun trademark as well as SouFun in English and (SouFun in Chinese) individually for use in certain relevant industry categories. We have successfully registered the dual-language trademarks in certain industry categories, but our applications for certain other industry categories have encountered conflicts with existing registrations or applications for similar trademarks by another PRC company in certain industry classes. We are in the process of resolving these conflicting trademark applications, but we estimate that this process may take several years to complete. According to CCPIT Patent & Trademark Law Office, our intellectual property agent, in practice, determination of the title to a trademark is generally made on the basis of three elements: (i) who has first applied for registration of the trademark in dispute; (ii) who has first used the trademark in dispute; and (iii) who has the reputation of using such trademark in the market. CCPIT Patent & Trademark Law Office is of the opinion that we first applied for and used the relevant trademarks, and our use of such trademarks has been reputable in the market. However, unless and until we secure the trademark registrations for which we have applied, we may be unable to effectively enforce our proprietary rights in connection with such trademarks or prevent the use by others of trademarks identical or similar to ours. Moreover, if the conflicting trademark applications are not resolved in our favor, we may be unable to use part or all of our current name or trademarks in our business operations. Our business, financial condition and results of operations may be materially and adversely affected if we lose the right to use the SouFun brand names, or if we are unable to prevent third parties from using our trademarks, as we would not be able to leverage such brand names to develop our business and protect the brand's reputation and would lose the benefits of brand awareness among Internet users in China.

In addition, the validity, enforceability and scope of protection of intellectual property in Internet-related industries in China is uncertain and still evolving, and could involve substantial risks. The laws and enforcement procedures in China are not yet well developed, and do not protect intellectual property rights to the same extent as laws and enforcement procedures in the United States and other jurisdictions. Furthermore, litigation may be necessary in the future to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources and have a material adverse effect on our business, financial condition and results of operations. If we are unable to adequately protect the intellectual property rights that we own or use, we may lose these rights and our business, growth prospects and profitability may suffer.

Our business could be materially and adversely affected by fluctuations in, and government measures influencing, China's real estate industry.

We conduct our real estate services business primarily in China, and our business depends substantially on conditions of the PRC real estate market. In particular, our new home business, which accounted for 69.2%, 73.3%, 69.7% and 84.9% of our total revenues in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively, depends upon growth in the real estate-related industry nationwide and in specific regions in China. Demand for private residential property in China has grown rapidly in recent years, but such growth is often coupled with volatility in market conditions and fluctuation in property prices. For example, the rapid expansion of the property market in major provinces and cities in China in the early 1990s, such as Shanghai, Beijing and Guangdong Province, led to an oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, property prices and the number of new property development projects have generally been increasing in major cities. Fluctuations of supply and demand in China's real estate market are caused by economic, social, political and other factors. To the extent fluctuations in the real estate market adversely affect the demand for real estate and home furnishing and improvement services and for real estate- and home furnishing and

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improvement-related advertising, demand for our products and services, as well as the level of our growth and profitability, may be materially reduced.

The real estate market in China is typically affected by changes in government policies affecting the financial markets and related areas. In the past, the PRC government has adopted various administrative measures to restrain what it perceived as unsustainable growth in the real estate market, particularly when the real estate market in China has experienced rapid and significant increases in home sales as well as prices. In 2007, home sales and prices in China rose rapidly to unprecedented levels, culminating in a housing downturn beginning in late 2007 due to the PRC government's intervention in the real estate market to stabilize market prices and reduce market speculation. The PRC real estate market may experience a downturn in the future, as home sales and prices in China have experienced a rapid increase since early 2009. In response, the PRC government has promulgated a series of policies since late 2009 to cool down what is considered to be an over-heated real estate market, such as restrictions on the provision of loans for buyers upon their third or subsequent home, raising the minimum down-payment amount and lending rates for purchasers of second homes, strengthening the supervision of the purchase and financing of land acquisitions by real estate developers. In April 2010, the PRC government announced further tightening measures targeted at the PRC property markets nationwide, such as raising the minimum down-payment to 50% for purchasers of their second homes and to 30% for purchasers of their first residential properties exceeding specified gross floor areas, and restricting the ability of developers to finance properties through pre-sales. In response to such policies, certain local PRC governmental agencies, including agencies in Beijing, Guangzhou and Shenzhen, which are China's major urban centers where we have operations, introduced implementation rules in April 2010, May 2010 and May 2010, respectively. These policies and rules have aimed to stem rising prices by targeting financing rules, multiple-unit ownership and tax policy. These or other policies and rules aimed at controlling growth in the real estate markets in China have affected and could further affect demand for marketing, listing or other services related to real estate advertising, which could have a material and adverse impact on our business, financial condition and results of operations. Any of the following could cause a decline in home sales and prices, which in turn could affect the demand for real estate and home furnishing and improvement services and advertising:

restrictive monetary policies adopted by the PRC government, including any significant increase in interest rates;

adverse developments in the credit markets and/or mortgage financing markets resulting from PRC government policies;

policies regarding land supply;

significant increases in transaction costs as a result of changes in PRC government policies regarding real estate transaction taxes, such as the recent announcement regarding the reinstatement of a sales tax on residential property sales by individuals within five years of purchase;

adverse changes in PRC government policies regarding the acquisition and/or ownership of real estate;

adverse changes in PRC national or local government policies or practices regarding brokerage, referral or franchise business or related fees and commissions; or

other PRC government policies or regulations that burden real estate transactions or ownership.

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Regulation of the Internet industry in China, including censorship of information distributed over the Internet, may materially and adversely affect our business.

China has enacted laws, rules and regulations governing Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of applicable PRC laws, rules and regulations. In particular, under regulations promulgated by the State Council, the Ministry of Industry and Information Technology (formerly the Ministry of Information Industry), or MIIT, the General Administration of Press and Publication (formerly the State Press and Publications Administration) and the Ministry of Culture, Internet content providers and Internet publishers are prohibited from posting or displaying content over the Internet that, among other things: (i) opposes the fundamental principles of the PRC constitution; (ii) compromises state security, divulges state secrets, subverts state power or damages national unity; (iii) disseminates rumors, disturbs social order or disrupts social stability; (iv) propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes; or (v) insults or slanders a third party or infringes upon the lawful right of a third party.

If any Internet content we offer or will offer through our consolidated controlled entities were deemed by the PRC government to violate any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of illegal revenues, fines, suspension of business and revocation of required licenses, which could have a material adverse affect on our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our customers or affiliates or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be forced to cease operation of our website in China.

If any of our consolidated controlled entities fails to maintain the applicable licenses and approvals held by it under the complex regulatory environment for Internet-based businesses and online advertising businesses in China, or any of our PRC subsidiaries or consolidated controlled entities fail to pass its annual government inspection or obtain renewal of its business license, our business, financial condition and results of operations would be materially and adversely affected.

The Internet and online advertising industries in China are still at a relatively early stage of development and are highly regulated by the PRC government. Various regulatory authorities of the PRC government, such as the State Council, MIIT, the State Administration of Industry and Commerce, or SAIC, the General Administration of Press and Publication, the State Administration of Radio, Film and Television, and the Ministry of Public Security, are empowered to issue and implement regulations governing various aspects of the Internet and advertising industries. Moreover, new laws, rules and regulations may be adopted, or new interpretations of existing laws, rules and regulations may be released, to address issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of any current and future PRC laws, rules and regulations applicable to the Internet and online advertising industries. We cannot assure you that the relevant PRC governmental authorities will not find us to be in violation of any of the PRC laws, rules and regulations relating to our Internet content distribution and online advertising businesses.

Our consolidated controlled entities are required to obtain applicable licenses or approvals from various regulatory authorities in order to provide advertising and other value-added services and products. These licenses or approvals are essential to the operation of our business and are generally subject to annual review by the relevant PRC governmental authorities. For example, each of Beijing Internet, Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising currently holds an Internet content provider

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license, or ICP license, as they are each required to obtain and maintain such ICP license under the applicable PRC laws, rules and regulations; and each of Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising currently holds an approval for operating electronic bulletin board services as required under the applicable PRC laws, rules and regulations. Beijing Advertising, Beijing Internet, Shanghai Advertising and certain other consolidated controlled entities are allowed to provide marketing services in accordance with the business scope indicated in each of their respective business licenses. Each of Beijing Internet, Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising, however, may be required to obtain additional licenses, including an Internet publication license and/or an Internet news information service license, as these entities may be deemed by the PRC regulatory authorities to be engaged in the provision of Internet publication services and Internet news information services. Since our website includes online residential communities that allow visitors to post information, including graphics or weblinks to videos, other websites or data in microblogs or online discussion forums, on our website for discussion with other users, the release of such information on our website may trigger the requirement for each of Beijing Internet, Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising to obtain an Internet publication license in China. Similarly, if we or third parties post information that may be viewed as news information, the release of such information on our website may trigger the requirement to obtain an Internet news information license in China.

Beijing Technology, Beijing Internet, Beijing JTX Technology, Beijing China Index and Beijing Advertising have applied to the relevant government authorities for Internet publication licenses and/or Internet news information service licenses in accordance with applicable PRC laws, rules and regulations. The relevant government authorities have informed us orally that these applicants do not need to apply for the Internet publication licenses on the basis of their current business operations. However, such government authorities have not informed us as to when they will make a decision on whether these applicants need to apply for, or whether such government authorities will issue, the Internet news information service licenses on the basis of the current business operations of such applicants. We are also continuing our discussion with the relevant government authorities on our application for, and the authorities issuance of, Internet news information service licenses and to provide the relevant government authorities with supplemental information as requested. We, like many other similarly-situated business operators, have been operating our businesses without such licenses. Based on our informal discussions with the relevant government authorities and after completion of applications for Beijing Internet, Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising, we believe we will comply with the legal requirements to apply for the licenses. However, King & Wood, our PRC legal counsel, has indicated that it is unable to express an opinion regarding our compliance with the legal requirements relating to the applications for these Internet news information service licenses because (1) the relevant PRC regulatory authorities have significant discretion in interpreting the laws, rules and regulations applicable to the issuance of Internet publication licenses and Internet news information service licenses, including the legal requirements stipulated in the relevant laws, rules and regulations; and (2) the relevant PRC regulatory authorities have broad discretion in determining whether the relevant company has complied with the legal requirements interpreted by the relevant PRC regulatory and authorities. In particular, King & Wood has informed us that it is unclear whether the PRC regulatory authorities will request further information or impose stricter standards for successful application for these licenses. Since we are not a traditional news agency and it is unclear whether the relevant PRC licensing laws, rules and regulations relating to the provision of Internet news information services are meant to regulate our business operations, King & Wood has also expressed its inability to provide an opinion as to whether we would be in compliance with such PRC laws, rules and regulations by continuing to operate our business while applying for such licenses.

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We have not received, nor have we learned that any other similar-situated business operator has received, any notice from the regulators threatening to suspend such business operations due to the lack of such licenses. However, despite the oral confirmation by the relevant government authorities as described above, if the PRC regulators take a more restrictive view or position on such regulation, then under the applicable PRC laws, rules and regulations, the failure to obtain and/or maintain an Internet publication license and/or Internet news information service license may subject the entity to various penalties, including confiscation of revenues, imposition of fines and/or restrictions on their business operations, or the discontinuation of their operations. Although Beijing Internet, Beijing Technology, Beijing JTX Technology, Beijing China Index and Beijing Advertising have not received any revenues directly from Internet publication services or Internet news information services, we cannot assure you that the PRC regulatory authorities will not impose any such penalties. Any such disruption in the business operations of our consolidated controlled entities could materially and adversely affect our business, financial condition and results of operations.

As a precondition to conducting business operations in China, our PRC subsidiaries and consolidated controlled entities are each subject to an annual inspection by SAIC or its local branches. SAIC conducts such annual inspection of the registration information of PRC corporate entities by examining the financial statements, annual inspection reports and other documentation such corporate entities prepare and submit to SAIC on an annual basis as required by the PRC laws, rules and regulations. Subsequent to the annual inspection, the business licenses of our PRC subsidiaries and consolidated controlled entities are also subject to renewal on an annual basis. These PRC entities must fulfill various statutory requirements before they may pass the annual inspection and receive their renewed business licenses. Due to a change in our business strategy in Tianjin and after our contribution of US\$49,900 out of US\$500,000 of the registered capital in 2001, we ceased business operations at SouFun Tianjin and did not complete the contribution of registered capital to SouFun Tianjin. Failure to contribute such registered capital is a violation of SouFun Tianjin's constitutive or organizational documents. In January 2008, the relevant SAIC authorities revoked the business license of SouFun Tianjin. Based on our communications with the relevant SAIC authorities, SouFun Tianjin's business license was revoked due to our failure to fully contribute to its registered capital. We are currently discussing with the relevant SAIC authorities in Tianjin to dissolve SouFun Tianjin. According to applicable PRC laws, rules and regulations, if a person, as the legal representative of a PRC company, i.e., a member of the company's senior management so designated in the company's constitutive documents, who bears the most corporate fiduciary duty in the company, is liable for the revocation of the business license of such company for its illegal conduct, such person may not serve as any PRC company's director, supervisor or senior management personnel for a three-year period commencing from the date of such revocation of the business license. Because of our failure to pay the registered capital in full, we may be subject to fines of between 5.0% to 15.0% of SouFun Tianjin's unpaid registered capital. Since Mr. Tianquan Vincent Mo, our founding shareholder, director and executive chairman, or Mr. Mo, was chairman of the board of directors, general manager and legal representative of SouFun Tianjin since its inception, if Mr. Mo is deemed by the relevant PRC regulatory authorities to bear personal responsibility for this failure to fully pay such registered capital, he may be forbidden from acting as a director, supervisor or as a member of senior management of our PRC subsidiaries and consolidated controlled entities for three years up to January 2011. As of the date of this prospectus, Mr. Mo has not received any notice to that effect from any PRC regulatory authorities and his service as the director and/or as a member of senior management of our PRC subsidiaries and consolidated controlled entities has not been impacted or challenged by any PRC regulatory authorities. None of our PRC subsidiaries and consolidated controlled entities have been informed of any determination by the relevant PRC legal authorities that Mr. Mo will be held liable for the failure to fully pay such registered capital. In September 2009 when we registered Tianjin Xin Rui with SAIC

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Tianjin, the SAIC authorities did not take any action to prevent Mr. Mo from assuming the position as the executive director and general manager of Tianjin Xin Rui. Mr. Mo is also the executive director and general manager of Tianjin JTX Advertising registered with SAIC Tianjin. Both consolidated controlled entities passed their respective annual inspections by SAIC Tianjin in 2010 and the SAIC authorities have not asked Mr. Mo to cease being the executive director or general manager of Tianjin Xin Rui or Tianjin JTX Advertising. King & Wood, our PRC counsel, has also advised us that, except as otherwise disclosed in this prospectus, PRC laws, rules and regulations do not provide for any sanctions that would interfere with any services provided by Mr. Mo to us upon which we are dependent. However, we cannot assure you that SAIC will not issue such a notice or make a contrary determination as SAIC has considerable discretion in interpreting such PRC laws, rules and regulations. Should SAIC issue such a notice or make a contrary determination, we may not be able to locate suitable or qualified replacements and may incur additional expenses to identify Mr. Mo's successor.

