



SHIMAO CHINA HOLDINGS LIMITED

世茂中國控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 649)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

The Board of Directors (the “Board” or the “Directors”) of Shimao China Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004 together with the comparative figures as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended	
		30.6.2004 (Unaudited) HK\$'000	30.6.2003 (Unaudited) HK\$'000
Turnover	2		
Company and subsidiaries		3,423	5,672
Share of a jointly controlled entity		293,212	216,888
		<u>296,635</u>	<u>222,560</u>
Company and subsidiaries			
Turnover		3,423	5,672
Cost of sales		(177)	–
		<u>3,246</u>	<u>5,672</u>
Gross profit		1,801	4,151
Other operating income		(13,283)	(13,765)
Administrative expenses		(32)	(109)
Other operating expenses		<u>(8,268)</u>	<u>(4,051)</u>
Operating loss before financing		(1,358)	(2,667)
Finance costs		127,637	60,888
Share of profit of a jointly controlled entity		<u>118,011</u>	<u>54,170</u>
Profit before taxation		(19,992)	(9,593)
Taxation	3		
Profit attributable to shareholders		<u>98,019</u>	<u>44,577</u>
Earnings per share	4	<u>HK11.84 cents</u>	<u>HK5.39 cents</u>

Notes:

1. Basis of preparation

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Turnover and segment information

(a) Turnover

The Group is principally engaged in property investment and development of property projects in Hong Kong and People’s Republic of China (“PRC”). Turnover comprises gross income from rental operation and revenue from sales of properties which is recognised based on stage of completion.

	Six months ended	
	30.6.2004 HK\$’000	30.6.2003 HK\$’000
Company and subsidiaries		
Rental income	3,423	5,672
Share of a jointly controlled entity		
Sales of properties	293,212	216,888
	<u>296,635</u>	<u>222,560</u>

(b) Segment Information

Business segments

	Property development		Property investment		Total	
	Six months ended		Six months ended		Six months ended	
	30.6.2004 HK\$’000	30.6.2003 HK\$’000	30.6.2004 HK\$’000	30.6.2003 HK\$’000	30.6.2004 HK\$’000	30.6.2003 HK\$’000
Segment turnover						
Company and subsidiaries	–	–	3,423	5,672	3,423	5,672
Share of a jointly controlled entity	293,212	216,888	–	–	293,212	216,888
	<u>293,212</u>	<u>216,888</u>	<u>3,423</u>	<u>5,672</u>	<u>296,635</u>	<u>222,560</u>
Segment results	<u>(647)</u>	<u>(220)</u>	<u>1,601</u>	<u>5,066</u>	<u>954</u>	4,846
Other operating income, net					1,769	4,042
Corporate administrative expenses					<u>(10,991)</u>	<u>(12,939)</u>
Operating loss before financing					(8,268)	(4,051)
Finance costs					(1,358)	(2,667)
Share of profit of a jointly controlled entity	127,637	60,888	–	–	<u>127,637</u>	<u>60,888</u>
Profit before taxation					118,011	54,170
Taxation					<u>(19,992)</u>	<u>(9,593)</u>
Profit attributable to shareholders					<u>98,019</u>	<u>44,577</u>

3. Taxation

	Six months ended	
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
Income tax in the PRC		
Current		
Company and subsidiaries	103	460
Deferred		
Company and subsidiaries	743	–
A jointly controlled entity	19,146	9,133
	<u>19,992</u>	<u>9,593</u>

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profit in Hong Kong for the period (2003: Nil). The PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

The Group's jointly controlled entity established in Pudong New Area of the PRC is required to pay income tax at a preferential rate of 15% (2003: 15%).

4. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$98,019,000 (2003: HK\$44,577,000) and 827,640,000 (2003: weighted average of 827,625,000) ordinary shares in issue during the period.

DIVIDEND

A special dividend of HK6 cents per ordinary share for the financial year ending 31st December 2004 had been approved and paid during the interim period:

	Six months ended	
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
Special dividend, paid, of HK6 cents per ordinary share (2003: Nil)	<u>49,658</u>	<u>–</u>

The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the period under review, the Group continued to record a considerable growth of profit. For the six months ended 30th June 2004, the profit attributable to shareholders was HK\$98,019,000 (2003: HK\$44,577,000), representing a significant increase of 120% as compared with the corresponding period last year. The Group's total turnover (including share of a jointly controlled entity) amounted to HK\$296,635,000 (2003: HK\$222,560,000), of which HK\$293,212,000 was attributed from Shanghai Shimao Lakeside Garden project, representing an overall upsurge of 33% over the corresponding period last year.

Leveraging on the proven edge of the "Shimao" brand name, the Group recorded an encouraging sales performance during the period, while at the same time further expanded its profit base and achieved considerable growth in profit. For the six months ended 30th June 2004, earnings per share was HK11.84 cents (2003: HK5.39 cents). The profit contributions were mainly generated from Shanghai Shimao Lakeside Garden project, in which the Group owned 50% interest. As at 30th June 2004, the accumulated sales revenue of Shanghai Shimao Lakeside Garden project reached approximately HK\$2,466,000,000.

Business Review

In view of the enormous development potential in the real estate market, the Group seized every business opportunity to actively explore the high-end property business in China and Hong Kong. During the period under review, Shanghai Shimao Lakeside Garden project recorded a remarkable sales performance, reflecting the Group's strong commitment in developing quality properties in premium locations with the best materials and its success of enhancing its brand name. The Group has successfully established itself as a leading high-end property developer in Shanghai.

