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SHIMAO CHINA HOLDINGS LIMITED

世茂中國控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 649)

ANNOUNCEMENT

Relating to Proposed Business Delineation

Non-Competition Undertaking constituting a Connected Transaction

Proposed Change of Company Name and Board Composition

The Board announces that it will pursue a business strategy of property development and investment in international markets (including Hong Kong) outside Mainland China and, in this regard, on 19 February 2004, the Company entered into the Undertaking to delineate the Group's business going forward with the property businesses in which Mr. Hui Wing Mau, the Company's Chairman, and his associates are interested. An independent board committee will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee in relation to the Undertaking, which will be put before the Independent Shareholders for their approval at the SGM.

Under the terms of the Undertaking, the Group will enjoy the benefit of an undertaking from Mr. Hui and the relevant parties that they will not carry on any property business outside of Mainland China, subject to exceptions. In return for this undertaking, the Group will not engage in the property development and investment business in Mainland China, subject to exceptions.

The Board also proposes to change the composition of the Board to reflect the strategic business focus of the Group going forward, which involves the appointment of two new executive Directors, the redesignation of the role of one Director and the resignation of seven Directors from the Board. In addition, the Company's name is also proposed to be changed to Shimao International Holdings Limited (世茂國際控股有限公司*) to reflect the strategic business focus of the Group going forward, which is to focus on international markets (including Hong Kong) outside of Mainland China. The proposed change of name is expected to be put forward to the Shareholders for their approval at the next annual general meeting of the Company.

A circular containing, *inter alia*, details of the Undertaking, the recommendation of the independent board committee, the letter from the independent financial adviser and a notice convening the SGM will be despatched as soon as possible in accordance with the Listing Rules. Overseas Investment and its associates (who together hold approximately 74.74% of the Company's issued share capital) are connected persons of the Company and will abstain from voting on the resolutions to approve the Undertaking. The voting at the SGM will be conducted by way of a poll.

Trading in the Shares was suspended with effect from 9:30 a.m. on 21 February 2005 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 February 2005.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.

Shareholders should also refer to another announcement issued by the Company today.

* for identification only

BACKGROUND

The Group's Current Principal Business

The Group's current principal business is property development and investment. The Group currently has the following two property development projects:

- **Mainland China:** Shimao Lakeside Garden, Shanghai, is a 50-50 joint venture with the A Share Company, is a residential property development in Shanghai. The project company of the Shimao Lakeside Garden is a 50% jointly-owned entity with the A Share Company. (The Group's interest in Shimao Lakeside Garden is not consolidated into the Group's financial statements.) Most of the properties of Shimao Lakeside Garden have been sold and this development is expected to be completed in mid-2005.
- **Hong Kong:** The Genesis, Hong Kong is a luxury residential development located at The Peak, Hong Kong. The Genesis is 100% owned by the Group. The site was originally acquired by the Group in 2001 for HK\$230 million. The Genesis has recently been redeveloped and now comprises a main building held for own-use and two houses for sale.

The following table sets out the Group's turnover and profit/(loss) and the contribution from its Mainland China business segment, for the two years ended 31 December 2003 and the six months ended 30 June 2004:

Year or period ended:	Turnover from Mainland China business HK\$'000	As % of Group turnover	Profits (or loss) from Mainland China business HK\$'000	As % of Group profits (or loss)
31 December 2002	107,490	100.0%	(131,310)	80.9%
31 December 2003	579,041	100.0%	170,829	118.4%
30 June 2004	296,635	100.0%	108,744	110.9%

Note: Of the Group's two property developments, The Genesis in Hong Kong was only recently completed. If the two houses of the Genesis were sold during 2005, the sales proceeds would be recognised as turnover during the 2005 financial year. No sales or pre-sale amounts were recorded in respect of The Genesis during the years or period in the above table.

In addition to the main building of The Genesis, the Group has two property investment interests in Mainland China, namely Dongfanghong Shopping Centre in Lanzhou City, Gansu Province and three Retail Units in Epoch Centre Phase II in Beijing. Both of these investments are retail properties that were not originally developed by the Group, but were acquired as investment properties in 2002. The Group intends to continue to hold the investments in Dongfanghong Shopping Centre and Epoch Centre Phase II properties for long-term investment purposes.

The Private Group's Current Principal Business

Mr. Hui and his associates currently hold significant property development interests outside the Group, including the property development and investment interests in Mainland China of the SPHL Group and of the Private Group.

The following table sets out details of the location and planned use of, as well as SPHL's interest in, its eleven property development projects:

Project	Location	Planned Use ⁽¹⁾	Total Estimated Planned GFA (m ²)	SPHL's Interest in the Project	Estimated Completion Date for Whole Project
Shimao Riviera Garden	Shanghai	Residential, Retail	883,217	100% ⁽²⁾	06/2007
Shimao International Plaza	Shanghai	Hotel, Retail	170,935	100%	03/2006
Shimao She Shan	Shanghai	Residential, Hotel	135,416	100%	03/2006
Shimao North Bund	Shanghai	Residential, Hotel	100,472	100%	04/2006
Shimao Olympic Garden	Beijing	Residential, Retail	260,072	80%	12/2007
Shimao Nanjing	Nanjing	Residential, Retail, Hotel	1,460,389	50% ⁽³⁾	12/2010
Shimao Fuzhou	Fuzhou	Residential, Retail	287,717	50% ⁽³⁾	10/2006
Shimao Harbin	Harbin	Residential, Retail	1,703,537	100%	12/2007
Shimao Kunshan	Kunshan	Residential, Retail	1,270,600	50.5% ⁽²⁾	12/2010
Shimao Changshu	Changshu	Residential, Retail, Office, Hotel	1,970,000	100%	06/2008
Shimao Wuhan	Wuhan	Residential, Retail, Office, Hotel	1,907,000	100%	12/2010

Notes:

- (1) The planned use of the above projects includes land for which the SPHL Group has not yet obtained land use rights certificates.
- (2) The interests in Shimao Riviera Garden and Shimao Kunshan assume completion of the reorganisation to be undertaken in anticipation of the Proposed SPHL Listing.
- (3) The SPHL Group does not have a controlling interest in the project companies of Shimao Nanjing and Shimao Fuzhou and does not consolidate the results of these projects into its accounts.