Unexpected network interruptions or security breaches, including hacking or computer virus attacks, may cause delays or interruptions of service, resulting in reduced use and performance of our website and damage our reputation and brands.

Our business depends heavily on the performance and reliability of China's Internet infrastructure, the continued accessibility of bandwidth and servers on our service providers' networks and the continuing performance, reliability and availability of our technology platform. Any failure to maintain the satisfactory performance, reliability, security and availability of our computer and hardware systems may cause significant harm to our reputation and our ability to attract and maintain customers and visitor traffic. Major risks related to our network infrastructure include:

any breakdown or system failure resulting in a sustained shutdown of our servers, including failures which may be attributable to sustained power shutdowns, or efforts to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware;

any disruption or failure in the national backbone network, which would prevent our customers and users from accessing our website;

any damage from fire, flood, earthquake and other natural disasters; and

computer viruses, hackings and similar events.

Computer viruses and hackings may cause delays or other service interruptions and could result in significant damage to our hardware, software systems and databases, disruptions to our business activities, such as to our e-mail and other communication systems, breaches of security and inadvertent disclosure of confidential or sensitive information, inadvertent transmissions of computer viruses and interruptions of access to our website through the use of denial-of-service or similar attacks. In addition, the inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. All of our servers and routers, including back-up servers, are currently hosted by third-party service providers in Beijing and Shanghai and all information on our website is backed up weekly. Any hacking, security breach or other system disruption or failure which occurs in between our weekly backup procedures could disrupt our business or cause us to lose, and be unable to recover, data such as real estate listings, contact information and other important customer information.

We also do not maintain insurance policies covering losses relating to our systems and do not have business interruption insurance. Moreover, the low coverage limits of our property insurance policies may not be adequate to compensate us for all losses, particularly with respect to any loss of business and reputation that may occur. To improve our performance and to prevent disruption of our services, we may have to make substantial investments to

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deploy additional servers or create one or more copies of our website to mirror our online resources, either of which could increase our expenses and reduce our net income.

Breaches of security in connection with our website could expose us to potential liability and harm our reputation.

Ensuring secured transmission of confidential information through public networks is essential to maintaining the confidence of our customers and users. Our existing security measures may not be adequate to protect such confidential information. In addition, computer and network systems are susceptible to breaches by computer hackers. Security breaches could expose us to litigation and potential liability for failing to secure confidential customer information, and could harm our reputation and reduce our ability to attract customers and users. We cannot assure you that future security breaches, if any, would not have a material adverse effect on our business, financial condition, results of operations and prospects.

The successful operation of our business depends upon the performance and reliability of the Internet infrastructure and telecommunications networks in China.

Our business depends on the performance and reliability of the Internet infrastructure in China. Substantially all access to the Internet is maintained through state-controlled telecommunication operators under the administrative control and regulatory supervision of MIIT. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are generally the only channels through which a domestic user can connect to the Internet. We cannot assure you that a more sophisticated Internet infrastructure will be developed in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

We also rely on China Telecommunications Corporation, or China Telecom, and China United Netcom (Hong Kong) Ltd, or China Unicom, to provide us with data communications capacity primarily through local telecommunications lines and Internet data centers to host our servers. We do not have access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of China Telecom and China Unicom, or if China Telecom or China Unicom otherwise fails to provide such services. Any unscheduled service interruption could disrupt our operations, damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by China Telecom and China Unicom. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be significantly reduced. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may cause our revenues to decline.

You should not rely on our quarterly operating results as an indication of our future performance because our quarterly financial results are subject to fluctuations.

The real estate sector in China is characterized by seasonal fluctuations, which may cause the growth rate of our revenues to vary from quarter to quarter. The first quarter of each year generally contributes the smallest portion of our annual revenues due to reduced advertising and marketing activity of our customers in the PRC real estate industry during and around the Chinese Lunar New Year holiday, which generally occurs in January or February of each year. Furthermore, as we are substantially dependent on sales of marketing and listing services, our quarterly revenues and results of operations are likely to be affected by:

seasonality of the real estate market and real estate consumers' purchasing patterns;

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our ability to retain existing customers and attract new customers for our marketing and listing services;

the amount and timing of our operating expenses and capital expenditures;

the adoption of new, or changes to existing, governmental regulations;

a shortfall in our revenues relative to our forecasts and a decline in our operating results; and

economic conditions in general and specific to the real estate industry and to China.

These factors are difficult to discern in our historical results since our revenues have grown rapidly in recent years. As a result, you should not rely on our quarter-to-quarter comparisons of our results of operations as indicators of likely future performance.

Failure to continue to develop and expand our content, service offerings and features, and the technologies that support them, could jeopardize our competitive position.

As an Internet portal company, we participate in an industry characterized by rapidly changing technology and new products and services. To remain competitive, we must continue to develop and expand our content and service offerings. We must also continue to enhance and improve the ease of use, functionality and features of our website. These efforts may require us to develop internally, or to license, increasingly complex technologies. In addition, many of our competitors are continually introducing new Internet-related products, services and technologies, which will require us to update or modify our own technology to keep pace. Developing and integrating new products, services and technologies into our existing businesses could be expensive and time-consuming. Furthermore, such new features, functions and services may not achieve market acceptance or serve to enhance our brand loyalty. We may not succeed in incorporating new Internet technologies, or, in order to do so, we may incur substantial expenses. If we fail to develop and introduce or acquire new features, functions, services or technologies effectively and on a timely basis, we may not continue to attract new users and may be unable to retain our existing users, which could affect our marketability as a popular advertising and listing media. If we are not successful in incorporating new Internet technologies, our future profitability and growth could be materially and adversely affected.

Our revenues and profitability could suffer if we are unable to successfully implement our growth strategies or manage our growth effectively.

We intend to grow our business by rolling out our full suite of services, including marketing and listing services for our new home, secondary and rental properties and home furnishing and improvement businesses, from the 39 out of 106 cities where we provide all our currently available services as of June 30, 2010 to the remaining 67 cities across China where we currently offer primarily real estate and home furnishing and improvement content coverage through our localized website portals. We also plan to expand into new geographic areas and sectors. However, some of our growth strategies relate to new services and technologies for which there are no established markets in China or relate to services, technologies, new geographic markets or new businesses in which we have limited or no experience. Moreover, due to the breadth and diversity of the PRC real estate and home furnishing and improvement market, our business model may not be successful in new and untested markets as demand and preferences may vary significantly by region. As a result, we may not be able to leverage our experience to expand into other parts of China or to enter into businesses with respect to new products or services. We cannot assure you that we will be able to successfully grow our secondary and rental property and home furnishing and

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improvement businesses in our existing cities. We also cannot assure you that we will be able to enter new geographic markets or deliver new services and technologies on a commercially viable basis or in a timely manner, or at all. If we are unable to successfully implement our growth strategies, our revenues and profitability may not grow as we expect, and our competitiveness may be materially and adversely affected.

Increases in the volume of our website traffic as a result of our expansion into new geographic regions could also strain the capacity of our existing computer systems, which could lead to slower response times or system failures. This would cause the number of real estate search inquiries, advertising impressions, other revenue producing offerings and our informational offerings to decline, any of which could significantly reduce our revenue growth and our brand loyalty. We may need to incur additional costs to upgrade our computer systems in order to accommodate increased demand if our systems cannot handle current or higher volumes of traffic. Mismanagement of any of our services in new or existing markets or the deterioration of the quality of our services could significantly damage our brand names and reputation and adversely impact our ability to attract and retain customers and visitor traffic.

Our growth plans place a significant demand on our management, systems and other resources. In addition to training and managing a growing workforce, we will need to continue to develop and improve our financial and management controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and have a material adverse effect on our business, financial condition and results of operations.

The members of our senior management team, in particular, Mr. Mo, our founding shareholder, director and executive chairman, have played an important role in the growth and development of our business, and if we are unable to continue to retain their services, our business, financial condition and results of operations could be materially and adversely affected.

Our future success is significantly dependent upon the continued services of our senior management. In particular, Mr. Mo has played an important role in the growth and development of our business. To date, we have relied heavily on the expertise and experience of Mr. Mo and other senior management personnel in our business operations, including their extensive knowledge of the PRC real estate market, their strong reputation in the PRC real estate industry, and their relationships with our employees, relevant regulatory authorities and many of our customers. If Mr. Mo or other senior management personnel are unable or unwilling to continue in their present positions, we may not be able to locate suitable or qualified replacements and may incur additional expenses to identify their successors. In addition, if Mr. Mo or other senior management personnel join a competitor or form a competing company, we may lose our customers, and our collaboration arrangements may be disrupted, which would have a material adverse effect on our business, financial condition, results of operations and prospects. We do not maintain key-man insurance for Mr. Mo or other senior management personnel.

Failure to attract and retain qualified personnel could jeopardize our competitive position.

As our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain quality sales, technical and other operational personnel in the future. We have from time to time in the past experienced, and we expect in the future to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. We cannot assure you we will be able to attract or retain the quality personnel that we need to achieve our business

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objectives. If we fail to successfully attract new personnel or retain and motivate our current personnel, we may lose competitiveness and our business, growth, profitability and prospects could be materially and adversely affected.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business.

We cannot be certain that our services and information provided on our website do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights.

In particular, if our current applications for registering our trademarks in certain relevant industry categories are unsuccessful and we continue to use such trademarks after these or similar trademarks have been registered by another entity, or if a holder of any registered trademark similar to ours claims that we are infringing its trademark rights, we could potentially face civil liability for damages, including forfeiture of profits earned from illegal use of the trademark. See Loss of our right to use the SouFun brand name, or unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition, results of operations and reputation. In addition, Beijing China Index was fined RMB10,000 in 2008 by the local branch of SAIC in connection with the use of the trade name China Index Research Institution for providing consulting services on our website. If we continue to do so, we could be subject to additional fines, penalties or other sanctions. In addition, we have previously been involved in disputes arising from alleged infringement of third parties' copyrights on our website, such as the use of photos or articles to which we did not have the rights, which led to judgments against us. We could be subject to similar claims, suits or judgments in the future if we post information to which we do not have the rights. Any such claims, regardless of merit, may involve us in time-consuming and costly litigation or investigation and divert significant management and staff resources. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property and may also be ordered to pay fines or monetary damages. As a result, we would be required to enter into expensive royalty or licensing arrangements or to develop alternative technologies, business methods, content or other intellectual property. We expect that the likelihood of such claims may increase as the number of competitors in our markets grows and as related patents and trademarks are registered and copyrights are obtained by such competitors. In addition, as we have expanded, and may continue to expand, our business into new geographical markets, we may be exposed to such claims in jurisdictions other than China and the scope of intellectual property protection in these overseas jurisdictions may be different from or greater than that in China. The intellectual property laws in overseas jurisdictions may also impose more stringent compliance requirements and cause more potential damages or penalties than those in China. Such claims in overseas jurisdictions, if successful, could require us to pay significant compensatory and punitive damage awards as well as expose us to costly and time-consuming litigation or investigations, all of which could materially disrupt our business and have a material adverse effect on our growth and profitability.

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We are exposed to potential liability for information on our website and for products and services sold over the Internet and we may incur significant costs and damage to our reputation as a result of defending against such potential liability.

We provide third-party content on our website such as real estate listings, links to third-party websites, advertisements and content provided by users of our community-oriented services. We could be exposed to liability with respect to such third-party information. Among other things, we may face assertions that, by directly or indirectly providing such third-party content or links to other websites, we should be liable for defamation, negligence, copyright or trademark infringement, or other actions by parties providing such content or operating those websites. We may also face assertions that content on our website, including statistics or other data we compile internally, or information contained in websites linked to our website contains errors or omissions, and users could seek damages for losses incurred as a result of their reliance upon incorrect information. In addition, our website could be used as a platform for fraudulent transactions. The measures we take to guard against liability for third-party content or information may not be adequate to exonerate us from relevant civil and other liabilities.

Any such claims, with or without merit, could be time-consuming to defend and result in litigation and significant diversion of management's attention and resources. Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against these claims and suffer damage to our reputation. Our general liability insurance may not cover all potential claims to which we are exposed to and may not be adequate to indemnify us for all liability that may be imposed.

Potential acquisitions, which form part of our strategy, may disrupt our ability to manage our business effectively, including our ability to successfully integrate acquired businesses into our existing operations.

Potential acquisitions form part of our strategy to further expand our business. Future acquisitions and the subsequent integration of new companies or businesses will require significant attention from our management, in particular to ensure that the acquisition does not disrupt any existing collaborations, or affect our users' opinion and perception of our services and customer support. In addition, our management will need to ensure that the acquired business is effectively integrated into our existing operations. The diversion of our management's attention and any difficulties encountered in integration could have a material adverse effect on our ability to manage our business. In addition, future acquisitions could expose us to potential risks, including:

risks associated with the assimilation of new operations, services, technologies and personnel;

unforeseen or hidden liabilities;

the diversion of resources from our existing businesses and technologies;

the inability to generate sufficient revenues to offset the costs and expenses of acquisitions; and

potential loss of, or harm to, relationships with employees, customers and users as a result of the integration of new businesses.

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We have experienced problems with our internal control over financial reporting in the past. If we fail to develop and maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, which could result in harm to our business, loss of investor confidence in our financial reporting and a lower trading price of our ADSs.