China

Sales of the Shanghai Shimao Lakeside Garden project have been on target. An aggregate of 721 units and 181 townhouses with total floor area over 2,200,000 sq. ft. out of 2,339,000 sq. ft. were sold, the rate of return on the investment was encouraging, reflecting the management's insight in the real estate market of Shanghai, their unique development strategy and their capabilities in capturing opportunities to bring the shareholders with fruitful return.

The implementation of the macro-economic regulatory measures has been expected to constrain the rapid growth of the over-heated real estate market in China. Nevertheless, the impact of such measures was minimal. The Group expects that the selling price of Shanghai property will move up steadily throughout 2004, and such increase will be modest when compared with the overall property price last year. It is expected that, with effective regulations on the economies of China and Shanghai, the property market will become healthier and more rational, and falls in the right track, which will facilitate the Group to capture more development opportunities in future.

Hong Kong

To take advantage of the gradual recovery of the luxury residential property market in Hong Kong, the insightful management of the Group is going to launch the sale of the quality luxury residential property, “The Genesis”. In December 2001, Hong Kong real estate market was at its trough. The Group capturing the immense upside potential of the luxury residential property market, purchased a detached luxury residential house located at No. 23, Severn Road, The Peak, the prestigious residential location of Hong Kong. The property currently comprises one main building and two newly developed houses, construction works of which are expected to be completed and these two houses will be launched into the market towards the end of this year.

Furthermore, with land sales being withheld by the Hong Kong Government in previous years, the number of luxury residential properties to be completed by 2005 is expected to decrease substantially, while the demand for such properties continues to rise. This will put the Group in a better position when “The Genesis” is being launched in the fourth quarter of this year.

Financial Performance

As at 30th June 2004, the total assets of the Group reached HK\$927,825,000 (31st December 2003: HK\$914,729,000), representing an increase of 1.43% as compared with the end of last year. Total non-current assets amounted to HK\$769,037,000 (31st December 2003: HK\$766,551,000). Current assets were approximately HK\$158,788,000 (31st December 2003: HK\$148,178,000), representing an increase of 7.16% as compared with the end of last year. The shareholders’ equity were HK\$588,431,000 (31st December 2003: HK\$540,070,000), representing an increase of 8.95% when compared with the end of last year.

Pledge of Assets

As at 30th June 2004, the Group pledged land and properties with book value of HK\$441,695,000 (31st December 2003: HK\$413,714,000) to banks to secure certain banking facilities granted to the Group.

Bank Borrowings

As at 30th June 2004, the bank borrowings of the Group amounted to HK\$195,847,000 (31st December 2003: HK\$173,221,000), representing an increase of 13.06% as compared with the end of last year. The increase in bank borrowings is related to the construction loan for the two newly developed houses of “The Genesis”. The borrowings of the Group mainly bear floating interest rate and are mostly denominated in HK dollars.

Capital Commitment

At the 30th June 2004, the Group had capital commitment contracted but not provided for in respect of fixed assets amounted to approximately HK\$8,986,000 (31st December 2003: HK\$9,259,000). The Group anticipates that those commitments will be funded from its operating revenue, bank borrowings and other sources of finance, where appropriate.

Financial Ratios

The current ratio (current assets/current liabilities) of the Group as at 30th June 2004 was 1.41 (31st December 2003: 1.02) while the debt-equity ratio (bank borrowings/shareholders’ equity) was 0.33 (31st December 2003: 0.32).

Contingent Liabilities

The Company has provided guarantees in respect of the banking facilities of HK\$232,000,000 (31st December 2003: HK\$196,000,000) granted to its subsidiaries. As at 30th June 2004, the banking facilities utilized by these subsidiaries amounted to approximately HK\$194,271,000 (31st December 2003: HK\$171,616,000).

Risk of Currency Fluctuation

The majority of the assets, liabilities and business transactions of the Group are denominated in HK dollar, US dollar and Renminbi which remained relatively stable during the period. There was no material exchange risk experienced by the Group, thus the Group did not hold any financial instrument for hedging purposes.

Financial Policy

The Group continued to handle financial risks in a prudent manner and is actively adopting corporate management standards at international level in order to ensure maximum protection for the interests of shareholders.

Employees and Remuneration Policies

As at 30th June 2004, the Group had approximately 108 employees. The remuneration of staff is determined by the Group in accordance with individual job nature and market condition. Other benefits include Mandatory Provident Fund Scheme, medical insurance, training subsidy and share option scheme.

Prospect

The Group expects the economy will maintain a stable growth despite the implementation of macro-economic regulatory measures in China. Taking the leading role in China's economic development, Shanghai's economy is experiencing an expeditious growth. The Group will further utilize competitive advantages of both Shimao Group and itself in real estate market, so as to share with its vast group of investors the fruitful rewards from the rapid development of economy in Shanghai, China and other Asian countries.

Looking forward, the Group will further focus on developing high-end property business with proven quality and huge growth return potential with an objective of bringing quality life for our customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of the Directors, the Group's external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by HKSA.

CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30th June 2004, except that the independent non-executive directors of the Company were not appointed for any specific terms as they are subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the bye-laws of the Company.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Group for the six months ended 30th June 2004 contains all the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Shimao China Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 1st September 2004

Executive Directors:

Hui Wing Mau (*Chairman*)
Chung Shui Ming, Timpson
(*Chief Executive Officer*)
Hui Mei Mei, Carol (Deputy Chairman)
Hui Sai Tan, Jason
Ip Wai Shing
Tang Ping Fai
Yao Li

Independent Non-Executive Directors:

Yu Hon To, David
Lee Chack Fan
Liu Hing Hung
Lu Hong Bing

“Please also refer to the published version of this announcement in The Standard.”