The following table sets out details of the location and planned use of property development projects in Mainland China held by the Private Group:

Project	Location	Planned Use ⁽¹⁾	Approximate Total Site Area/ Completed GFA (m ²) ⁽¹⁾	Status
Zhenshi Development Zone	Fujian Province	Composite	93,333 ⁽¹⁾	Substantially completed and sold
Wuyi Tourist Resort	Fujian Province	Tourist and resort	333,331 ⁽¹⁾	Substantially completed and sold
Gold Coast Resort	Fujian Province	Tourist and resort	1,313,045 ⁽¹⁾	Substantially completed
Asia Games Garden	Beijing	Residential	66,369	Substantially completed and sold
Zizhu Garden	Beijing	Residential	152,261	Substantially completed and sold
Royal Garden	Beijing	Residential	94,149	Substantially completed and sold
Epoch Centre	Beijing	Residential, retail	130,618	Substantially completed and sold
Zhenshi Hotel	Fujian Province	Hotel	21,114	Completed
Wuyishan Fishing Lake Hotel	Fujian Province	Hotel	3,735	Completed

Note:

- (1) The measurements for Zhenshi Development Zone, Wuyi Tourist Resort and Gold Coast Resort relate to site area. The measurements for Asia Games Garden, Zizhu Garden, Royal Garden, Epoch Centre, Zhenshi Hotel and Wuyishan Fishing Lake Hotel relate to total completed GFA.

Although Mr. Hui and his immediate family owns, through the Private Group, a number of property developments within Mainland China, these developments are either completed or substantially completed. Furthermore, as these development projects (other than the hotels) are primarily developed for sale rather than for investment purposes, they are likely to generate only minimal revenue, if any. Upon the execution of the Undertaking, the Private Group will not carry on any new property development business and its sole business will be investment holding.

The Group's Strategic Business Focus

The Group continuously reviews its business strategy and evaluates opportunities for the Group's development. The management of the Company carries out such reviews on a regular basis and brings suitable proposals to the Board for consideration and, if thought fit, adoption of resolutions. The proposed terms of the Undertaking were provided to all members of the Board on 7 February 2005, which were discussed at a board meeting held on 15 February 2005. The Undertaking was the subject of a decision taken at further meeting of the Board on 19 February 2005. On the basis of this decision, the Group will pursue a business strategy of property development and investment in international markets outside Mainland China, including Hong Kong and the Asia Pacific Region.

In addition, as stated in the Suifenhe Announcement, the Company has entered into an agreement to purchase the Suifenhe Shimao Development Project, subject to conditions (including the approval of Independent Shareholders). The Suifenhe Shimao Development Project is the first significant opportunity in the non-Mainland China market following the entering into of the Undertaking, given that around two-thirds of the overall site of this project (i.e. phases one and two taken together) is located in Russian territory and has been expressly acknowledged by the parties to the Undertaking as a property development project outside of Mainland China for the purposes thereof. See the Suifenhe Announcement and paragraph (4) under "Reasons for and Benefits of the Delineation" below for further details of the Suifenhe Shimao Development Project.

The reasons for the business delineation and the entering into of the Undertaking by the Group, including the benefits that the Group believe may derive from the business delineation as well as background information on the operating environment in Mainland China, are set out in the paragraph headed "Reasons for and Benefits of the Delineation" below.

BUSINESS DELINEATION

Principal Terms of the Undertaking

The Company proposes to enter into the Undertaking with Mr. Hui, SPHL, Overseas Investment, Shimao Enterprises and the A Share Company to enable the Group to focus its business activities on property developments and investments in locations outside of Mainland China. The Board will put the Undertaking to Independent Shareholders for their approval.

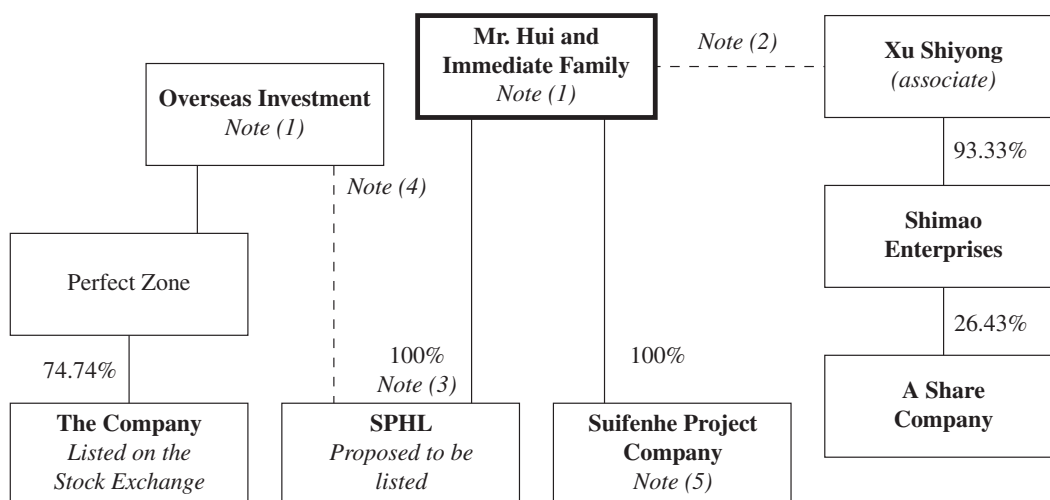
Under the terms of the Undertaking, the Group will enjoy the benefit of an undertaking from Mr. Hui and the relevant parties that they will not carry on any property business outside of Mainland China, other than through Mr. Hui's interest in the Group and Mr. Hui's interests in properties acquired and held for his own use, including for the use of his family, provided that such activities do not involve any commercial property development. In return for this undertaking, the Company will agree not to (and will procure that none of its subsidiaries, and will use its best endeavours to procure that none of its associated companies, shall) engage in the property development and investment business in Mainland China, except that the Group may continue to undertake its existing property developments and investments in Mainland China.

The Group currently has one property development and two property investments in Mainland China, which it will continue as permitted by the Undertaking. In addition, as stated in the Suifenhe Announcement, the Company proposes to acquire the Suifenhe Shimao Development Project, a property development project which is located in both Mainland Chinese and Russian territory but, given that around two-thirds of the overall site of this project (i.e. phases one and two taken together) is located in Russian territory, has been expressly acknowledged by the parties to the Undertaking as a property development project outside of Mainland China for the purposes thereof.

The Undertaking will be in place so long as Overseas Investment (the controlling shareholder of both the Group and SPHL) directly or indirectly (through its subsidiaries) holds 30% or more of the issued share capital of the Group and SPHL (or controls the exercise of the voting rights in respect thereof).