Effective internal controls are necessary for us to provide accurate and timely financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our business reputation, financial condition and results of operations could be harmed. We have in the past discovered, and may in the future discover, areas of our internal controls involving deficiencies, significant deficiencies or material weaknesses that have required or will require improvements in our procedures on the preparation, review, approval and disclosure of financial reports and our systems for financial data backup. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow our management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In November 2004, our prior registered independent public accounting firm, or the 2004 accounting firm, whom we had engaged in March 2004 to audit our consolidated financial statements in connection with a proposed initial public offering, expressed discomfort with our accounting records and systems during the course of its review of our book entries relating to certain advances to our employees. Our 2004 accounting firm also noted inconsistencies between the information we provided and our accounting records. In December 2004, following discussions with our then-existing audit committee, our 2004 accounting firm informed our audit committee and us that it was unable to continue its audit and was resigning as our registered independent public accounting firm, citing concerns about the reliability and sufficiency of our financial reporting processes, including our internal controls and systems, the financial information provided by our management and certain representations of our employees.

In early 2006, we engaged a new registered independent public accounting firm, or our 2006 accounting firm. Despite efforts by our management to improve our internal controls, our 2006 accounting firm informed us that we lacked sufficient financial accounting staff with U.S. GAAP knowledge or familiarity with SEC reporting processes. Our 2006 accounting firm also informed us that we initially recorded certain transactions in a manner inconsistent with U.S. GAAP. Furthermore, following discussions among us, our 2006 accounting firm and our 2004 accounting firm regarding our previous restatement of our 2001, 2002 and 2003 financial statements, our 2004 accounting firm notified us of its decision to withdraw its audit opinion on our financial statements for those years.

In November 2007, we terminated our working relationship with our 2006 accounting firm whom we had engaged to audit our 2004 and 2005 financial statements. In February 2008, Ernst & Young Hua Ming replaced our 2006 accounting firm. Ernst & Young Hua Ming is an affiliate of the independent auditor for Telstra International, which became our significant shareholder in August 2006. In connection with our dismissal of our 2006 accounting firm and our engagement of Ernst & Young Hua Ming, and based on our communications with our 2006 independent accounting firm and Ernst & Young Hua Ming, we do not believe any circumstances concerning the change in auditors needed to be brought to Ernst & Young Hua Ming's attention by our 2006 accounting firm.

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Prior to 2006, we had an audit committee in place to assist us in the oversight of our financial reporting process, as well as a nominating and corporate governance committee and compensation committee. In 2006, our board of directors resumed direct oversight and responsibility for the functions that had been delegated to these committees.

In February 2010, in connection with this offering, we engaged Shenzhen Union Strength Business Consulting Co., Ltd., or Union Strength, to assess the effectiveness of our internal control over financial reporting and to make recommendations on our internal control over financial reporting, in preparation for our required future compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley. Based on the assessment set forth in Union Strength's February 2010 report, they recommended that we: (1) strengthen our corporate governance structure, including our audit disclosure controls and relevant policies and procedures; (2) establish an audit committee, an effective internal audit function, a code of conduct, anti-fraud policies, a whistle-blower system and employee complaint handling procedures for accounting and auditing matters; (3) strengthen our procedures on the preparation, review, approval and disclosure of financial reports in preparation for becoming a listed company; (4) increase the number of financial staff with relevant accounting knowledge and experience with U.S. GAAP; (5) improve and regularly update documentation of our processes and controls, such as accounting manuals; (6) create policies on the maintenance and custody of written and electronic control evidence, such as working papers and supporting documents; and (7) create formal access controls over the opening, cancelling and authorizing of an account in our application systems, improve management of important application systems and segregate our accounting responsibility and financial software system administration.

In April 2010, in connection with the audit of our financial statements included in this prospectus, Ernst & Young Hua Ming identified the following material weaknesses: (1) Ernst & Young Hua Ming noted that we did not have sufficient accounting personnel with an appropriate level of knowledge, experience and training in U.S. GAAP and SEC reporting matters to properly identify, analyze and conclude on accounting issues and to prepare financial statements in accordance with U.S. GAAP and SEC reporting requirements; and (2) Ernst & Young Hua Ming noted that we did not establish or maintain an effective independent oversight function, such as an independent audit committee, to fulfill the required oversight function of monitoring and evaluating the independent auditors, our financial performance, the transparency of our financial disclosures and the effectiveness of our internal controls, accounting policies and procedures. Ernst & Young Hua Ming also identified the following deficiencies in our internal control over financial reporting: (1) lack of formal documentation on transfer pricing policy; (2) lack of a comprehensive computerized system to timely track operating data and integrate with the accounting system; and (3) ineffective information technology, or IT, control environment for accounting and key business systems.

As we will be subject to the reporting obligations under the U.S. securities laws following this offering, we are in the process of further refining and enhancing our internal controls in order to satisfy the requirements of Section 404 of Sarbanes-Oxley, which requires annual management assessments of the effectiveness of our internal control over financial reporting and an attestation report by an independent registered public accounting firm on the effectiveness of our internal control over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending December 31, 2011. To meet such requirements, we established an independent audit department in 2004 and are in the process of setting up certain internal control mechanisms including hiring staff experienced in accounting under U.S. GAAP and SEC reporting procedures, creating a standardized risk assessment system and enhancing our IT control system. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may still issue an adverse report on the effectiveness of our internal control

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over financial reporting if such firm is not satisfied with our internal control over financial reporting or the level at which our controls are documented, designed, operated or reviewed, or if such firm interprets the relevant requirements differently from us. During the course of such evaluation, documentation and testing, we may identify deficiencies which we may not be able to remedy in time to meet the deadline for compliance with the requirements of Section 404 of Sarbanes-Oxley and as a result, our management may not be able to make the certifications required by Sarbanes-Oxley as to our internal controls. We also anticipate that we will incur considerable costs and devote significant management time and efforts and other resources to comply with Section 404 of Sarbanes-Oxley. In addition, we currently have certain loans to our directors outstanding. In order to comply with Section 402 of Sarbanes-Oxley, our directors will have to repay those loans to us prior to our public filing. If they fail to do so, we could be subject to sanctions or penalties under Sarbanes-Oxley. See Certain Relationships and Related Party Transactions.

If we fail to timely achieve and maintain the adequacy of our internal control over financial reporting, we may not be able to conclude that we have effective internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to provide accurate financial statements. Any failure to implement required internal controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or provide accurate financial statements, which could cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our ADSs.

Our customers may not repay commitment deposits we have provided to them or may fail to honor the related exclusive online marketing or listing agreements with us.

As of June 30, 2010, we provided commitment deposits to two related parties, in an aggregate amount of RMB65 million (US\$9.5 million). Of these commitment deposit amounts, RMB50 million (US\$7.3 million) was paid to CNED Hengshui Zhong Cheng Wanyuan Home Co., Ltd., or Hengshui, and RMB15 million (US\$2.2 million) was paid to Beijing Dong Fang Xi Mei Investment Consulting Co., Ltd., or Dong Fang Xi Mei. Hengshui is expected to repay the commitment deposit on November 4, 2010. On July 5, 2010, Dong Fang Xi Mei repaid the commitment deposit of RMB 15 million to us after early termination of our agreement with Dong Fang Xi Mei. In preparation for this offering and in the interest of good corporate governance, going forward, we will not enter into any new commitment deposit or loan arrangements with related parties. We generally divide a property development project into four main stages: (i) the early construction stage; (ii) the pre-sale stage, where construction is still in progress, but a significant portion of the project has been completed to satisfy the statutory requirements for issuance of the pre-sale permit by the relevant governmental authorities; (iii) the marketing and sales stage, which extends from pre-sale to completion of sales; and (iv) the after-sales support stage. We provided the Hengshui commitment deposit during the pre-sale stage. We understand that the Hengshui deposit was used (1) to fund project construction and development; (2) to finance activities in preparation for sales and marketing, such as recruitment of sales professionals, setting up of sales offices and advisory fees for marketing consultants; and (3) for general working capital for the subject real estate project. We provided the Dong Fang Xi Mei commitment deposit during the sales and marketing stage. We understand that the Dong Fang Xi Mei deposit was used to help Dong Fang Xi Mei fund its own commitment deposit provided to the Hainan property developer designated by it. While we do not have direct dealings with the Hainan property developer, based on our general understanding from Dong Fang Xi Mei, the developer used the deposit: (1) to fund its sales and marketing activities, such as advertising and promotion and ongoing

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staff costs of its sales team; and (2) for general working capital for the subject real estate project.

On July 16, 2010, we agreed to provide a commitment deposit to Beijing Wei Ye Hang Real Estate Agency Co., Ltd., or Wei Ye, an independent real estate sales agent, in exchange for securing a role as the exclusive online marketing service provider for the Hainan project of the Hainan property developer that was the subject of the previous Dong Fang Xi Mei commitment deposit arrangement. The exact amount and terms of this commitment deposit have yet to be negotiated and may be up to RMB50 million. To the extent we enter into such commitment deposit arrangements with unrelated parties, however, we cannot guarantee that arrangements with such customers will ultimately result in the generation of online marketing or listing service revenues. Anticipated revenues from such arrangements may fail to materialize if the project does not result in significant levels of business for us, if the project is delayed, or otherwise. Moreover, as we have not historically specified the permissible scope of use of commitment deposits provided to our customers in the contracts relating to these commitment deposits, we do not have control over how the recipients of past commitment deposits use these funds, and there is a risk that currently outstanding and future potential commitment deposits will not be paid back to us. Going forward, we intend to specify that the commitment deposits paid to our customers must be applied toward the specified real estate development projects in order to fund their development, sales and marketing activities and general working capital, and may not be used to pay for marketing or listing services provided by us. Property development is a capital-intensive business and subject to various risks and uncertainties, including those disclosed in the risk factor **Our business could be materially and adversely affected by fluctuations in, and government measures influencing, China's real estate industry.** Therefore, the ability of commitment deposit recipients to repay our deposits at maturity will be subject to the risks associated with the property market in general and the subject property projects in particular. Should we be unable to recover our commitment deposits, whether due to the recipient's failure to honor our contractual arrangements, such party's bankruptcy, contractual disputes, or otherwise, we could suffer the loss of our commitment deposits and may be unable to secure exclusive rights for the provision of online marketing or listing services for that customer's property project.

Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business.

As of June 30, 2010, we had 115 leased properties in China with an aggregate GFA of approximately 36,716 sq.m. Approximately 78 of our leased properties, representing approximately 21,249 sq.m., all of which were used as offices, contained defects in the leasehold interests. Such defects included the lack of proper title or right to lease and the landlord's failure to duly register the lease with the relevant PRC government authority.

According to PRC laws, rules and regulations, in situations where a tenant lacks evidence of the landlord's title or right to lease, the relevant lease agreement may not be valid or enforceable under PRC laws, rules and regulations, and may also be subject to challenge by third parties. In addition, according to PRC laws, rules and regulations, the failure to register the lease agreement will not affect its effectiveness between the tenant and the landlord, however, such lease agreement may be subject to challenge by and unenforceable against a third party who leases the same property from the landlord and has duly registered the lease with the competent PRC government authority. Furthermore, the landlord and the tenant may be subject to administrative fines for such failure to register the lease.

We have initiated steps to cause our landlords to procure valid evidence as to the title or right to lease, as well as to complete the lease registration procedures. However, we cannot assure you that such defects will be cured in a timely manner or at all. Our business may be

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interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development and PRC insurance companies offer only limited business insurance products. As a result, we do not have any business disruption insurance or litigation insurance coverage for our operations in China. Any business disruption, litigation or natural disaster may cause us to incur substantial costs and result in the diversion of our resources, as well as significantly disrupt our operations, and have a material adverse affect on our business and prospects.

Risks Relating to Our Corporate Structure

If the PRC government determines that the Structure Contracts that establish the structure for our business operations do not comply with applicable PRC laws, rules and regulations, we could be subject to severe penalties or be forced to restructure our ownership structure.

Foreign ownership in the Internet content distribution and advertising businesses is subject to significant restrictions under current PRC laws, rules and regulations. These laws, rules and regulations also include limitations on foreign ownership in PRC companies that provide Internet content distribution and online marketing services. As we are a Cayman Islands company and our PRC subsidiaries and their branch companies in China are treated as foreign-invested enterprises under applicable PRC laws, we are subject to ownership limitations as well as special approval requirements on foreign investment. Specifically, foreign entities are not allowed to own more than a 50.0% equity interest in any PRC company operating an ICP business and are only allowed to directly own 100% of the equity interest of a PRC company operating an advertising business if such foreign entity has at least three years of direct experience operating an advertising business outside China, or less than 100% of the equity interest in the advertising business if the foreign investor has at least two years of direct experience operating an advertising business outside China. Currently, we do not directly operate an advertising business outside China and cannot qualify under PRC laws, rules and regulations to invest directly in a PRC entity that provides advertising services in China and our PRC foreign-invested subsidiaries may be prohibited from providing advertising services.

To comply with applicable PRC laws, rules and regulations, we conduct our operations in China through the Structure Contracts, a series of contractual arrangements entered into among two of our PRC subsidiaries, SouFun Media and SouFun Network, our 11 consolidated controlled entities, and their respective shareholders, which consist of exclusive technical consultancy and service agreements, equity pledge agreements, operating agreements, shareholders proxy agreements, loan agreements, exclusive call option agreements, and intra-group memoranda of understanding, each as amended. As a result of these Structure Contracts, we demonstrate the ability to control the consolidated controlled entities through our rights to all the residual benefits of the consolidated controlled entities and our obligation to fund the losses of the consolidated controlled entities. Accordingly, we consolidate their results in our financial statements. For a description of the Structure Contracts, see Our History and Corporate Structure Structure Contracts. Our consolidated controlled entities hold the licenses and approvals that are essential to the operation of our Internet content distribution and advertising businesses. As certain agreements with our customers for Internet content distribution and advertising services were entered into directly with our PRC subsidiaries and not our

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consolidated controlled entities, we cannot assure you that the PRC government will not deem our Internet content distribution and advertising business to be in violation of applicable PRC laws, rules and regulations. See also If our PRC subsidiaries are deemed to have engaged in online advertising or Internet information release businesses without required permits or licenses, they could be subject to penalties imposed by PRC regulatory authorities.

On July 26, 2006, MIIT publicly released the Notice on Strengthening the Administration of Foreign Investment in Operating Value-Added Telecommunications Business, or the MIIT Notice, which reiterates certain provisions under China's Administrative Rules on Foreign-Invested Telecommunications Enterprises prohibiting, among others, the renting, transferring or sale of a telecommunications license to foreign investors in any form. Under the MIIT Notice, holders of valued-added telecommunications business operating licenses, or their shareholders, must also directly own the domain names and trademarks used by such license holders in their daily operations. To comply with this requirement under the MIIT Notice, we terminated the trademark license agreements and domain name license agreements between Beijing Advertising and us as well as those between Beijing Internet and us in August 2006. We are also in the process of assigning all registered trademarks, trademark applications and domain names relating to SouFun and Jia Tian Xia to the relevant consolidated controlled entities in order to maintain their respective ICP licenses to operate as value-added telecommunication service providers. Since there is currently no official interpretation or implementation practice under the MIIT Notice, it remains uncertain how the MIIT Notice will be enforced and whether or to what extent the MIIT Notice may affect the legality of the corporate structures and contractual arrangements adopted by foreign-invested Internet companies, such as ours, that operate in China. In this connection, our PRC legal counsel, King & Wood, is of the opinion that: (i) each of our Structure Contracts is legal, valid and binding on the contracting parties under applicable PRC laws, rules and regulations; (ii) the execution, delivery, effectiveness, enforceability and performance of each of our Structure Contracts do not violate any published PRC laws, rules and regulations currently in force and effect; (iii) none of our Structure Contracts contravene any published PRC laws, rules and regulations currently in force and effect; and (iv) no filings, registrations, consents, approvals, permits, authorizations, certificates and licenses of any PRC government authorities, are currently required in connection with the execution, delivery, effectiveness, performance and enforceability of each Structure Contract, provided that the exercise of the call option in the future must be approved and registered by competent PRC government authorities.

However, the relevant PRC regulatory authorities have broad discretion in determining whether a particular corporate structure or contractual arrangement violates applicable PRC laws, rules and regulations, and may take a different view from that of our PRC legal counsel. If the past or current ownership structures, Structure Contracts and businesses of our Company, our PRC subsidiaries and our consolidated controlled entities are found to be in violation of any existing or future PRC laws, rules or regulations, MIIT and other relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

revoking the business and operating licenses of our PRC subsidiaries or consolidated controlled entities, whose business and operating licenses are essential to the operation of our business;

levying fines of the greater of RMB500,000 or an amount up to five times the revenues generated from operating activities violating the relevant regulations;

confiscating our income or the income of our PRC subsidiaries and/or consolidated controlled entities;

shutting down our servers or blocking our website;

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discontinuing or restricting our operations or the operations of our PRC subsidiaries and/or consolidated controlled entities;

imposing conditions or requirements with which we, our PRC subsidiaries and/or consolidated controlled entities may not be able to comply;

requiring us, our PRC subsidiaries and/or consolidated controlled entities to restructure the relevant ownership structure, operations or contractual arrangements; and

taking other regulatory or enforcement actions that could be harmful to our business.

We cannot assure you that the relevant PRC regulatory authorities will not require that we restructure our Structure Contracts to comply with the MIIT Notice or that we can restructure our ownership structure without material disruption to our business. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. The imposition of any of these penalties and the effect of any new PRC laws, rules and regulations applicable to our corporate structure and contractual arrangements could materially disrupt our ability to conduct our business and have a material adverse affect on our financial condition and results of operations.

We may lose the ability to utilize assets held by our consolidated controlled entities that are important to the operation of our business if any of these entities goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our wholly-owned subsidiaries, SouFun Media and SouFun Network, are considered foreign-invested enterprises in China and are, therefore, not permitted under the current PRC laws, rules and regulations to hold the ICP licenses and to operate the advertising businesses that are critical to our operations. As a result, our consolidated controlled entities are the holders of the ICP licenses required for operating our website and our advertising business in China. We do not have any direct or indirect shareholding interests in these consolidated controlled entities. They are instead held directly or indirectly by Mr. Mo, our founder and executive chairman, and Richard Jiangong Dai, our president and chief executive officer who will also become a director of our company immediately following the effectiveness of the registration statement on Form F-1, of which this prospectus forms a part, or Mr. Dai. Mr. Dai is a nephew of Mr. Mo. Both Mr. Mo and Mr. Dai are PRC citizens. Through the Structure Contracts, we demonstrate management, financial and voting control over these consolidated controlled entities through our rights to all the residual benefits of the consolidated controlled entities and our obligation to fund losses of the consolidated controlled entities and also have a contractual right, to the extent permitted by PRC laws, rules and regulations, to acquire the equity interests in these entities. Consequently, if any of these consolidated controlled entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our consolidated controlled entities undergoes a voluntary or involuntary liquidation proceeding, the shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

If our PRC subsidiaries are deemed to have engaged in online advertising or Internet information release businesses without required permits or licenses, they could be subject to penalties imposed by PRC regulatory authorities.

SouFun Media, SouFun Network and their local branches have entered into certain service contracts, including web promotion and technical service contracts and Internet information release service contracts, with some of our customers under which SouFun Media or SouFun

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Network, as the case may be, is required to provide certain services, including web promotion and technical services, consulting services and advertising or Internet information release services for such customers. Web promotion and technical services involve marketing services employing traditional Internet promotional tools such as website banners and text links and Internet information release services involve the posting of data and graphics on our website. These services are part of the range of products and services offered to customers as part of our marketing services business. Due to the uncertainties in the regulation of the Internet industry in China, the PRC regulatory authorities have broad discretion in determining compliance with the applicable PRC laws, rules and regulations in the Internet industry in China, and may conclude that SouFun Media and SouFun Network need permits or licenses to perform its obligations under such service contracts. Historically, SouFun Media and SouFun Network's activities relating to these service contracts have been limited to entering into the service contracts, issuing invoices for services rendered and performing technical and consulting services, primarily consisting of design, installation, debugging and maintenance of network and computer systems and database support. All of our online advertising and Internet information release services in China have been and continue to be performed by our consolidated controlled entities, which have the relevant permits or licenses to operate such businesses. Neither SouFun Media nor SouFun Network has the required permits or licenses for conducting online advertising services or Internet information release services in China.

In order to formalize these historical arrangements, SouFun Media and SouFun Network and our consolidated controlled entities entered into intra-group memoranda of understanding in February 2008. The intra-group memoranda of understanding allow our consolidated controlled entities that hold the required permits or licenses for conducting online advertising services or Internet information release services in China to provide these services to customers who have entered into agreements with SouFun Media or SouFun Network. Pursuant to the intra-group memoranda of understanding, neither SouFun Media nor SouFun Network will provide any online advertising services or Internet information release services in China, but both will continue to issue invoices directly to customers pursuant to the service contracts and may directly enter into such service contracts with customers so long as a consolidated controlled entity provides the online advertising or Internet information release services, as the case may be, to our customers. Since the signing of such intra-group memoranda of understanding, SouFun Media and SouFun Network have substantially reduced their direct contracting for the provision of online advertising and Internet information release services in China, but have not completely discontinued entering into such service contracts. See Our History and Corporate Structure Structure Contracts. As we have maintained long-term cooperation with our customers under these service contracts and because we believe the intra-group memoranda evidence our practice of having only the consolidated controlled entities with the requisite permits perform online advertising and Internet information release services, we intend to continue our performance under these web promotion and technical service contracts and Internet information release service contracts prior to their expiration or termination on or before December 31, 2010, under the circumstances so as not to disrupt our working relationship with our customers.

Marketing service revenue generated from SouFun Media and SouFun Network in 2009 totalled US\$42.9 million, or approximately 33.8%, of our total revenues in 2009. All of these service contracts with online advertising or Internet information release components will be terminated or expire on or prior to December 31, 2010. Since July 1, 2010, SouFun Media and SouFun Network have ceased entering into new, or renewing any existing, service contracts with online advertising or Internet information release components. We will endeavor to have our consolidated controlled entities re-enter into these terminated or expired agreements with our customers and, in the future, will have our consolidated controlled entities enter into all agreements relating to online advertising or Internet information release services with our customers. We cannot assure you that we will be able to successfully transition our

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consolidated controlled entities as the contracting parties for these service contracts, nor can we assure you that we will not suffer any loss of revenues or disruption to our working relationship with these customers as a result of this transition.

Pursuant to the Structure Contracts, our consolidated controlled entities are obligated to accept guidance from our wholly-owned subsidiaries, SouFun Media and SouFun Network, with respect to the day-to-day operations as well as the financial and personnel management of such consolidated controlled entities. We currently rely primarily on the good faith of the parties in the performance of the Structure Contracts and the intra-group memoranda of understanding to the extent that the applicable PRC laws, rules and regulations continue to remain vague in their application in this regard.

King & Wood, our PRC legal counsel, is of the opinion that the intra-group memoranda of understanding constitute legal, valid and binding obligations of the contracting parties under applicable PRC laws, rules and regulations, that the execution, delivery, effectiveness, enforceability and performance of the intra-group memoranda of understanding do not violate any published PRC laws, rules and regulations currently in force and effect and that intra-group memoranda of understanding do not contravene any published PRC laws, rules and regulations currently in force and effect. Our PRC legal counsel is also of the opinion that the performance by SouFun Media or SouFun Network, as the case may be, of the web promotion and technical service contracts or Internet information release service contracts in a manner consistent with the intra-group memoranda of understanding does not violate PRC laws, rules or regulations. However, as a result of the broad discretion of the relevant PRC government authorities to determine compliance with applicable PRC laws, rules and regulations in the Internet industry in China, such authorities may take a contrary view and determine that SouFun Media and SouFun Network engaged in online advertising or Internet information release businesses in China in violation of PRC laws, rules and regulations. We cannot assure you that a PRC court will uphold the validity of our intra-group memoranda of understanding or any of the Structure Contracts, as we have further disclosed under Risks Relating to Our Corporate Structure. As the enforceability of our intra-group memoranda of understanding relies in part on the Structure Contracts, should the relevant PRC regulatory authorities determine that our Structure Contracts are not in compliance with applicable PRC laws, rules and regulations, we could face difficulty enforcing the intra-group memoranda of understanding with our consolidated controlled entities.

If the PRC regulatory authorities were to challenge the validity of our intra-group memoranda of understanding and our web promotion and technical service contracts or information release contracts, and SouFun Media or SouFun Network are deemed to have engaged in online advertising or Internet information release businesses in China in violation of any existing or future PRC laws, rules or regulations as a result of their entry into these agreements with our customers, the relevant PRC regulatory authorities, including MIIT and SAIC, which regulate the telecommunications and advertising companies, respectively, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of SouFun Media and SouFun Network;
- imposing fines or confiscating income of SouFun Media and SouFun Network; and
- requiring SouFun Media and SouFun Network to cease operations.

As SouFun Media and SouFun Network are integral to our Structure Contracts and our ownership structure, the imposition of any of these penalties could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents**Contractual or other arrangements among our affiliates may be subject to scrutiny by PRC tax authorities, and a finding that we or our affiliates owe additional taxes could substantially reduce our profitability and the value of your investment.**

As a result of the Structure Contracts, we are entitled to substantially all of the economic benefits of ownership of the consolidated controlled entities and also bear substantially all of the economic risks associated with consolidated controlled entities. If the PRC tax authorities determine that the economic terms, including pricing, of our arrangements with our consolidated controlled entities were not determined on an arm's length basis, we could be subject to significant additional tax liabilities. In particular, the PRC tax authorities may perform a transfer pricing adjustment, which could result in a reduction, for PRC tax purposes, of deductions recorded by our consolidated controlled entities. Such a reduction could increase the tax liabilities of our consolidated controlled entities without reducing the tax liabilities of our PRC subsidiaries. This increased tax liability could further result in late payment fees and other penalties to our consolidated controlled entities for underpaid taxes. Ernst & Young Hua Ming, our registered independent public accounting firm, in their audit of our financial statements included in this prospectus, have also identified our lack of formal documentation on such transfer pricing policy to be a deficiency in our internal control over financial reporting. See **Risks Relating to Our Business** We have experienced problems with our internal control over financial reporting in the past. If we fail to develop and maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, which could result in harm to our business, loss of investor confidence in our financial reporting and a lower trading price of our ADSs. Any payments we make under these arrangements or any adjustments in payments under these arrangements that we may make in the future will be subject to the same risk. Any of these events could materially reduce our net income.

Contractual arrangements, including voting proxies, with our consolidated controlled entities for our Internet content distribution and marketing businesses may not be as effective in providing operational control as direct or indirect ownership.

Since the applicable PRC laws, rules and regulations restrict foreign ownership in the Internet content distribution and marketing businesses, we conduct our Internet content distribution and advertising businesses and derive related revenues through the Structure Contracts with our consolidated controlled entities. As we have no direct or indirect ownership interest in our consolidated controlled entities, these Structure Contracts, including the voting proxies granted to us, may not be as effective in providing us with control over these companies as direct or indirect ownership. If we were the controlling shareholders of these companies with direct or indirect ownership, we would be able to exercise our rights as shareholders to effect changes in the board of directors, which in turn could effect change, subject to any applicable fiduciary obligations, at the management level. However, pursuant to the Structure Contracts, if any of our consolidated controlled entities or their shareholders fail to perform their obligations under these contractual arrangements, we may be forced to (i) incur substantial costs and resources to enforce such arrangements, including the voting proxies, and (ii) rely on legal remedies available under PRC law, including exercising our call option right over the equity interests in our consolidated controlled entities, seeking specific performance or injunctive relief, and claiming monetary damages. In addition, pursuant to these Structure Contracts, if Mr. Mo or Mr. Dai were to terminate their employment with us, they would be obligated to transfer their respective share ownership in any of our consolidated controlled entities to us or our designee. If Mr. Mo or Mr. Dai were to refuse to effect such a transfer, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to fulfill their contractual obligations. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other

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obstacles in the process of enforcing these contractual arrangements, our business, financial condition and results of operations could be materially and adversely affected.

We are controlled by our significant shareholders and their affiliated entities, whose interests may differ from our other shareholders.