Overview of business delineation between parties to the Undertaking

The following chart shows the shareholding and other relationships between parties to the Undertaking as the date of this circular:



Notes:

- (1) Overseas Investment is the controlling shareholder of the Group. It is the trustee of a unit trust all of the units of which are held by the Family Trust, a discretionary trust settled by Mr. Hui of which his wife and children are discretionary objects. The trustee of the Family Trust is Trident Corporate Services (B.V.I.) Limited. Mr. Hui is an excluded class of beneficiary under the Family Trust.
- (2) Mr. Xu Shiyong is Mr. Hui's nephew and his associate for the purposes of Chapter 14A of the Listing Rules.
- (3) Mr. Hui's property development and investment business in Mainland China is currently held by Shimao Property Holdings (BVI) Limited, a company wholly-owned by him. SPHL is proposed to become the holding company pursuant to the Reorganisation to be effected in connection with the Proposed Listing of the SPHL Group.
- (4) Pursuant to the Reorganisation to be effected in connection with the Proposed Listing of the SPHL Group, Overseas Investment will become the controlling shareholder of SPHL upon its Proposed Listing. Upon such Proposed Listing, Mr. Hui will cease to have any ownership interest in SPHL. Mr. Hui is an excluded class of beneficiaries under the Family Trust.
- (5) As stated in the Suifenhe Announcement, the Company has entered into an agreement with Mr. Hui to acquire 100% of the holding company of the Suifenhe Shimao Development Project, subject to certain conditions as referred to in the Suifenhe Announcement, in particular the requirement of approval from Independent Shareholders.

The following table sets out a summary of the proposed business delineation between the relevant parties to the Undertaking:

	Principal business prior to the Undertaking	Principal business going forward (Note 1)
The Group:	The Group's principal business is property development in and outside Mainland China. It has recently completed The Genesis in Hong Kong and has been looking at opportunities in the Asia Pacific Region. In addition, the Group proposes to acquire the Suifenhe Shimao Development Project.	Going forward, the Group intends to pursue an international business strategic focus and will undertake property development outside of Mainland China (including Hong Kong).
Mr. Hui and the Private Group:	The Private Group is a collection of companies (including SPHL) owned by Mr. Hui and his immediate family comprising his wife and children. Its principal business is property development in Mainland China.	Mr. Hui's interests in SPHL and the Suifenhe Shimao Development Project are proposed to be transferred to Overseas Investment and the Group, respectively. Going forward, the Private Group will not carry on any new property development business and its sole business will be investment holding.

Overseas Investment: Overseas Investment is the trustee of a unit trust, all of the units of which are held by a discretionary trust established by Mr. Hui of which Mr. Hui's immediate family are discretionary objects. It holds a 74.74% controlling interest in the Group and a 25% interest in a Shanghai property development project which is proposed to be acquired by SPHL (which currently holds the remaining 75% interest in such project).

Mr. Xu and his interests: Mr. Xu, who is Hui's nephew and his associate for the purposes of Chapter 14A of the Listing Rules, is the 93.33% controlling shareholder of Shimao Enterprises. Shimao Enterprises holds 26.43% of the A Share Company. The A Share Company's principal business is property development in Mainland China.

Going forward, Overseas Investment will only hold its shareholding interests in the Company and SPHL.

SPHL will undertake large scale property development projects in Mainland China exceeding a minimum gross floor area (i.e. projects that are not "Smaller Residential Projects" or "Smaller Multiple-Use Projects" as defined in the Undertaking (*Note 2*)).

Going forward, Mr. Xu and Shimao Enterprises will not carry on any property business except through Shimao Enterprises' 26.43% shareholding interest in the A Share Company.

The A Share Company will undertake smaller scale property development projects in Mainland China up to a maximum gross floor area (i.e. projects that are "Smaller Residential Projects" or "Smaller Multiple-Use Projects" as defined in the Undertaking (*Note 2*)).

Notes:

- (1) The Undertaking permits the relevant parties to continue to hold residual interests in Mainland China property developments and investments. Mr. Hui and Mr. Xu may also hold interests in properties acquired and held for personal use, including for the use of their respective families, provided that such activities do not involve any commercial property development. The parties agreed that the Suifenhe Shimao Development Project shall not fall constitute property business in Mainland China.
- (2) "Smaller Residential Projects" are residential property developments in Mainland China where the total planned construction GFA of the relevant development (or the aggregate planned GFA of all phases where the development is to take place in phases), determined on the basis of master plans, is estimated to be less than 200,000 sq.m.. For these purposes, "residential" property developments means development where not more than 30% of total planned construction GFA, determined on the basis of master plans, are to be constructed for non-residential use. "Smaller Multiple-Use Projects" are mixed property project developments in Mainland China where the total planned construction GFA of the relevant development (or the aggregate planned GFA of all phases where the development is to take place in phases), determined on the basis of master plans, is estimated to be less than 100,000 sq.m.. For these purposes, "mixed" property developments means developments where over 30% of total planned construction GFA, determined on the basis of master plans, are to be constructed for non-residential use.

REASONS FOR AND BENEFITS OF THE DELINEATION

The Directors (including the independent non-executive Directors) consider that the terms of the Undertaking are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors' view is based on a number of business considerations, among which are those set out in the reasons below. At the Board meeting held on 19 February 2005 to approve the entering into of the Undertaking, all those Directors who have a material interest in the Undertaking abstained from voting as required by the Bye-laws of the Company. The remaining Directors, namely Professor Lee Chack Fan, Mr. Liu Hing Hung and Mr. Zhu Wenhui, voted unanimously in favour of the resolution approving the entering into of the Undertaking. The terms of the Undertaking are on normal commercial terms and were arrived at after arm's length negotiations. Whilst the business delineation under the Undertaking would restrict the Group from property development and investment activities in Mainland China, and would therefore mean that the Group will no longer undertake one of its geographical business segments, the Board believes that the entering into of the Undertaking and the delineation of its business from those of Mr. Hui and his associates are in the interests of the Company and the continued development of its business for the reasons stated in this announcement.

- (1) *The operating environment in Mainland China has become increasingly difficult for smaller developers such as the Group*

The Group has in the past focused its efforts on the Mainland China as well as Hong Kong property markets. However, whilst the property market has seen improvement during the past year, the operating environment in the Mainland China property development industry has become increasingly difficult financially for smaller developers such as the Group for the following reasons:

- **Intense competition for quality sites:** As a result of PRC government policies towards land supply in recent years, it has become increasingly difficult for smaller developers such as the Group to secure land for further property developments in Mainland China. In May 2001 and May 2002 respectively, the Shanghai Municipal Government and the Central Government introduced regulations requiring that land use rights for residential property development be sold by public tender, auctions or bidding. This has put the Group in direct competition with larger developers including those from Mainland China and Hong Kong, when quality sites become available. The Board believes that such competition will continue to intensify, particularly since 11 December 2004, when China was required under its WTO commitments to lift most of the limitations on overseas property developers. The competition for quality sites has also led to increases in the price of such sites. Smaller developers do not have the economies of scale of their larger counterparts to offset the increase in unit cost of the land.

- **Macro-economic adjustment measures have affected the availability of financing:** The PRC government has recently taken number of economic adjustment measures to prevent the PRC economy from overheating. Among these measures are policy initiatives in the financial sector issued in September 2004 to further tighten the lending requirements for real estate developers originally issued in June 2003. The measure that has had a particular impact on the ability of smaller developers to participate in development projects is the restriction on using bank loans to pay land costs. Under applicable PRC regulations, bank loans must be applied towards construction costs. In addition, the requirement on property developers to pay a prescribed percentage of the total value of a real estate project up front has increased from 30% to 35%. These requirements have raised the barriers to entry for property developers and have made it more difficult financially for smaller developers to undertake larger-scale or higher-end development projects, let alone to undertake a number of projects at the same time. Other measures announced by the PRC government over the past two years designed to slow the rapid economic growth of the PRC's economy to a more sustainable level include, among other things, curbing certain high growth sectors, including the property market. The measures specific to the property market include limiting the monthly repayment amount under an individual's mortgage loan to 50% of the individual's monthly income and all debt repayments of the individual to 55% of the individual's monthly income. In addition, the People's Bank of China raised both its benchmark lending and deposit interest rates in October 2004. Policies and measures introduced and which may be introduced by the PRC Government including those described above may lead to changes in market conditions, including price instability and an imbalance between supply of, and demand for, properties in the PRC.

The Group's current only property development project in Mainland China is Shimao Lakeside Garden, the site of which was paid for partly through bank loans. The Group's investment in the project company of the Shimao Lakeside Garden project was financed out of the proceeds of a rights issue undertaken in 2002. At that time, the regulations requiring that land use rights for residential property development be sold by public tender, auctions or bidding had not been implemented and therefore the Group was able to secure the site at a reasonable cost. As the Group currently has no property development projects in Mainland China in the pipeline and does not have a land bank to draw from, the above macro-economic factors would mean that it would be increasingly difficult financially for smaller developers such as the Group to do the following in Mainland China: (a) acquire sites in premium locations such as sites with riverside views and those located in central business districts; (b) acquire and develop large scale projects, and (c) obtain reasonable returns. And given that the Group's "Shimao" brand has been synonymous with large scale quality and luxury developments in premium locations, the Group has had to look elsewhere for more opportunities that are more suitable for smaller developers. The Company has noted official statements from the PRC government regarding the strengthening of the macro-economic adjustment measures during 2005. Notwithstanding that the Group could have continued to pursue appropriate opportunities in the Mainland China market, the Board believes that there are many markets around the world that do not have centrally planned economies with economic adjustment measures as those described above and that allow developers to finance land cost in a variety of ways more suited to smaller developers, such as instalment payments and loans for land acquisition. For example, the acquisition of the site of The Genesis in Hong Kong in 2001 was financed partly through bank loans. As the Group did not have a land bank other than the sites for Shimao Lakeside Garden and The Genesis, the Group does not have a historic practice of obtaining land banks and development properties.

(2) *The change in strategic business focus of the Group necessitated by the prevailing operating conditions in Mainland China*

The prevailing operating conditions in Mainland China has necessitated a change in strategic business focus by the Group. Against the background of a changing operating environment for property developers in Mainland China as described in paragraph (1) above, the Group has also had to facing intense competition from other real estate developers. In recent years, a large number of property developers have begun undertaking property development and investment projects in Shanghai (where the Group's only Mainland China development project is located) and elsewhere in Mainland China. These include overseas property developers, including a number of leading Hong Kong property developers. In particular, from 11 December 2004, China was required under its WTO commitments to lift most of the limitations on overseas property developers by relaxing restrictions on the formation of wholly foreign-owned enterprises and removing the limitations on national treatment, as a result of which the Board expects that non-PRC property developers will be treated the same under PRC law as PRC property developers. The removal of these limitations may further increase competition in the PRC property development sector.

The following table shows the relative sizes of the Group and four other Mainland China property developers listed on the Stock Exchange:

Name of Issuer	Market Capitalisation ⁽¹⁾ HK\$'M	Turnover ⁽²⁾ HK\$'M	NAV ⁽³⁾ HK\$'M	Cash On Hand ⁽³⁾ HK\$'M
Company	968	579	588	9
Shanghai Forte	5,793	2,059	2,784	928
Beijing Capital Land	3,912	1,812	2,045	1,495
New World China	5,994	2,522	16,369	857
China Resources Land	2,765	1,252	4,042	1,312

Notes:

- (1) The market capitalisation is calculated based on the closing market price on 18 February 2005.
- (2) Based on the year ended 31 December 2003, except for New World China, which is based on the year ended 30 June 2004.
- (3) As at 30 June 2004.

Accordingly, the intensifying competition in Mainland China, particularly from larger developers, has driven smaller property developers to look outside of Mainland China, in locations where there are fewer macro-economic policy restrictions, with a more flexible regulatory regime towards funding for land cost. The Board is of the view that this change is necessary, and will be made by the Group, irrespective of other factors, such as SPHL's Proposed Listing, or the proposed acquisition of the Suifenhe Shimao Development Project.

As such, the Group has been considering a strategy outside of Mainland China in order to develop its operating space, where the Group can identify suitable markets which do not pose high barriers to entry to smaller developers such as the Group has faced in Mainland China.

As an example of its efforts to seek opportunities to diversify into locations outside Mainland China and Hong Kong, the Group had, in August 2004, actively pursued an opportunity in Malaysia regarding the purchase of certain property interests for development. A letter of intent was subsequently entered into by the Group following negotiations with the owner of the property. The Group is currently continuing to pursue similar opportunities in the Asia Pacific region.

- (3) *The Undertaking provides the Group the operating space separate from the potentially competing interests of Mr. Hui and his associates that it must have in order to develop its new strategic business focus*

Mr. Hui and his associates currently hold significant property development interests outside the Group, including the property development and investment interests in Mainland China of the SPHL Group and of the Private Group.

The Group has considered a number of opportunities both in as well as outside Mainland China, including the possible acquisition of Mr. Hui's Mainland China property development and investment business of the SPHL Group. Whilst the acquisition of the SPHL Group would have been an opportunity on a standalone basis, an injection of sizeable assets by Mr. Hui in the form of the SPHL Group would have a number of potential effects on the Group, including the level of debt that it may have to assume in order to finance such purchase as well as the Company's public float (which is currently 25.26%). The Board notes that, as at 30 June 2004, the Group has cash on hand of only around HK\$9 million.