Pursuant to a private placement, or the Telstra Private Placement, as described in the section entitled **Certain Relationships and Related Party Transactions – Telstra Private Placement**, Next Decade Investments Limited, or Next Decade, one of our corporate shareholders whose shares are held in an irrevocable discretionary trust established by Mr. Mo, has agreed to purchase 888,888 Class A ordinary shares from Telstra International at the initial public offering price, subject to certain conditions, including the closing of this offering having occurred on or prior to September 30, 2010 (or the date that is three business days after September 30, 2010 if an underwriting agreement has been entered into in the three business days prior to September 30, 2010 and is not terminated). General Atlantic and Apax have each also agreed to buy 15,347,720 Class A ordinary shares in the Telstra Private Placement at the initial public offering price, subject to certain conditions, including the closing of this offering having occurred on or prior to September 30, 2010 (or the date that is three business days after September 30, 2010 if an underwriting agreement has been entered into in the three business days prior to September 30, 2010 and is not terminated). In addition, Next Decade has also entered into a call option agreement with General Atlantic and a call option agreement with Apax pursuant to which Next Decade has the option to purchase 987,656 Class A ordinary shares from each of them at any time during the two-year period after the closing of this offering, if the Telstra Private Placement is consummated at the initial offering price of this offering. Immediately following the completion of this offering and without considering the exercise of such options, Media Partner Technology Limited, or Media Partner, also one of our corporate shareholders whose shares are held in an irrevocable discretionary trust established by Mr. Mo, and Next Decade will together hold approximately 29.5% of our outstanding share capital and approximately 71.4% of our voting power under our dual-class ordinary share structure, and will be our largest shareholders. General Atlantic and Apax will each hold approximately 20.2% of our outstanding share capital and approximately 5.1% of our voting power immediately following the completion of this offering. If the closing of this offering has not occurred on or before September 30, 2010 (or the date that is three business days after September 30, 2010 if an underwriting agreement has been entered into in the three business days prior to September 30, 2010 and is not terminated), the Telstra Private Placement contemplates an alternative pricing for the private sale as disclosed in the section entitled **Certain Relationships and Related Party Transactions – Telstra Private Placement – Share Purchase Agreement**. Media Partner and Next Decade together, as our largest shareholders, could exert substantial influence over the outcome of any corporate transaction or other matters submitted to the shareholders for approval, including mergers, consolidations, the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our Company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase ADSs in this offering.

The continuing cooperation of our significant shareholders following this offering, including Media Partner and Next Decade, is important to our businesses. Without their consent or cooperation, we could be prevented from entering into transactions or conducting business that could be beneficial to us. We cannot assure you, however, that the interests of our significant shareholders would not differ from the interests of our other shareholders, including investors in the ADSs offered by this prospectus.

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Risks Relating to China

China's economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition and results of operations.

Our business and operations are primarily conducted in China. Accordingly, our financial condition and results of operations have been, and are expected to continue to be, affected by the economic, political and social developments in relation to the Internet, online marketing and real estate industries in China. A slowdown of economic growth in China could reduce the sale of real estate and related products and services, which in turn could materially and adversely affect our business, financial condition and results of operations.

The PRC economy differs from the economies of most developed countries in many respects, including: a higher level of government involvement; the on-going development of a market-oriented economy; a rapid growth rate; a higher level of control over foreign exchange; and a less efficient allocation of resources.

While the PRC economy has experienced significant growth since the late 1970s, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures are intended to benefit the overall PRC economy, but may also have a negative effect on us. For example, our business, financial condition and results of operations could be adversely affected by PRC government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy has been transitioning from a centrally-planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s which emphasize the utilization of market forces for economic reform, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The discontinuation of any of the preferential tax treatments currently available to us in China could materially and adversely affect our financial condition and results of operations

Prior to January 1, 2008, our PRC subsidiaries were governed by the PRC Enterprise Income Tax Law Concerning Foreign-Invested Enterprises and Foreign Enterprises, or the Old EIT Law, and generally subject to enterprise income taxes at a statutory rate of 33.0%, which consists of a 30.0% national income tax and 3.0% local income tax. Under the PRC enterprise income tax law that existed prior to January 1, 2008, or the Old EIT Law, some of our subsidiaries were qualified for preferential tax treatment upon satisfying certain criteria. For example, SouFun Media and SouFun Network each obtained a new and high technology enterprise certificate, which entitled them to a preferential income tax rate of 15.0% and an exemption from foreign enterprise income tax for three years starting from the calendar years of 2003 and 2006, respectively. These companies are also entitled to a 50.0% tax reduction for the three years beginning from 2006 and 2009, respectively.

In March 2007, the National People's Congress of China enacted the PRC Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008. Under the New EIT Law, all foreign-invested enterprises and domestic enterprises, including our subsidiaries and consolidated controlled entities, are subject to enterprise income tax at a uniform rate of 25.0% if no preferential tax policy is applicable. The New EIT Law also provided for a

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transition period commencing January 1, 2008 for those enterprises which were established before the promulgation of the New EIT Law and were entitled to preferential tax treatment such as a reduced tax rate or a tax holiday. Based on the transitional rule, foreign-invested enterprises located in Shenzhen Special Economic Zone and Shanghai Zhangjiang High Technology Park, such as SouFun Shenzhen and SouFun Shanghai, which previously enjoyed a preferential tax rate of 15.0%, are eligible for a five-year transition period during which the income tax rate will be gradually increased to the unified rate of 25.0%. The applicable rates for SouFun Shenzhen and SouFun Shanghai would be 18.0%, 20.0%, 22.0%, 24.0% and 25.0% in 2008, 2009, 2010, 2011, 2012, respectively, and 25.0% thereafter. As a result of these changes in tax rates, we expect our effective tax rate in 2010 to be higher than that in 2009, which will affect our profitability, net income and earnings per share.

In April 2008, the relevant PRC governmental authorities also released qualification criteria and application and assessment procedures for high and new technology enterprises strongly supported by the state, which would be entitled to a statutory tax rate of 15.0%. Currently, five of our PRC subsidiaries or consolidated controlled entities are qualified as high and new technology enterprises strongly supported by the state. We cannot assure you that our PRC subsidiaries or consolidated controlled entities will continue to be entitled to preferential tax rates as qualified high and new technology enterprises strongly supported by the state under the New EIT Law. We also cannot assure you that the tax authorities will not, in the future, discontinue any of our preferential tax treatments, potentially with retroactive effect. In the event that preferential tax treatment for any of our subsidiaries or consolidated controlled entities is discontinued, the affected entity will become subject to a 25.0% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability.

On April 21, 2010, the State Administration of Taxation, or SAT, issued Circular 157, or Circular 157, which stated that enterprises recognized as high and new technology enterprises strongly supported by the state and eligible to enjoy the grandfathering treatments such as a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax under a 2007 circular No. 39, or Circular 39, may choose the reduced tax rate of 15.0% applicable to high and new technology enterprises strongly supported by the state or the tax exemption/reduction based on the tax rates in the grandfathering period as stated in Circular 39. Enterprises are not allowed the 50.0% reduction based on the preferential tax rate for high and new technology enterprises strongly supported by the state of 15.0%. Circular 157 applies retroactively from January 1, 2008.

As a consequence of Circular 157, we believe that the applicable income tax rates for SouFun Network, Beijing Technology and Beijing JTX Technology, as high and new technology enterprises strongly supported by the state, will be 10.0%, 10.0% and 0% for 2009, respectively, and 11.0%, 11.0% and 11.0% for 2010, respectively, instead of 7.5%, 7.5% and 0% for 2009, respectively, and 7.5%, 7.5% and 7.5% for 2010, respectively, that we used in our audited consolidated financial statements included elsewhere in this prospectus. As we believe Circular 157 is similar to a change in tax law, and the cumulative effect should be reflected in the period of the change, an additional tax expense of US\$3.8 million was recognized in the six months ended June 30, 2010 to account for the cumulative effect of Circular 157 for the year ended December 31, 2009 and the three months ended March 31, 2010, the applicable tax period prior to the announcement in April 2010. This additional tax expense consists of current income tax expense of US\$1.1 million and deferred tax expense of US\$2.7 million. We are in the process of discussing with the relevant tax authorities the settlement procedures for the additional tax required under Circular 157 and this additional tax was classified as income tax payable in the balance sheet.

Table of Contents**We may be treated as a resident enterprise for PRC tax purposes under the New EIT Law and therefore be subject to PRC taxation on our worldwide income.**

We are incorporated under the laws of the Cayman Islands. Under the New EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a non-resident enterprise or a resident enterprise. If any enterprise incorporated in a foreign country or region has its de facto management bodies located within the PRC territory, such enterprise will be considered a PRC tax resident enterprise and thus will normally be subject to enterprise income tax at the rate of 25.0% on its worldwide income. The relevant implementing rules provide that de facto management bodies means the bodies which exercise substantial and overall management and control over the manufacturing and business operation, personnel, accounting, properties and other factors of an enterprise. In April 2009, SAT issued a Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, which sets forth certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. However, Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners in China, such as our Company. See Regulation Regulation of Foreign Exchange, Taxation and Dividend Distribution Taxation and Dividend Distribution. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the New EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise. As a result, King & Wood, our PRC legal counsel, is unable to express an opinion as to the likelihood that we will be subject to the tax applicable to resident enterprises or non-resident enterprises under the New EIT Law. If we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25.0% on our worldwide income. The New EIT Law provides that dividend income between qualified resident enterprises is exempted income, which the implementing rules have clarified to mean a dividend derived by a resident enterprise on equity interest it directly owns in another resident enterprise. It is possible, therefore, that dividends we receive through Bravo Work and Max Impact from SouFun Media, SouFun Network and sp; 435^{1b} 11,832

Melissa A. Hill

427 ^{1a} 29,638	326 ^{1a} 22,628	105 ^{1a} 2,856	589 ^{1b} 40,882	450 ^{1b} 31,235	500 ^{1b} 34,705	145 ^{1b} 3,944
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Jeffrey C. Selby

2,000	130,131	5,000	161,022	386 ^{1a} 26,792	284 ^{1a} 19,712	315 ^{1a} 8,568	533 ^{1b} 36,996	392 ^{1b} 27,209	435 ^{1b} 11,832
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¹ Includes cash payments to NEOs in 2007 upon vesting of cash unit awards.

^{1a} Represents cash units vesting.

^{1b} Represents shares of restricted stock vesting.

² The Value Realized on Vesting is the number of shares of restricted stock or cash units multiplied by the market price of our common stock on the vesting date.

Table of Contents**2007 Pension Benefits Table**

The following table contains information concerning pension benefits for the NEOs during the fiscal year ended December 31, 2007.

Name	Plan Name	Number of Years of Credited Service (#) ¹	Present Value of Accumulated Benefit (\$) ²	Payments During Last Fiscal Year (\$)
Theodore L. Chandler, Jr.	Cash Balance Plan	8	23,806	0
	Benefit Restoration Plan	8	52,665	0
G. William Evans	Cash Balance Plan	32	322,813	0
	Benefit Restoration Plan	32	191,032	0
Kenneth Astheimer	Cash Balance Plan	34	514,930	0
	Benefit Restoration Plan	34	378,507	0
Melissa A. Hill	Cash Balance Plan	7	15,031	0
Jeffrey C. Selby	Cash Balance Plan	38	261,345	0
	Commonwealth Supplemental Executive Retirement Plan	38	349,066	0

¹ The Company has not granted, and does not have any policies with respect to granting extra years of service to its NEOs, under the Company's pension plans.

² The present value was determined assuming retirement at age 65 (which is the normal retirement age under the Cash Balance Plan, the Benefit Restoration Plan and the Commonwealth Supplemental Executive Retirement Plan) using an interest rate consistent with assumptions used for the Company's financial reporting under FAS 87, which rate was 5.75% for September 30, 2006 and 6.0% for September 30, 2007. The post retirement mortality assumption used was RP2000 projected to 2010 with white collar adjustment. Other assumptions made in the valuation are discussed in Note 12 Pensions and Other Postretirement Benefits in the Company's financial statements filed on Form 10-K for the fiscal year ended December 31, 2007.

All of the NEOs have vested accounts in the Company's Cash Balance Plan, a qualified defined benefit retirement plan. Under the plan, which was frozen effective December 31, 2004, a cash balance account was established for each participant for record keeping purposes. Prior to December 31, 2004, a participant's cash balance account was annually credited with (i) a compensation credit based on the participant's age, service and compensation for that year and (ii) an interest credit based on the participant's account balances at the end of the prior year. The compensation credit percentage was based on the sum of the participant's age and service at the beginning of the year, and ranged from 2% for a sum of less than 35 to 5% for a sum of 80 or more. Annual interest credits were based on the average of 10-year Treasury bond rates in effect for the month of November of the prior year. There is no early retirement option under the plan, and upon termination of employment, the account balance may be converted to various monthly benefit options based on actuarial factors defined in the plan or may be paid in a lump sum benefit. Benefits for participants who were eligible for early retirement on December 31, 1998, under the terms of the former Lawyers Title Retirement Plan or

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the former Commonwealth Pension Plan will be no less than benefits calculated under the provisions of such former plan. Because any participant can convert the account balance upon termination of employment, all NEOs are eligible for a benefit under the Cash Balance Plan at retirement.

The Internal Revenue Code limits (i) the annual retirement benefit that may be paid under the Cash Balance Plan and (ii) the compensation that may be used in computing a benefit. The maximum benefit limitation is adjusted each year to reflect the cost of living. For 2007, the maximum benefit limitation was \$180,000 (based on a life annuity) and the earnings limitation was \$225,000.

Mr. Chandler, Mr. Evans and Mr. Astheimer are also covered by the Company's 1999 Benefit Restoration Plan, a plan designed to restore to selected participants the benefits that cannot be paid under the Cash Balance Plan due to the Internal Revenue Code maximum benefit limitation, the earnings limitation, or both. As of December 31, 2004, future accruals under the 1999 Benefit Restoration Plan were discontinued. The benefit payable under the 1999 Benefit Restoration Plan is fixed at the difference between the benefit that would be payable under the Cash Balance Plan, but for either or both of the Internal Revenue Code limitations, and the amount actually payable under the Cash Balance Plan. The benefits under the 1999 Benefit Restoration Plan are payable for a period of 15 years commencing after normal retirement. The Benefit Restoration Plan does not provide an early retirement benefit, but a participant's right to receive benefits vests at age 55 with at least five years of service. Although the Benefit Restoration Plan is unfunded for purposes of the Employee Retirement Security Act, also referred to as ERISA, the Company maintains a rabbi trust, which holds corporate owned life insurance to hedge its obligations under the plan.