In addition, Mr. Hui is also currently interested in the Suifenhe Shimao Development Project, which is located in a region designated for the development of cross-border commerce and tourism between Russia and the PRC and is planned to include a mixture of residential, hotel, office and retail space and warehousing and logistics, and leisure and entertainment facilities. The Group did not undertake this project at the outset due to its lack of financial resources for a project of this size and the Group's operating environment described above.

The Group faces potential competition from the SPHL Group in Mainland China whether or not the Proposed Listing takes place. In the absence of a delineation of the business in the form of a non-competition undertaking, the Group also faces the threat of competition from the property development interests of Mr. Hui and his associates, in the form of the SPHL Group, the Suifenhe Shimao Development Project as well as other geographical markets outside Mainland China (including Hong Kong). The Group understands that SPHL and the Private Group do not currently have any projects in markets outside of Mainland China (and, as such, there is currently no competition in terms of actual projects), although, during 2004, the Private also pursued opportunities in South East Asia including Malaysia which has now been discontinued in view of the proposal to enter into the business delineation. But in view of the financial resources of SPHL, it is not inconceivable that, faced with the appropriate opportunities in overseas markets, SPHL could, absent the Undertaking, well readily go into such markets. Whilst the threat of competition would not, *of itself*, fully justify the Group from refraining from undertaking Mainland China projects, the Board considered and concluded that, on balance, the reasons set out in this announcement, including the clarity that the business delineation would achieve, the conditional acquisition of the Suifenhe Shimao Development Project (which is not conditional on the Undertaking), justify the entering into of the Undertaking as being in the interests of the Group to resolve such potential competition. On this basis, as the Group has decided to pursue a business strategy away from Mainland China for the reasons described above, the Undertaking serves to protect the Group's interests as it seeks to develop opportunities outside of Mainland China, whilst at the same time, agreeing not to continue its activities in a location from which the Group and other smaller developers are being driven away.

In addition, the arrangements pursuant to the Undertaking are transparent due to the nature of the Group's business and the method of delineation adopted by the Undertaking. The business of the Group going forward and those of Mr. Hui and his associates have been determined based on geographical delineation under the Undertaking. Due to the fact that property development companies undertake only a limited number of projects at any given time and their activities are all "tangible", a geographical approach to delineation would be transparent, unlike non-competition arrangements which define a space according to defined market or product segments or target markets.

(4) *The Suifenhe Shimao Development Project and the geographical delineation afforded to the Group demonstrate the strong commitment from Mr. Hui and his associates to develop the Group's international property development business under the "Shimao" brand*

The Undertaking affords the Group a geographical area that underlines the strong commitment from Mr. Hui and his associates to develop the Group's international property development business under the "Shimao" brand, for the following reasons:

- **The Undertaking gives the Group a huge geographical coverage area.** Whilst the business delineation would restrict the Group from its activities in Mainland China, the geographical coverage of the Group's markets in which Mr. Hui and his associates are not permitted to enter are significant, as the Group will be able to enjoy the benefit of an undertaking from Mr. Hui and the relevant parties that they will not carry on any property business outside of Mainland China. Hong Kong, Macau and Taiwan are all potential markets available to the Group pursuant to the Undertaking. Given that the geographical space of Mainland China is limited to its Mainland boundary, the Group will be able to explore opportunities in a significantly larger geographical coverage area than the other property development interests held by Mr. Hui and its associates. Whilst a larger geographical coverage area would not, of itself, give the Group opportunities for new projects, the Board believes that as economies around Asia have recovered, *potential* opportunities would arise if the Group actively pursued such opportunities. In view of the opportunities afforded to the Group through the potential geographical coverage area for the Group, the restrictions on Mr. Hui and his associates within Mainland China under the proposed delineation, as well as the proposed injection of the Suifenhe Shimao Development Project as a springboard to the international strategy, the Board believes that the Group would be able to effectively develop its markets outside of Mainland China (including the Hong Kong market) to build on its first foray into the markets outside of Mainland China, namely the Hong Kong market, with its redevelopment of The Genesis.
- **The Group's conditional acquisition of the Suifenhe Shimao Development Project further underlines Mr. Hui's commitment:** As stated in the Suifenhe Announcement, Mr. Hui has offered the Group the opportunity to acquire the Suifenhe Shimao Development Project, a property development project which is located in a region designated for the development of cross-border commerce and tourism between Russia and Mainland China, which is planned to include a mixture of residential, commercial and retail space and warehousing and logistics facilities. The Suifenhe Project Company is wholly-owned by Mr. Hui.

The Group has been considering and evaluating the opportunity to acquire the Suifenhe Shimao Development Project offered by Mr. Hui and commenced legal and financial due diligence on the Suifenhe Shimao Development Project in September 2004. Announcements were made by the Company on 26 October, 2 November and 11 November 2004 to confirm the existence of discussions with Mr. Hui. As stated in the Suifenhe Announcement, the Company has entered into an agreement with the holding company of the Suifenhe Shimao Development Project, which is wholly-owned by Mr. Hui, to acquire its entire interest in the Suifenhe Shimao Development Project. Please refer to the Suifenhe Announcement for further details of the Suifenhe Shimao Development Project as well as the conditions of the acquisition.

Approximately two-thirds of the aggregate site of phases one and two of the Suifenhe Shimao Development Project is situated in Russian territory and, as such, would be different from the locations of the Group's past projects which have been within the PRC. The parties to the Undertaking agreed that the Suifenhe Shimao Development Project does not constitute property business in Mainland China for the purposes of the Undertaking. Further, the Suifenhe Shimao Development Project will involve warehousing, logistics and leisure and entertainment facilities in addition to the more traditional property development components of residential, hotel, office and retail space. The Group's two main development projects described above were residential developments. The Suifenhe Shimao Development Project is planned to offer a variety of facilities and in a region designated for the development of cross-border commerce and tourism between Russia and the PRC. In addition, on the basis of the relative sizes of the sites of Shimao Lakeside Garden and The Genesis, the Group's current developments, and the Suifenhe Shimao Development Project, the Board believes that the Suifenhe Shimao Development Project has significantly better potential for the Group and represents a significant opportunity for the Group to diversify into more areas of property development. Please refer to the Suifenhe Announcement for further details.

In view of the partial location of the Suifenhe Shimao Development Project in Chinese territory, the Group can leverage on the experience it has accumulated in the Shimao Lakeside Garden in Mainland China by acquiring the Suifenhe Shimao Development Project. In this regard, whilst the acquisition of the Suifenhe Shimao Development Project would present the Group with a platform

to pursue its international business strategy going forward, the business delineation pursuant to the Undertaking demonstrates that the controlling shareholder's commitment to position the Group as an international property developer by undertaking not to enter into markets outside of Mainland China. Mr. Hui has agreed to both the undertaking not to compete outside of Mainland China as well as the acquisition of the Suifenhe Shimao Development Project irrespective of whether the Proposed Listing takes place.