Mr. Selby is a party to a Commonwealth Supplemental Executive Retirement Plan Agreement, also referred to as a SERP, dated May 4, 1994. This exception exists because the arrangement became effective while Mr. Selby was an employee of Reliance Group Holdings, Inc., prior to the combination of its business with the Company. Mr. Selby's SERP provides for a retirement benefit equal to thirty percent (30%) of his career average annual salary for a period of 10 years after his retirement. Mr. Selby is currently eligible for a benefit under the SERP retirement. Because of Mr. Selby's SERP, Mr. Selby is also a party to a Supplemental Change of Control Agreement, described in further detail below under Potential Payments Upon Termination or Change of Control on page 40 of this Proxy Statement.

Table of Contents**2007 Nonqualified Deferred Compensation Table**

The following table contains information concerning nonqualified deferred compensation for the Named Executive Officers during the fiscal year ended December 31, 2007.

Name	Executive Contributions in Last Fiscal Year (\$)¹	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)²	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)³
Theodore L. Chandler, Jr.	544,350	0	239,764	0	3,726,360 ^{3a}
G. William Evans	0	0	34,183	0	678,154
Kenneth Astheimer	213,750	0	182,163	0	2,450,937 ^{3b}
Melissa A. Hill	105,750	0	52,363	0	801,911
Jeffrey C. Selby	202,563	0	208,967	0	2,965,508

¹ Contributions by the executives reflected in this column are not covered by the Summary Compensation Table because contributions were made from annual cash incentive payments earned for fiscal year 2006 and paid in fiscal year 2007, and the Summary Compensation Table reflects cash incentive payments earned for fiscal year 2007 and paid in fiscal year 2008. However, contributions made by the NEO reflected in this column were made from the non-equity incentive plan awards reflected in the 2007 Grants of Plan-Based Awards Table.

² Amounts in this column reflect the total cash earnings for the 2007 fiscal year on the NEOs deferred cash accounts under the EVDP, and, for Mr. Chandler, earnings for the 2007 fiscal year on both the EVDP and the ODDP and for Mr. Astheimer, earnings for the 2007 fiscal year on both the EVDP and the LTDIP.

³ The Company's Summary Compensation Table information presented in previous years did not include this information.

^{3a} Mr. Chandler's aggregate balance includes both his balance in the EVDP, the ODDP and the prior ODDP.

^{3b} Mr. Astheimer's aggregate balance includes both his balance in the EVDP and the LTDIP.

For details of the EVDP, see the discussion of the EVDP in the Compensation Discussion & Analysis on page 15 of this Proxy Statement.

Because Mr. Chandler was a non-management director of the Company prior to his employment with the Company, he has an account under the ODDP, which is not a tax-qualified plan. Certain participants in the ODDP, including Mr. Chandler, have grandfathered deferred cash accounts under the ODDP for the plan years 1995 through 1999, which earn 9% interest. The rate for the plan years 1995 through 1999 under the ODDP is not considered to be an above-market rate because 120% of the applicable long term federal rate on January 1, 1995, the date that the rate was set, is greater than 9%. Therefore, the Summary Compensation Table does not include any above market earnings under the ODDP for Mr. Chandler. For further discussion of the ODDP, see the Directors' Compensation Table on page 45 of this Proxy Statement and discussion following the table.

Mr. Astheimer is the only NEO with an account remaining under the LTDIP, which is an unfunded plan that the Company no longer actively maintains, except for maintaining account balances from executives who were originally participants. For details of the LTDIP, see the discussion of the LTDIP in the Compensation Discussion & Analysis on page 25 of this Proxy Statement.

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Potential Payments Upon Termination or Change of Control

NEOs may receive payments from the Company upon termination of employment or a change of control pursuant to Change of Control Agreements between the NEOs and the Company, under the Company's Severance Plan or pursuant to the terms of certain equity awards held by the NEOs. The material terms of the Change of Control Agreements and the Severance Plan are summarized below, along with quantification of such potential payments.

Equity Awards

For a description of benefits triggered under equity awards held by the NEOs, see the Compensation Discussion and Analysis Severance/Change of Control Agreements on page 27 of this Proxy Statement. The benefits triggered under such equity awards are included in the quantification of payments below.

Change of Control Agreements

To help ensure that we will have the continued dedicated service of certain key employees notwithstanding the possibility, threat or occurrence of a change of control, we have entered into a Change of Control Employment Agreement with each of the NEOs and other designated employees for a one year term with an automatic annual renewal on each anniversary date, unless earlier terminated. We entered into a Supplemental Change of Control Employment Agreement with Mr. Selby that had the effect of equalizing the benefits to which he was entitled under his Change of Control Employment Agreement with the Change of Control Agreements for the other NEOs. The material provisions of the change of control agreements for the NEOs including Mr. Selby's supplemental agreement are summarized in the table below:

Any of the following:

Change of Control Definition

- i) Acquisition of beneficial ownership of over 20% of our common stock or combined voting power
- ii) Reorganization, merger or similar transaction resulting in shareholders owning less than 50% of surviving company, liquidation or sale of substantially all assets
- iii) Change in majority of directors as a result of a contested election

Employment Period

If a change of control occurs during the term of the Agreement, a 3-year employment period begins during which the executive is guaranteed minimum compensation and certain severance benefits

Compensation During Employment Period

- i) Monthly base salary at least equal to highest monthly base salary paid during previous 12 months
- ii) Annual bonus at least equal to highest annual bonus paid in the 3 fiscal years prior to the change of control
- iii) Savings, welfare benefits, fringe benefits and retirement benefits at least as favorable as those in effect during 120 days preceding the change of control

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Triggering Events for Enhanced Severance Benefits	<p>For enhanced severance benefits, change of control and termination of employment in certain situations must occur within the 3-year employment period following the change of control. Termination must be one of the following situations:</p> <ul style="list-style-type: none"> i) Termination by the Company without cause ii) Termination by Executive for any reason during window period, which is the 30-day period immediately following the first anniversary of the change of control iii) Termination by Executive for reduction in duties, base pay or incentives, significant change in the principal location of office and failure of the Company to comply with Agreement, referred to in the Agreement as good reason
Severance Benefits - Termination by the Company without Cause or by Executive for Good Reason	<ul style="list-style-type: none"> i) Base salary earned through date of termination plus a prorated bonus based on the highest annual bonus paid in the preceding three years ii) Lump sum payment equal to three times the sum of (a) base salary at time of termination and (b) highest annual bonus paid in preceding three years iii) Continued welfare benefits until December 31 of the second calendar year following the year of termination iv) Outplacement services v) Any other amounts or benefits Executive is entitled to receive under any other plans, agreements, etc. of the Company
Severance Benefits - Termination by Executive During Window Period	<ul style="list-style-type: none"> i) Base salary earned through date of termination plus a prorated bonus based on the highest annual bonus paid in the preceding three years ii) Lump sum payment equal to 1 times the sum of (a) base salary at time of termination and (b) highest annual bonus paid in preceding three years iii) Continued welfare benefits until December 31 of the second calendar year following the year of termination iv) Any other amounts or benefits Executive is entitled to receive under any other plans, agreements, etc. of the Company
Severance Benefits - Termination for Cause or by Executive Without Good Reason	<ul style="list-style-type: none"> i) Base salary earned through date of termination ii) Any other amounts or benefits Executive is entitled to receive under any other plans, agreements, etc. of the Company

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- Other Provisions
- i) Reimbursement of legal expenses incurred by Executive to enforce or interpret the Agreement
 - ii) The Company pays excise tax on a grossed-up basis unless the total payments subject to the excise tax is less than 110% of the Section 280G limit, in which case payments are limited as necessary to eliminate the excise tax
 - iii) Executive required to protect confidential information indefinitely and protect against solicitation of employees for 2 years if terminated for cause or without good reason
 - iv) No obligation to mitigate and no setoff required for compensation earned by Executive after severance

Severance Plan

We also maintain a Severance Plan for all salaried employees that provides employees, including the NEOs, with certain severance benefits, conditioned on the execution of a severance agreement with the Company. The benefits are triggered by a termination of employment by the Company without cause and are paid if the eligible employee meets the conditions of the plan. Assuming the Severance Plan conditions are met, the employee is entitled to a payment equal to the product of the employee's number of years of service with the Company (subject to a maximum of twenty) times an amount equal to one week of the terminated employee's base salary.

Quantification of Payments

The table below outlines, by termination event, the potential payments to the NEOs upon termination or change of control, assuming a termination date of December 31, 2007.

Termination Event	Name	Severance Payment (\$)	Other Payments (\$)	Equity Awards (\$) ⁴	Total(\$)
Change of Control Agreement					
Termination by Executive for Good Reason or by Company Without Cause^{1a}					
	Theodore L. Chandler, Jr.	5,310,000 ^{2a}	3,491,398 ^{3a}	2,674,734	11,476,132
	G. William Evans	2,287,500 ^{2a}	920,530 ^{3a}	1,164,147	4,372,177
	Kenneth Astheimer	2,280,000 ^{2a}	2,824,181 ^{3a}	234,886	5,339,067
	Melissa A. Hill	1,987,500 ^{2a}	818,986 ^{3a}	324,197	3,130,683
	Jeffrey C. Selby	3,714,954 ^{2a}	3,363,874 ^{3a}	340,421	7,419,249

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Termination Event	Name	Severance Payment (\$)	Other Payments (\$)	Equity Awards (\$) ⁴	Total(\$)
Change of Control Agreement					
Termination by Executive During Window Period					
	Theodore L. Chandler, Jr.	1,770,000 ^{2b}	3,481,998 ^{3b}	2,674,734	7,926,732
	G. William Evans	762,500 ^{2b}	911,130 ^{3b}	1,164,147	2,837,777
	Kenneth Astheimer	760,000 ^{2b}	2,814,781 ^{3b}	234,886	3,809,687
	Melissa A. Hill	662,500 ^{2b}	809,586 ^{3b}	324,197	1,796,283
	Jeffrey C. Selby	1,238,318 ^{2b}	3,354,474 ^{3b}	340,421	4,933,213
Change of Control Agreement					
Termination by Company for Cause					
	Theodore L. Chandler, Jr.	0	3,423,312	287,274	3,710,586
	G. William Evans	0	869,186	104,250	973,436
	Kenneth Astheimer	0	2,775,859	0	2,775,859
	Melissa A. Hill	0	801,911	0	801,911
	Jeffrey C. Selby	0	3,314,574	0	3,314,574
Severance Plan Termination without Cause^{1b}					
	Theodore L. Chandler, Jr.	59,387 ^{2c}	9,400 ^{3c}	287,274	356,061
	G. William Evans	148,467 ^{2c}	9,400 ^{3c}	104,250	262,117
	Kenneth Astheimer	118,774 ^{2c}	9,400 ^{3c}	0	128,174
	Melissa A. Hill	29,693 ^{2c}	9,400 ^{3c}	0	39,093
	Jeffrey C. Selby	118,774 ^{2c}	9,400 ^{3c}	0	128,174
Death, Disability or Retirement					
	Theodore L. Chandler, Jr.	0	0	2,674,734	2,674,734
	G. William Evans	0	0	1,164,147	1,164,147
	Kenneth Astheimer	0	0	234,886	234,886
	Melissa A. Hill	0	0	324,197	324,197
	Jeffrey C. Selby	0	0	340,421	340,421

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- ^{1a} Potential payments to NEOs are the same under the NEOs' Change of Control Agreements regardless of whether termination occurs based on good reason by the executive or without cause by the Company.
- ^{1b} The Company does not pay severance benefits if an executive is terminated for cause or if the executive voluntarily terminates employment regardless of whether a change of control has occurred.
- ^{2a} Under the NEOs' Change of Control Agreements, severance benefits are payable in a lump sum within thirty days after termination for good reason by the executive or without cause by the Company. The severance payment amount shown in the table includes payment equal to three times the sum of the executive's base salary as of December 31, 2007 and the highest annual bonus received by the executive over the three year period ending December 31, 2007 assuming termination on December 31, 2007. The value of continued welfare benefits until December 31, 2009 plus the cost of outplacement services estimated at \$9,400 and other payments that the executive would receive under other agreements are reflected in the Other Payments column.
- ^{2b} Under the NEOs' Change of Control Agreements, severance benefits are payable in a lump sum within thirty days after termination by the executive during the window period. The severance payment amount shown in the table includes payment equal to the sum of the executive's base salary as of December 31, 2007 and the highest annual bonus received by the executive over the three year period ending December 31, 2007 assuming termination on December 31, 2007. The value of continued welfare benefits until December 31, 2009 and other payments that the executive would receive under other agreements are reflected in the Other Payments column.
- ^{2c} The severance payment amount shown in the table reflects the payment to which the executive would be entitled under the Company's Severance Plan assuming involuntary termination on December 31, 2007 and assuming compliance with the terms of the Company's Severance Plan by the executive. The payment amount is based on a formula equal to a certain number of weeks of base salary depending on the executive's years of service with the Company.
- ^{3a} This column reflects amounts that would be paid to the executive in connection with a termination, excluding payments made to the executive strictly pursuant to a Change of Control Agreement or the Company's Severance Plan including the value of continued welfare benefits until December 31, 2009 plus the cost of outplacement services estimated at \$9,400 and other payments that the executive would receive under other agreements including payments under the EVDP and Benefit Restoration Plan or SERP, as applicable for the particular executive. Under the EVDP, if the NEO terminates employment within three years following a change of control, any unvested deferred stock units fully vest upon termination and will be paid in a lump sum payment within thirty days after termination. Benefits under the Benefit Restoration Plan also fully vest upon a change of control. Mr. Selby, who is the only SERP participant, would be entitled to early retirement benefits, either a deferred benefit commencing on his early retirement date or a reduced benefit commencing after retirement prior to age 65. Cash Balance Plan and LTDIP benefits are not affected by the type of termination.
- ^{3b} This column reflects amounts that would be paid to the executive in connection with a termination, excluding payments made to the executive strictly pursuant to a Change of Control Agreement or the Company's Severance Plan including the value of continued welfare benefits until December 31, 2009 and other payments that the executive would receive under other agreements including payments under the EVDP and Benefit Restoration Plan or SERP, as applicable for the particular executive.
- ^{3c} This amount equals estimated outplacement costs for one year, which the Company may offer upon involuntary termination.
- ⁴ Represents the compensation resulting from accelerated vesting of equity awards. Optionholders have ninety days from the date of termination to exercise outstanding, exercisable stock options upon involuntary termination or termination for cause and two years from the date of termination to exercise outstanding, exercisable stock options upon death, disability or retirement. The Company does not have any unvested stock options.