- **The lack of inter-conditionality of the Suifenhe acquisition demonstrates that the Undertaking is a solution devised in the interests of the Group:** Mr. Hui's sale of the Suifenhe Shimao Development Project is not conditional on the approval of the Undertaking by the Independent Shareholders, nor upon the Proposed SPHL Offering proceeding successfully. The Board believes that this goes to demonstrate that the Undertaking is intended as a solution, rather than something that would continue the current diverse business interests (and in that respect it is not an obstacle to the Group's development notwithstanding that the Group will not undertake new projects in Mainland China), to address the challenges faced by the Group and to ensure the successful development of the Group going forward.
- **The proposed terms for Suifenhe further demonstrates Mr. Hui's long-term commitment to the new business strategy:** As further stated in the Suifenhe Announcement, the consideration for the acquisition of the Suifenhe Shimao Development Project involves the issuance of a combination of convertible note and a promissory note to Mr. Hui's associate which the controlling shareholder of the Group. Neither Mr. Hui nor his associates will receive any cash consideration from the sale. Mr. Hui's acceptance of the structure of the consideration represents a long-term commitment to invest in the new strategic business focus of the Group.

(5) *Preferential Offer of SPHL Shares to Qualifying Shareholders*

Mr. Hui and SPHL recognise that whilst Shareholders may be supportive of the new strategic business focus of the Group and/or the potential of the Suifenhe Shimao Development Project, and therefore vote accordingly at the relevant SGM, Shareholders may also wish to have an ownership interest in the Mainland China business of the SPHL Group. Whilst there can be no certainty that the SPHL Group will ultimately achieve the Proposed Listing, the Board understands that Mr. Hui would like to put forward a proposal to ensure that Shareholders are given an opportunity to invest in the SPHL Group and to secure certain SPHL Shares in the Proposed SPHL Offering. For this reason, SPHL has proposed that, if the Proposed Listing proceeds, Qualifying Shareholders will be invited to apply for the Reserved Shares (representing approximately 5% of the SPHL Offer Shares) on a preferential as well as an assured basis.

The Board notes that the Preferential Offer as well as the "assured entitlement" thereunder is not required of either SPHL or Mr. Hui under the Listing Rules. Please refer to the paragraph headed "The Proposed Listing – The Preferential Offer" below.

WARNING: SPHL has submitted an application to the Listing Committee for listing of, and permission to deal in, its shares on the main board of the Stock Exchange. The Listing Committee has not given its formal approval in respect of SPHL's listing application. The Proposed Listing may or may not proceed.

If the formal approval of the Listing Committee in relation to the Proposed Listing is not obtained or if the Proposed SPHL Offering does not proceed for any other reasons, the Preferential Offer will not be made and in such case no Qualifying Shareholder will be entitled to subscribe for any Reserved Shares thereunder.

(6) *Proposal to put the Undertaking to Independent Shareholders' vote*

As the Board wishes to ensure that it gives due regard to the range of Shareholders' interests, the Board has proposed that the Undertaking be subject to Independent Shareholders' approval. Overseas and its associates will abstain from voting on the resolutions (which will be conducted by way of poll) to approve the Undertaking.

Please refer to the paragraph headed "Independent Board Committee, Independent Financial Adviser and SGM" below.

Enforcement of the Undertaking by the Company

Enforcement of the Undertaking would be undertaken by the Board of the Company. The Bye-laws of the Company provide that directors shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract etc. in which he/she is materially interested. The Board notes that, following the change in its composition, it will have 7 directors, only two of whom are associates of Mr. Hui. The Company does not consider that there would be potential issues arising in relation to enforcement of the Undertaking. This is because the arrangements pursuant to the Undertaking would be transparent due to the nature of the Group's business and the method of delineation used in the Undertaking.

THE PROPOSED LISTING

WARNING: The Listing Committee has not given its formal approval in respect of SPHL's listing application. The Proposed Listing may or may not proceed.

The Proposed SPHL Offering

The Proposed SPHL Offering is expected to be effected by way of offering of SPHL Offer Shares to the public in Hong Kong, placing of Offer Shares to institutional, professional and individual investors in Hong Kong and other jurisdictions and offering of SPHL Offer Shares to the Qualifying Shareholders under the Preferential Offer. The Reserved Shares are expected to form part of the placing.

The Proposed SPHL Offering is conditional upon (amongst other things):

- (a) the Listing Committee granting formal approval for the listing of, and permission to deal in, all the SPHL Shares in issue and to be issued;
- (b) the Underwriting Agreements having been executed and the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreements or otherwise;
- (c) the Reorganisation becoming unconditional in all respects.

The Proposed SPHL Offering will not proceed if the above conditions are not satisfied, whereupon further announcement(s) will be made to keep Shareholders informed of the developments.

The Preferential Offer

It is expected that, subject to the Listing Committee of the Stock Exchange granting formal approval for the listing of, and permission to deal in, the SPHL Shares in issue and to be issued under the Proposed SPHL Offering on the main board of the Stock Exchange, and the fulfilment of other conditions, as mentioned in the section headed "The Proposed SPHL Offering" above, Qualifying Shareholders will be invited to participate in the Proposed SPHL Offering by applying for a set number of Reserved Shares on an assured basis.

With a view to maintaining at least the minimum prescribed percentage of SPHL Shares in the hands of the public in compliance with the Listing Rules immediately after the Proposed SPHL Offering, it is expected that no Reserved Shares under the Preferential Offer will be offered to Overseas Investment and its associates. As a result, the Company understands that it is currently proposed that the Qualifying Shareholders, other than Overseas Investment and its associates, will be given an assured entitlement to subscribe for one Reserved Share for every whole multiple of six Shares held by them at the close of business on the Record Date, subject to a minimum holding to be determined (which shall not be more than 6,000 Shares). The Company will publish an announcement on or after the Record Date confirming Qualifying Shareholders' entitlement to apply for the Reserved Shares.

In connection with the Proposed SPHL Offering, the price of the SPHL Offer Shares may be stabilised in accordance with the Securities and Futures (Price Stabilising) Rules (Chapter 517W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) will be contained in the listing document in relation to the Proposed SPHL Offering.

WARNING: The Listing Committee has not given its formal approval in respect of SPHL's listing application. The Preferential Offer may or may not proceed. If the Preferential Offer proceeds, further announcement(s) will be made by the Company regarding details of the Proposed SPHL Offering, the Preferential Offer, the assured entitlements, the date of the Record Date, the timetable of the Preferential Offer and, if the timetable for the Proposed SPHL Offering is revised, the corresponding changes to the timetable for the Preferential Offer.

CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company to Shimao International Holdings Limited (世茂國際控股有限公司*) to reflect the strategic business focus of the Group going forward, which is to focus on international markets (including Hong Kong) outside of Mainland China. The proposed change of name is expected to be put forward to the Shareholders for approval at the next annual general meeting of the Company.

CHANGE IN BOARD COMPOSITION

The Board also proposes to change the composition of the Board to reflect the strategic business focus of the Group going forward, which involves the appointment of two new executive Directors, the redesignation of the role of one Director and the resignation of seven Directors from the Board. Details of the changes are set out below:

Appointment of Directors

The Board is pleased to announce that Mr. Chan Loo Shya and Mr. Tung Chi Shing, Joseph have been appointed as directors of the Company with effect from 19 February 2005.

Chan Loo Shya, aged 36 and a Malaysian national, is responsible for the corporate finance management/overall financial planning and management of the Group. He graduated from TunjkuAbdul Rahman College in Malaysia and is an associate member of the Association of Chartered Certified Accountants. Mr. Chan has over 11 years' experience in accounting, finance and management of which two were gained in Malaysia and nine in the PRC. Mr. Chan worked for Horsedale Development Berhad, a Malaysian property company and was involved in a number property projects in Malaysia as financial management executive including Kota Kemuning, Pan Pacific Glenmarie Resort and Glenmarie Golf and Country Club. Prior to joining the Company, Mr. Chan was a deputy financial controller of the SPHL Group. Mr. Chan has not held any directorship in any listed company in Hong Kong in the last three years.

Tung Chi Shing, Joseph, aged 44, is responsible for the monitoring of project management for the Group's development projects and quality assurance. Mr. Tung graduated from The Hong Kong Polytechnic University and has worked in the Public Works Department of the Hong Kong Government, Dragages et Travaux Publics, FJT (HK) Ltd. and HCCM Nuclear Power Construction Joint Venture Company as quantity surveyor in Hong Kong and was involved in a number of projects including Island Shangrila and Conrad Hotel in Pacific Place, Phase 1A of the University of Hong Kong, Stanley Fort Married Quarters, the Pumping station areas of the Daya Bay Nuclear Power Station and a Xian five-star hotel in the PRC. Prior to joining the Company, Mr. Tung was a project controller of the SPHL Group. Mr. Tung has not held any directorship in any listed company in Hong Kong in the last three years.

The service contracts entered into by the Company with Mr. Chan and Mr. Tung do not provide for a fixed term of tenure and may be terminated in accordance with the terms thereof. Both Mr. Chan and Mr. Tung will be subject to retirement by rotation of directors pursuant to the Company's Bye-Laws. The emoluments payable to Mr. Chan and Mr. Tung include a fixed basic salary of HK\$665,000 and HK\$1,012,000 respectively per annum plus a discretionary bonus. The Board determines the above emoluments by taking into consideration their duties and responsibilities within the Group, the prevailing market rates, the Group's performance and remuneration policy.

Both Mr. Chan and Mr. Tung are not connected with any Directors, senior management, substantial or controlling shareholders of the Company and do not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. The Board is not aware of any other matters which need to be brought to the attention to the shareholders of the Company in respect of the above appointments.

The Company takes this opportunity to express its warm welcome to Mr. Chan and Mr. Tung in joining the Board.

Resignation of Directors

The Board announces that Mr. Ip Wai Shing, Mr. Tang Ping Fai and Madam Yao Li, executive Directors, and Mr. Yu Hon To, David and Mr. Lu Hong Bing, independent non-executive Directors, resigned as Directors on 19 February 2005. It is expected that Messrs Chung Shui Ming, Timpson and Hui Sai Tan, Jason, executive Directors, will resign as executive Directors. The foregoing Directors have resigned or intend to resign in order to serve as directors or senior management of SPHL with effect from the date on which SPHL issues its listing document. Mr. Chung has been the chief executive officer of the Company since he joined the Company in May 2004 and is responsible for corporate policies and overseeing the Group's operations. His role will be taken over by Ms. Carol Hui. During his time with the Company, Mr. Jason Hui oversaw the sales and marketing function, including Shimao Lakeside Garden. His role will be taken over by Ms. Carol Hui. During his time with the Company, Mr. Ip oversaw the project management function, including Shimao Lakeside Garden. His role will be taken over by Mr. Tung. During his time with the Company, Mr. Tang oversaw the construction budgeting, cost control and contract administration functions, including Shimao Lakeside Garden. His role will be taken over by Mr. Tung. During her time with the Company, Ms. Yao oversaw the human resources, administration, property management and customer services functions, including Shimao Lakeside Garden. Her role will be taken over by Ms. Carol Hui and Mr. Chan. The Board takes this opportunity to express its thanks to Messrs Ip, Tang, Yu and Lu and Madam Yao for their services and contribution to the Group. Such resigning Directors confirmed that there are no matters that need to be brought to the attention of the Shareholders.

Redesignation of Director

Mr. Hui, Chairman of the Company and executive Director, has been redesignated as non-executive Director but will continue to provide the strategic leadership and direction of the Shimao brand in the Group's international markets as Chairman of the Company.

New Composition of the Board

Upon all of the above changes taking effect, the composition of the Board will be as follows:

Name	Position
Mr. Hui Wing Mau:	Chairman and Non-executive Director
Ms. Hui Mei Mei, Carol:	Deputy Chairman and Executive Director
Mr. Chan Loo Shya:	Executive Director
Mr. Tung Chi Shing, Joseph:	Executive Director
Professor Lee Chack Fan:	Independent non-executive Director
Mr. Liu Hing Hung:	Independent non-executive Director
Mr. Zhu Wenhui:	Independent non-executive Director

Board Committees

As a result of the above changes to the composition of the Board, the Board further announces that Mr. Yu Hon To, David has stepped down as Chairman and a member of the audit committee, and Mr. Liu Hing Hung, currently a member of the audit committee, has been appointed Chairman of the audit committee. Professor Lee Chack Fan and Mr. Zhu Wenhui will remain as the other two members of the audit committee.