Table of Contents**DIRECTOR COMPENSATION****2007 Directors Compensation Table**

The following table shows, for the fiscal year ended December 31, 2007, the compensation paid to each of the Company's non-management directors:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ¹	Option Awards (\$) ²	Change in Pension Value and Nonqualified Deferred Compensation Earnings(\$) ³	Total (\$)
Alpert, Janet A.	99,456	69,768			169,224
Caruso, Gale K.	100,956	69,768			170,724
Dinkins, Michael	107,456	77,573		1,707	186,736
Foster, Charles H., Jr.	97,956	51,034			148,990
McCann, John P.	111,956	77,573			189,529
Neal, Dianne M.	89,956	51,034			140,990
Norfleet, Robert F., Jr.	94,956	77,573			172,529
Skunda, Robert T.	94,956	77,573		1,613	174,142
Smith, Julious P., Jr.	99,456	77,573			177,029
Snead, Thomas G., Jr.	112,456	77,573			190,029
Trani, Eugene P.	129,456	77,573		812	207,841
Wishnack, Marshall B.	111,456	77,573		5,544	194,573

¹ The amounts in this column reflect the dollar amount of compensation expense recognized in 2007 for financial reporting purposes for restricted stock awards made in 2006 and prior years in accordance with SFAS 123. The grant date fair value was \$56.20 per share for all outstanding stock awards. The following are the aggregate number of stock awards outstanding on December 31, 2007 for each director. Alpert: 1,000 shares awarded on May 18, 2005; Caruso: 1,000 shares awarded on May 18, 2005; Dinkins: 1,000 shares awarded on May 18, 2005; McCann: 1,000 shares awarded on May 18, 2005; Norfleet: 1,000 shares awarded on May 18, 2005; Skunda: 1,000 shares awarded on May 18, 2005; Smith: 1,000 shares awarded on May 18, 2005; Snead: 1,000 shares awarded on May 18, 2005; Trani: 1,000 shares awarded on May 18, 2005; and Wishnack: 1,000 shares awarded on May 18, 2005.

² Although no options were awarded to directors during 2007 and no compensation expense was recognized in 2007 for financial reporting purposes, the following are the aggregate number of stock options outstanding on December 31, 2007 for each director with the grant date fair value of each equity award computed in accordance with FAS 123R noted in parentheses following the award: Dinkins: 2,000 shares at \$28.81 per share expiring May 19, 2009 (\$29,400) and 2,000 shares at \$32.04 per share expiring May 22, 2012 (\$35,840); McCann: 2,000 shares at \$54.04 per share expiring June 17, 2008 (\$52,160), 2,000 shares at \$28.81 per share expiring May 19, 2009 (\$29,400), 2,000 shares at \$20.06 per share expiring May 17, 2010 (\$24,060), 2,000 shares at \$27.70 per share expiring May 23, 2011 (\$32,680) and 2,000 shares at \$32.04 per share expiring May

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22, 2012 (\$35,840); Norfleet: 2,000 shares at \$20.06 per share expiring May 17, 2010 (\$24,060), 2,000 shares at \$27.70 per share expiring May 23, 2011 (\$32,680) and 2,000 shares at \$32.04 per share expiring May 22, 2012 (\$35,840); Skunda: 1,400 shares at \$32.04 per share expiring May 22, 2012 (\$25,088); Smith: 2,000 shares at \$20.06 per share expiring May 17, 2010 (\$24,060), 2,000 shares at \$27.70 per share expiring May 23, 2011 (\$32,680) and 2,000 shares at \$32.04 per share expiring May 22, 2012 (\$35,840); Snead: 2,000 shares at \$27.70 per share expiring May 23, 2011 (\$32,680) and 2,000 shares at \$32.04 per share expiring May 22, 2012 (\$35,840); Trani: 1,000 shares at \$32.04 per share expiring May 22, 2012 (\$17,920); and Wishnack: 2,000 shares at \$54.04 per share expiring June 17, 2008 (\$52,160), 2,000 shares at \$28.81 per share expiring May 19, 2009 (\$29,400), 2,000 shares at \$20.06 per share expiring May 17, 2010 (\$24,060), 2,000 shares at \$27.70 per share expiring May 23, 2011 (\$32,680) and 2,000 shares at \$32.04 per share expiring May 22, 2012 (\$35,840).

³ We do not maintain any defined benefit or actuarial plans for non-employee directors. With respect to the above-market or preference earnings on compensation that is deferred on a basis that is not tax-qualified, including earnings on nonqualified defined contribution plans, we currently maintain the ODDP, which is not tax-qualified, pursuant to which all of non-employee directors earn interest. The non-employee directors who have grandfathered deferred cash accounts under the plan can earn 9% interest on such accounts, and we have determined that 1.81% represents the above-market portion based the difference between 9% and a rate of 7.19%, which represents 120% of the applicable long term federal rate with annual compounding as of December 1, 1998, the date that the rate was set. Because we do not maintain any defined benefit or actuarial plans for its non-employee directors, the amounts in this column reflect the above-market amounts earned by each of the non-employee directors during fiscal year 2007. No portion of the directors' deferred stock accounts under the ODDP is considered to be above-market because the deferred stock accounts earn dividends at the same rate that dividends are paid on the Company's common stock. During fiscal year 2006, Mr. Foster was not a participant in this plan; however, he was a participant in the EVDP and the LTDIP.

During 2007, each director who is not an officer received a quarterly retainer of \$7,500, a fee of \$2,000 for attendance at each meeting of the Board of Directors and a fee of \$1,500 for attendance at each meeting of a committee of the Board of Directors of which he or she was a member. In addition to the foregoing, the Chairman of the Audit Committee received a quarterly retainer of \$2,500, the Chairman of the Executive Compensation Committee received a quarterly retainer of \$1,875 and all other Committee Chairmen received an additional quarterly retainer of \$1,250. During 2007, the Company's Lead Director, who is currently Dr. Eugene P. Trani, received an additional \$25,000 annually, paid in quarterly installments.

In addition, during 2007, each non-employee director received an equity-based compensation award equivalent of 1,000 shares of common stock. Specifically, the annual award was paid in the ratio of 58% common stock, without vesting or forfeiture restrictions, and 42% cash, effective as of the first business day following each annual meeting of the Company's shareholders. In prior years, directors were awarded restricted stock, combinations of restricted stock and cash units and options. A director who is also an officer of the Company receives no compensation for his or her services as a director.

During 2006, we compensated Charles H. Foster, Jr., a director, under the terms of an employment agreement effective January 1, 2005 and an addendum to that agreement dated December 9, 2005. The employment agreement, as amended by the addendum, set forth Mr. Foster's duties as Chairman of the Board of Directors of the Company and provided for compensation and benefits during the term of the agreement and upon a change of control of the Company. The addendum added necessary provisions to comply with Section 409A of the Internal Revenue Code, made changes to the payment of Mr. Foster's 2005 bonus so that it was paid only in cash and corrected a discrepancy in the description of Mr. Foster's change of control benefit. Specifically, the employment agreement, as amended by the addendum, provided for an annual base salary of \$575,000 and annual bonuses of \$1,125,000 in cash for 2005 and \$1,125,000 in cash or stock, or a combination of both, for 2006. Mr. Foster's bonus for fiscal year was paid in cash on February 28, 2007. The employment agreement provided that Mr. Foster is entitled to participate in and receive benefits under all savings, retirement, welfare benefit, expense reimbursement, fringe benefit and other plans and arrangements made available to peer executives of the Company. The employment agreement terminated on December 22, 2006. Other than as indicated for Mr. Foster, the only compensation arrangements with directors are those disclosed in this Proxy Statement.

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Each non-employee director is eligible to participate in the Outside Directors Deferral Plan. The Outside Directors Deferral Plan permits non-employee directors to defer all or a portion of their cash compensation in deferred stock units. Each deferred stock unit represents a hypothetical share of the Company's common stock and fluctuates in value with the market price of such stock. A participant's deferred stock unit account is increased by dividends paid by the Company on the common stock. Those participants who elect to defer 100% of their total cash compensation into deferred stock units for a given year shall receive additional compensation in the form of deferred stock units equal to 20% of their total compensation. A former version of the Outside Directors Deferral Plan permitted non-employee directors to defer their cash compensation into a deferred cash account, so some non-employee directors have deferred cash accounts under the Plan. Each deferred cash account is credited with interest annually, and the interest paid is based on the rate of return set forth in the amended and restated Plan, which is currently 9%. Under the Plan, benefits in deferred stock unit accounts are paid in common stock, and benefits in deferred cash accounts are paid in cash. Benefits also include survivor's benefits in the event that the participant dies before receiving all of the benefits to which the participant is entitled under the Plan. A participant may also postpone receipt of benefit payments by making a timely election. Accelerated payment of deferred benefits may occur under certain conditions, including a change of control of the Company. The Plan was amended effective January 1, 2005 to comply with the requirements of Internal Revenue Code Section 409A and to make certain other administrative changes. In addition, the definition of "Eligible Director" in the Plan was amended to enable non-employee directors to continue to make deferrals of director compensation upon attaining the age of 65 or older.

Effective January 1, 2006, the Corporate Governance Committee amended the Corporate Governance Guidelines to include a stock ownership requirement for non-employee directors that requires non-employee directors to attain certain stock ownership levels and therefore maintain a vested interest in the performance of the Company. Specifically, non-employee directors shall attain a minimum stock ownership of 2,500 shares of Company common stock and shall maintain such stock ownership as long as he or she continues to serve as a director of the Company. Each non-employee director is required to meet the target level of stock ownership prior to the later of December 31, 2010 or five years after joining the Board of Directors. Stock ownership for purposes of the Corporate Governance Guidelines includes (1) shares beneficially owned outright by the non-employee director or by a trust for the non-employee director's benefit, (2) the unvested portion of restricted shares, (3) shares retained upon the exercise of stock options, and (4) any deferred stock units credited to the non-employee director's account under the Outside Directors Deferral Plan. Unexercised stock options or other derivative securities do not count toward the target ownership level required.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information as of December 31, 2007, with respect to compensation plans under which shares of the Company's common stock are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (#)¹
Equity Compensation Plans Approved by Shareholders²			
1991 Stock Incentive Plan	22,000	32.51	0
1992 Stock Option Plan for Non-Employee Directors	0	0	0
2000 Stock Incentive Plan ³	82,900	27.86	2,039,686
Executive Officer Incentive Plan ⁴			0
423 Employee Stock Purchase Plan			1,282,064
Equity Compensation Plans Not Approved by Shareholders⁵			
TOTAL			3,321,750

¹ Amounts exclude any securities to be issued upon exercise of outstanding options, warrants and rights.

² We have two equity compensation plans – the EVDP and the ODDP that are not presented in this table. No options, warrants or rights are granted under either plan. Under each plan, participants may elect to defer compensation in deferred stock units that represent a hypothetical share of the Company's common stock. The deferred stock units are paid out in shares of common stock. Each plan includes a feature under which we may credit additional deferred stock units to participants. The maximum amounts of shares of common stock that the Company can issue under the EVDP and the ODDP are 800,000 and 100,000, respectively. On December 31, 2007, there were 252,598 deferred stock units under the EVDP and 71,984 deferred stock units under the ODDP credited to the participants' deferred stock unit accounts under such plans.

³ The 2000 Stock Incentive Plan permits grants of stock options and stock appreciation rights and awards of common stock, restricted stock and/or phantom stock. The 2000 Stock Incentive Plan currently authorizes the issuance of 3,600,000 shares of common stock for grants and awards. The 2000 Stock Incentive Plan does not limit, however, the amount of phantom stock (designated as cash units) we can award as long as it is payable only in cash.

⁴ No options, warrants or rights are granted under the LandAmerica Financial Group, Inc. Executive Officer Incentive Plan.

⁵ We have no equity compensation plans that have not been approved by the shareholders.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 2006, the Board of Directors adopted a Related Person Transactions Policy specifying our policies and procedures for the review, approval or ratification of any related person transaction. The Board of Directors further amended the policy in February 2007. Under the policy, "Related Person" means any director or executive officer of the Company, any nominee for director of the Company, any shareholder who beneficially owns more than 5% of the Company's common stock, any immediate family member of any of the foregoing persons, and any entity in which any of the foregoing persons has, or will have, a direct or indirect material interest. A "Related Person Transaction" means any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, between the Company, as a participant, and a Related Person in which the amount involved exceeds \$120,000 and in which the Related Person has, or will have, a direct or indirect material interest. The Audit Committee of the Board of Directors has responsibility for applying the policy and making determinations under the policy. The Audit Committee then reports determinations under the policy to the Board of Directors. If presented with the situation, we would submit a Related Person Transaction to our shareholders for approval in the circumstances required by Rule 312.03(b) of the New York Stock Exchange Listed Company Manual.

At the first regularly scheduled Audit Committee meeting of each fiscal year, management shall present for approval any proposed or continuing Related Person Transactions for that calendar year. In order to consider a Related Person Transaction, the Audit Committee evaluates the following information:

the Related Person's name and relationship to the Company;

the facts and circumstances of the proposed transaction;

the aggregate dollar amount involved in the transaction or, in the case of indebtedness, information regarding the principal amount of the debt, interest rate, repayment and other material terms;

the Related Person's interest in the transaction with the Company, including the Related Person's position or relationship with, or ownership in, a firm, corporation or other entity that is a party to, or has an interest in, the transaction;

the benefits to the Company of the proposed transaction and, if applicable, the terms and availability of comparable products and services from unrelated third parties; and

any other information regarding the Related Person Transaction or the Related Person that is material to the Audit Committee's determination.

Under the policy, any Related Person Transaction shall be approved or ratified only if the Audit Committee determines that, based on the facts and circumstances known to the Committee at the time of approval, the Related Person Transaction serves our best interests and our shareholders or the transaction is on terms reasonably comparable to those that could be obtained in arm's length dealings with an unrelated third party. The Audit Committee may establish, as appropriate, guidelines and directives for management to follow with respect to a Related Person Transaction. At each subsequently scheduled meeting, management shall update the Audit Committee as to any material changes in the transactions previously approved and shall seek approval of any further proposed Related Person Transactions. The Audit Committee shall review and approve any material change to a previously approved Related Person Transaction. A Related Person Transaction is approved or ratified if it receives the affirmative vote of a majority of the disinterested directors on the Audit Committee. No member of the Audit Committee participates in any review, approval or ratification of any Related Person Transaction with respect to which such member or any of his or her immediate family members is a Related Person.

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On January 31, 2008, Old Republic International Corporation (Old Republic) filed a Schedule 13G indicating that it owned in excess of 5% of our outstanding common stock. Therefore, the Audit Committee considered transactions with Old Republic and its affiliates during fiscal year 2007, and approved all such transactions consisting of less than \$750,000 in reinsurance and title insurance transactions in the ordinary course of business as well as less than \$2,000,000 in license fees paid to RQ Holdings, a joint venture in which we own an interest along with Old Republic. We did not have any other Transactions with related persons within the meaning of Item 404(a) of Regulation S-K or our Related Person Transaction Policy.

Table of Contents**AUDIT INFORMATION**

The following provides information about the Company's independent registered public accountants and their relationship with the Company and the Audit Committee.

Fees of Independent Registered Public Accountants

The following table shows fees for professional services rendered by Ernst & Young for the past two fiscal years ended December 31:

Type of Fees	Fees for fiscal 2007 (\$)	Fees for fiscal 2006 (\$)
Audit Fees ¹	2,315,000	2,497,558
Audit Related Fees ²	11,790	306,978
Tax Fees ³	100,475	166,980
All Other Services	0	0

¹ Audit Fees represent fees billed in connection with the audit of the Company's annual financial statements and for the review of the Company's interim financial statements included in the Company's quarterly reports on Form 10-Q as well as services normally provided in connection with statutory or regulatory filing.

² Audit Related Fees represent fees billed for assurance and related services that are reasonably related to the review of the Company's financial statements and not reported under the heading "Audit Fees". During 2006, these services included SAS 70 work, accounting consultation, insurance department work paper review and online subscription charges. During 2007, these services included regulatory department work paper review and online subscription charges.

³ Tax Fees represent fees billed for tax compliance, tax advice and tax planning. During 2006 and 2007, these services generally included tax assistance on specific matters.

Pre-Approved Services

The Audit Committee's Charter provides for pre-approval of audit, audit-related and tax services to be performed by the independent auditors. All such services, as described above, were pre-approved by the Audit Committee, which concluded that the provision by Ernst & Young of the services not related to the annual audit and quarterly review of the Company's financial statements was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

The Charter also authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.

Report of the Audit Committee

The Audit Committee is composed of six directors, each of whom meets the independence and experience requirements for Audit Committee members set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, the rules and

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regulations of the New York Stock Exchange and applicable law. The Audit Committee operates under a written charter adopted by the Board of Directors. The Audit Committee reviews its charter at least annually and revises it as necessary to ensure compliance with current regulatory requirements.

Management is responsible for:

establishing and maintaining the Company's internal control over financial reporting;

assessing the effectiveness of the Company's internal control over financial reporting as of the end of each year; and

the preparation, presentation and integrity of the Company's consolidated financial statements.

The Company's independent registered public accounting firm is responsible for:

performing an independent audit of the Company's consolidated financial statements and the Company's internal control over financial reporting;

expressing an opinion as to the conformity of the Company's consolidated financial statements with U.S. generally accepted accounting principles; and

expressing an opinion as to management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting.

The Audit Committee is responsible for:

the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company; and

overseeing and reviewing the accounting and financial reporting processes of the Company.

In this context, the Audit Committee has met and held discussions with management and Ernst & Young LLP, the Company's independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2007 were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee has reviewed and discussed these consolidated financial statements with management and Ernst & Young LLP, including the scope of the independent registered public accounting firm's responsibilities, critical accounting policies and practices used and significant financial reporting issues and judgments made in connection with the preparation of such financial statements.

The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from Ernst & Young LLP relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Ernst & Young LLP the firm's independence from the Company.

In addition, the Audit Committee has discussed with management its assessment of the effectiveness of internal control over financial reporting and has discussed with Ernst & Young LLP its opinion as to both the effectiveness of the Company's internal control over financial reporting and management's assessment thereof.

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Based upon its discussions with management and Ernst & Young LLP and its review of the representations of management and the report of Ernst & Young LLP to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

Audit Committee
Thomas G. Snead, Jr., Chairman
Gale K. Caruso
John McCann
Dianne M. Neal
Robert F. Norfleet, Jr.
Robert T. Skunda

Richmond, Virginia

February 18, 2008

PROPOSALS FOR 2009 ANNUAL MEETING

Under the regulations of the Securities and Exchange Commission, if you desire to make a proposal to be acted upon at the 2009 Annual Meeting of Shareholders, you must deliver the proposal, in proper form, to the Secretary of the Company, no later than November 24, 2008, in order for the proposal to be considered for inclusion in the Company's Proxy Statement and form of proxy for that meeting. The address for the Secretary of the Company is 5600 Cox Road, Glen Allen, Virginia 23060. The Company anticipates holding the 2009 Annual Meeting of Shareholders on May 19, 2009.

Our Bylaws also prescribe the procedure that a shareholder must follow to nominate directors or to bring other business before shareholders meetings. To nominate a candidate for director or to bring other business before a meeting, notice must be received by the Secretary of the Company (i) no later than November 24, 2008, and no earlier than October 25, 2008 or (ii) if the date of the 2009 Annual Meeting of Shareholders is changed by more than 30 days from May 19, 2009, not less than 90 days before the date of such meeting. Notice of a nomination for director must describe various matters regarding the nominee and the shareholder giving the notice. Notice of other business to be brought before the meeting must include a description of the proposed business, the reasons therefore, and other specified matters. Any shareholder may obtain a copy of the Company's Bylaws, without charge, upon written request to the Secretary of the Company at the address set forth above.

OTHER MATTERS

THE COMPANY'S ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007, INCLUDING FINANCIAL STATEMENTS AND INCLUDING THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR 2007, ARE AVAILABLE AT WWW.LANDAM.COM/PROXYVOTING.

IF YOU WOULD LIKE TO RECEIVE A PRINTED COPY OF OUR PROXY MATERIALS YOU SHOULD FOLLOW THE INSTRUCTIONS FOR REQUESTING SUCH MATERIALS IN THE E-PROXY NOTICE.

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DESIGNATION (IF ANY)		000000000.000000 ext	000000000.000000 ext
ADD 1		Electronic Voting Instructions	
ADD 2		You can vote by Internet or telephone!	
ADD 3		Available 24 hours a day, 7 days a week!	
ADD 4			
ADD 5			
ADD 6		<p>Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy. VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.</p> <p>Proxies submitted by telephone or the Internet must be received by 12:00 a.m., Central Time, on May 13, 2008.</p> <p>Vote by Internet</p> <p>Log on to the Internet and go to WWW.INVESTORVOTE.COM/LFG</p> <p>Follow the steps outlined on the secured website.</p> <p>Vote by telephone</p> <p>Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is NO CHARGE to you for the call.</p> <p>Follow the instructions provided by the recorded message.</p>	

Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. **X**

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

A Proposals The Board of Directors recommends a vote **FOR** all the nominees listed and **FOR** Proposal 2.

1. Election of Directors:	For	Withhold	For	Withhold	For	Withhold
			02 - Julious P. Smith, Jr.		03 - Thomas G. Snead, Jr.	
01 - Robert F. Norfleet, Jr.
04 - Eugene P. Trani				

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	For	Against	Abstain
2. Ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2008 fiscal year.

B Non-Voting Items

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance

Mark the box to the right if you plan to attend the Annual Meeting. ..

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please be sure to sign and date this Proxy/Voting Instruction Card. Please sign exactly as your name(s) appear(s) on your shares of Common Stock of LandAmerica Financial Group, Inc. Attorneys-in-fact, executors, trustees, guardians, corporate officers, etc., should give their full title.

Date (mm/dd/yyyy) Please print date below.

/ /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

C 1234567890

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MR A SAMPLE (THIS AREA IS SET UP TO ACCOMMODATE 140 CHARACTERS) MR A SAMPLE AND MR A SAMPLE AND

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MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND

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March 24, 2008

Dear Shareholder and/or Participant:

Please take note of the important information enclosed with this combined Proxy/Voting Instruction. There are issues related to the management and operation of the Company that require your immediate attention and approval. These are discussed in detail in the enclosed proxy materials.

Your vote counts, and you are strongly encouraged to exercise your right to vote your shares. You may vote by mail, by telephone or over the Internet.

If you would like to vote by mail, please mark the boxes on the Proxy/Voting Instruction to indicate how your shares will be voted. Then sign the Proxy/Voting Instruction, detach it and return it in the enclosed postage paid envelope.

If you would like to vote by telephone or over the Internet, please follow the steps set forth on the Proxy/Voting Instruction.

Your vote must be received prior to the Annual Meeting of Shareholders on May 13, 2008.

Thank you in advance for your prompt consideration of these matters.

Sincerely,

Theodore L. Chandler, Jr.

Chairman

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

Proxy LandAmerica Financial Group, Inc.

This Proxy/Voting Instruction is Solicited on Behalf of the Board of Directors

With respect to the undersigned's shares of Common Stock of LandAmerica Financial Group, Inc. held as a shareholder, the undersigned hereby appoints Michael D. Beverly, Michelle H. Gluck and G. William Evans, or any of them, proxies for the undersigned, with power of substitution, to vote all the shares of Common Stock of LandAmerica Financial Group, Inc. held of record by the undersigned on March 10, 2008, at the Annual Meeting of Shareholders of LandAmerica Financial Group, Inc. to be held at 9:00 a.m. on May 13, 2008 and at any adjournments thereof, upon the matters listed on the reverse side, as more fully set forth in the Proxy Statement, and for the transaction of such other business as may properly come before the Meeting. THIS PROXY, WHEN PROPERLY SIGNED, DATED AND RECEIVED BY COMPUTERSHARE, TRANSFER AGENT FOR LANDAMERICA FINANCIAL GROUP, INC., PRIOR TO THE TIME OF THE MEETING, WILL BE VOTED IN THE MANNER DIRECTED ON THE REVERSE SIDE BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR DIRECTOR AND FOR PROPOSAL 2.

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With respect to the undersigned's shares of Common Stock of LandAmerica Financial Group, Inc. held as a Participant in (1) the LandAmerica Financial Group, Inc. Savings and Stock Ownership Plan as of March 10, 2008, and/or (2) the LandAmerica Financial Group, Inc. Employee Stock Purchase Plan as of March 10, 2008, the undersigned hereby directs the Trustee or Administrator of such plans to vote shares held in such plans as indicated on the reverse of this card. THIS VOTING INSTRUCTION, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED ON THE REVERSE SIDE BY THE UNDERSIGNED PARTICIPANT. IF NO DIRECTION IS MADE, OR IF A VOTING INSTRUCTION IS NOT PROPERLY EXECUTED AND RECEIVED BY THE TRUSTEE OR ADMINISTRATOR, THE SHARES OF LANDAMERICA FINANCIAL GROUP, INC. CREDITED TO YOUR ACCOUNT WILL BE VOTED IN THE SAME PROPORTION AS THOSE SHARES OF LANDAMERICA FINANCIAL GROUP, INC. COMMON STOCK FOR WHICH THE TRUSTEE OR ADMINISTRATOR HAS RECEIVED PROPER VOTING INSTRUCTIONS WITH RESPECT TO THE NOMINEES AND PROPOSAL 2.

If you vote by telephone or the Internet, please DO NOT mail back this proxy card.

(Continued and to be voted, dated and signed on reverse side.)

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MR ANDREW SAMPLE

1234 AMERICA DRIVE

ANYWHERE, IL 60661

IMPORTANT ANNUAL MEETING

INFORMATION YOUR VOTE COUNTS!

Important Notice Regarding the Availability of Proxy Materials for the

LandAmerica Financial Group, Inc. Annual Meeting to be Held on May 13, 2008

Under new Securities and Exchange Commission rules, you are receiving this notice that the Proxy Materials for the Annual Meeting are available on the Internet. Follow the instructions below to view the materials and vote online or request a copy. The items to be voted on and location of the Annual Meeting are on the reverse side. Your vote is important!

This communication presents only an overview of the more complete Proxy Materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the Proxy Materials before voting. The Proxy Statement and Annual Report to Shareholders are available at:

www.landam.com/proxyvoting

Easy Online Access A Convenient Way to View Proxy Materials and Vote

When you go online to view materials, you can also vote your shares.

Step 1: Go to **www.landam.com/proxyvoting**.

Step 2: View Proxy Materials by clicking the links to the documents.

Step 3: Click on the link to vote by Internet, follow instructions for voting by telephone or request a paper or email copy of the Proxy Materials

Step 4: To vote by Internet follow the instructions on the screen to log in.

Step 5: Make your selection as instructed on each screen to select delivery preferences and vote.

When you go online, you can also help the environment by consenting to receive electronic delivery of future mailings.

Obtaining a Copy of the Proxy Materials If you want to receive a paper or email copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed on the reverse side on or before May 3, 2008 to facilitate timely delivery.

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LandAmerica Financial Group, Inc. Annual Meeting of Shareholders will be held on May 13, 2008 at

LandAmerica Financial Group, Inc. 5600 Cox Road, Glen Allen, VA 23060, at 9:00 a.m. EDT.

Proposals to be voted on at the meeting are listed below along with the Board of Directors' recommendations.

The Board of Directors recommends that you vote FOR the following proposals:

1. Election of Directors:
Robert F. Norfleet, Jr.

Julious P. Smith, Jr.

Thomas G. Snead, Jr.

Eugene P. Trani

2. Ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2008 fiscal year.
Please note: This is not a proxy. To vote your shares you must vote online or by telephone or request a set of Proxy Materials to receive a proxy card. If you wish to attend and vote at the meeting, please bring this notice and identification with you.

Here's how to order a paper or email copy of the Proxy Materials:

PLEASE NOTE: You must use the numbers in the shaded bar on the reverse side when requesting a set of Proxy Materials.

→ **Telephone** Call toll-free 1-800-446-7086 and ask for Investor Relations.

→ **Internet** Go to www.landam.com/proxyvoting. Follow the instructions to order a set of Proxy Materials.

→ **Email** Send an email message with "Proxy Materials Order" in the subject line and, in the body of the message, your full name and address and the three numbers located in the shaded bar on the reverse to fulfillmentrequest@landam.com.

Please specify when ordering whether you would like a paper or email copy of the Proxy Materials. If you do not specify the type of copy, then you will be sent a paper copy. To facilitate timely delivery, all requests for a paper or email copy of the Proxy Materials must be received by May 3, 2008.

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Printed on recycled paper