Background to the Change

The above changes in the composition of the Board would not affect the business operation of the Group. Although a number of the Company's existing Directors have resigned or intend to resign, this is in line with the new business strategic focus of the Group. As the Company currently focuses on property developments both within and outside of Mainland China, the composition of the Board reflects the expertise required to ensure that its Directors possess sufficient knowledge and expertise of the property industry in Mainland China. However, as the Company adopts its new business strategy of focusing on property developments outside Mainland China, the Company has reassessed the composition of its Board to ensure that the backgrounds of the Directors are aligned with the Company's new strategic business focus, and the appointment of Mr. Tung and Mr. Chan as executive Directors of the Company reflects this. At the same time, the resignations of the executive Directors would not affect the business operation of the Group, given that the Group's two developments are reaching completion. Mr. Jason Hui, Mr. Ip, Mr. Tang and Ms. Yao are based in Mainland China and have oversight functions at the Group but the day-to-day responsibility for relevant projects in Mainland China (there being only one) rests with individual project managers on the ground. As the workload arising from the Group's only Mainland China project decreased, Mr. Jason Hui, Mr. Ip, Mr. Tang and Ms. Yao have, since the start of 2003 (except for Mr. Ip, who joined in July 2003), also taken up their current group senior management positions at the SPHL Group with responsibility over its property development projects in their respective areas of expertise. Mr. Hui (as Chairman) and Ms. Carol Hui (as executive Director) will remain on the Board to provide the strategic leadership and direction of the Shimao brand in the Group's international markets, whilst those Directors who intend to resign from the Board are predominantly experienced in the PRC property industry.

INDEPENDENT BOARD COMMITTEE, INDEPENDENT FINANCIAL ADVISER AND SGM

The Board will put the Undertaking to Independent Shareholders for their approval. An independent board committee will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee. A circular containing, *inter alia*, details of the Undertaking, the recommendation of the independent board committee, the letter from the independent financial adviser and a notice convening the SGM will be despatched as soon as possible in accordance with the Listing Rules. Overseas Investment and its associates are connected persons of the Company and will abstain from voting on the resolutions to approve the Undertaking. The voting at the SGM will be conducted by way of a poll.

A further announcement will be made by the Company once the independent board committee has been established and the independent financial adviser has been appointed.

WARNING: If any changes are made, or required to be made, to the terms of the Undertaking changed, then, the Company will comply with applicable Listing Rules and obtain further approval from Independent Shareholders at a separately convened special general meeting of the Company.

TRADING OF SHARES

Trading in the Shares was suspended with effect from 9:30 a.m. on 21 February 2005 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 February 2005.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"A Share Company"	上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.), a company established in the PRC whose shares are listed on the Shanghai Stock Exchange, in which Shimao Enterprises holds a 26.43% interest
"associate"	has the meaning as given to it in the Listing Rules
"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Company"	Shimao China Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are currently listed on and dealt in the Stock Exchange
"controlling shareholder"	has the meaning as given to it in the Listing Rules
"Director(s)"	the director(s), including the independent non-executive directors, of the Company
"Family Trust"	the W.M. Hui Family Trust, a discretionary trust established on 27 August 2001 by Mr. Hui for the benefit of his wife and children
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Shareholder(s)"	Shareholder(s) other than Mr. Hui and his associates
"Listing Committee"	the Listing committee of the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange

“Mainland China”	the mainland of the PRC which does not include Hong Kong, Macau and Taiwan
“Mr. Hui”	Mr. Hui Wing Mau, Chairman and Director of the Company
“Mr. Xu”	Mr. Xu Shiyong, Mr. Hui’s nephew
“Overseas Investment”	Overseas Investment Group International Limited, a company incorporated in the BVI, which is the controlling shareholder of the Group
“Overseas Shareholders”	registered holder(s) of the Shares, whose addresses on the register of members of the Company at 4:00 p.m. on the Record Date are outside Hong Kong
“Preferential Offer”	the proposed conditional preferential offering to Qualifying Shareholders to subscribe for Reserved Shares
“Proposed Listing”	the proposed listing of SPHL by way of a listing of the ordinary shares in the share capital of SPHL on the main board of the Stock Exchange
“Proposed SPHL Offering”	the proposed (i) new issue to the public in Hong Kong and (ii) conditional placing to institutional, professional and other investors (of which the Preferential Offer forms part) of SPHL Offer Shares
“Qualifying Shareholder”	Shareholders whose names appear on the register of members of the Company as holding a minimum number of Shares to be determined (which shall not be more than 6,000 Shares) at 4:00 p.m. on the Record Date, other than Overseas Shareholders
“Record Date”	the date to be announced by the Company for ascertaining the entitlement(s) of Qualifying Shareholders
“Reorganisation”	the pre-listing reorganisation relating to SPHL’s business
“Reserved Shares”	the SPHL Offer Shares to be offered pursuant to the Preferential Offer
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, amongst other things, approve the Undertaking
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shimao Enterprises”	上海世茂企業發展有限公司 (Shanghai Shimao Enterprises Development Co. Ltd.), a company established in the PRC in which Mr. Xu holds a 93.33% interest
“Shimao Lakeside Garden”	a property development at Jinyang Shenghuoyuanqu, Jinqiao, Pudong, Shanghai, PRC
“SPHL”	Shimao Property Holdings Limited, a company wholly-owned by Mr. Hui (but which is proposed to be transferred to Overseas Investment as part of Mr. Hui’s personal estate planning) and which is proposed to be the holding company of Mainland China property development and investment interests
“SPHL Group”	SPHL, its subsidiaries and associated companies
“SPHL Offer Shares”	the ordinary shares of HK\$0.10 each in the share capital of SPHL to be offered under the Proposed SPHL Offering
“SPHL Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of SPHL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suifenhe Announcement”	the announcement published by the Company on 23 February 2005 relating to, <i>inter alia</i> , the conditional acquisition of the Suifenhe Shimao Development Project by the Group
“Suifenhe Shimao Development Project”	the property development located in a region designated for the development of cross-border commerce and tourism between the Russia and PRC and is planned to include a mixture of residential, commercial and retail space and warehousing and logistics facilities
“Undertaking”	the non-competition undertaking dated 19 February 2005 entered into between the Company, Mr. Hui, SPHL, Overseas Investment, Mr. Xu, Shimao Enterprises and the A Share Company, pursuant to which, <i>inter alia</i> , the parties agree to delineate their respective businesses on the terms and conditions set out therein
“Underwriting Agreements”	the Hong Kong underwriting agreement and international purchase agreement to be entered into among SPHL and the underwriters named therein

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.

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

As at the date of this announcement, the Board comprises

Directors:

Hui Wing Mau (*Chairman and Non-Executive Director*)

Chung Shui Ming, Timpson (*Chief Executive Officer
and Executive Director*)

Hui Mei Mei, Carol (*Deputy Chairman
and Executive Director*)

Hui Sai Tan, Jason (*Executive Director*)

Chan Loo Shya (*Executive Director*)
(appointed on 19 February 2005)

Tung Chi Shing, Joseph (*Executive Director*)
(appointed on 19 February 2005)

Hong Kong, 23 February 2005

Independent Non-executive Directors:

Lee Chack Fan

Liu Hing Hung

Zhu Wenhui

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