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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)

ACQUISITION OF THE SUIFENHE SHIMAO DEVELOPMENT PROJECT

MAJOR AND CONNECTED TRANSACTION AND ISSUE OF CONVERTIBLE NOTE

Financial adviser to the Company



博大資本國際有限公司

Partners Capital International Limited

The Board announces that it has entered into the S&P Agreement to acquire the Suifenhe Shimao Development Project from the Vendor, subject to, amongst other things, independent shareholders' approval. The Suifenhe Shimao Development Project is located in a region designated for the development of cross-border commerce and tourism between the PRC and Russia and is planned to include a mixture of residential, commercial and retail space and warehousing and logistics facilities. Pursuant to the S&P Agreement, the Company agreed to acquire the entire issued share capital of Value Ahead, which owns 100% of Suifenhe Shimao, for the Share Consideration and the outstanding loan due by Value Ahead to the Vendor as at the Completion Date for the Loan Consideration. Under the S&P Agreement, the Share Consideration is HK\$301,609,000 and the Loan Consideration is HK\$194,611,000, being the outstanding amount of loan due from Value Ahead to the Vendor as at the date of the S&P Agreement. The Consideration, being the aggregate of the Share Consideration and the Loan Consideration, payable by the Company to the Vendor for the Acquisition will be HK\$496,220,000.

The consideration for the Acquisition shall be satisfied by way of issuance of the Convertible Note and the Promissory Note. The 185,185,185 Conversion Shares to be issued upon the full exercise of the Convertible Note represent approximately 22.38% of the existing issued share capital of the Company and approximately 18.28% of its issued share capital as enlarged by the issue of the Conversion Shares. The initial conversion price of HK\$1.35 per Share represents a premium of approximately 15.38% over the closing price of HK\$1.17 per Share as quoted on the Stock Exchange on 18 February 2005, being the last trading day before the date of the S&P Agreement, and a premium of approximately 21.29% over the average closing price of HK\$1.113 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 18 February 2005. Based on the closing price of HK\$1.17 per Share as quoted on the Stock Exchange on 18 February 2005, being the last trading day before the date of the S&P Agreement, the market value of the 185,185,185 Conversion Shares amounted to approximately HK\$216,666,666.

The Acquisition constitutes a major transaction for the Company under the Listing Rules. As the Vendor is wholly owned by Mr. Hui, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval of the Independent Shareholders at the SGM.

To be in line with the current Listing Rules in relation to share option schemes and to enable the Company to grant share options to selected eligible participants as incentive or rewards for their contributions to the Group, the Board also proposes to terminate the existing share option scheme of the Company and to adopt a new share option scheme of the Company. A circular containing, inter alia, details of the Acquisition, the S&P Agreement, the recommendation from the independent board committee and the advice of the independent financial adviser in respect of the S&P Agreement and transactions contemplated thereunder, as well as details of the new share option scheme and a notice to convene the SGM, will be despatched to the Shareholders as soon as practicable.

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.

THE S&P AGREEMENT DATED 19 FEBRUARY 2005

Parties

Date : 19 February 2005
Purchaser : The Company
Vendor : Dynamic Keen Developments Limited
Guarantor : Mr. Hui

Assets to be acquired

Sale Share : One share of US\$1.00, representing the entire issued share capital of Value Ahead
Sale Loan : the amount due from Value Ahead to the Vendor on the Completion Date which shall not be less than HK\$194,611,000 (being the outstanding amount due from Value Ahead to the Vendor as at the date of the S&P Agreement)

Consideration and payment terms

The Consideration for the Acquisition comprises the Share Consideration and the Loan Consideration. The Share Consideration is HK\$301,609,000 and the Loan Consideration is HK\$194,611,000. The Consideration, being the aggregate of the Share Consideration and the Loan Consideration, payable by the Company to the Vendor for the Acquisition of HK\$496,220,000 is equivalent to the sum of the unaudited consolidated net deficit of Value Ahead Group as at 31 December 2004 of approximately HK\$3,620,000, the valuation surplus after deferred taxation effect of the property interests of Suifenhe Shimao of approximately HK\$305,229,000 and the outstanding loan due from Value Ahead to the Vendor as at 31 December 2004 of HK\$194,611,000. The Consideration was negotiated on an arm's length basis and was determined with reference to the unaudited consolidated net deficit of Value Ahead Group at 31 December 2004, the valuation surplus after deferred taxation effect of the property interest of Suifenhe Shimao, the outstanding loan due from Value Ahead to the Vendor as at 31 December 2004 and the development rights of Suifenhe Shimao within the Chinese border of the Intertrading Zone as detailed below. The Consideration shall be satisfied by way of issue of the Convertible Note and the Promissory Note in the following manners:

- (i) as to HK\$250,000,000, by way of issuance of the Convertible Note on the Completion Date; and
- (ii) as to the balance of HK\$246,220,000, by way of issuance of the Promissory Note on the Completion Date.

Principal terms of the Convertible Note

Principal amount : HK\$250,000,000
Interest : 1% per annum, payable in arrears on the last day of every six months period from the date of issue of the Convertible Note
Maturity date : Second anniversary of the date of issue of the Convertible Note
Conversion period : After the first anniversary of the date of issue of the Convertible Note up to the maturity date
Conversion price : HK\$1.35 per Share (subject to adjustments as provided in the certificate for the Convertible Note)
Conversion Shares : 185,185,185 Shares, representing approximately 18.28% of the enlarged issued share capital of the Company
Early redemption : At the option of the Company
Transferability : The Convertible Note can be assigned or transferred in respect of a minimum of HK\$10 million of its outstanding principal amount unless the outstanding principal amount is less than HK\$10 million, in which case the Convertible Note can be assigned or transferred in respect of such entire outstanding

principal amount, provided that no transfer shall be made to a connected person (as defined in the Listing Rules) of the Company without the prior approval of the Company. The Company has undertaken to the Stock Exchange that it will inform the Stock Exchange of any transfer of any part of the Convertible Note to a connected person (as defined in the Listing Rules) of the Company

- Voting rights of holders of the Convertible Note : The holder of the Convertible Note will not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Note
- Application for listings : No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchanges

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The 185,185,185 Conversion Shares to be issued upon full conversion of the Convertible Note represent approximately 22.38% of the existing issued share capital of the Company and approximately 18.28% of its issued share capital as enlarged by the issue of the Conversion Shares. The initial conversion price of HK\$1.35 per Share represents a premium of 15.38% over the closing price of HK\$1.17 per Share as quoted on the Stock Exchange on 18 February 2005, being the last trading day before the date of the S&P Agreement, and a premium of approximately 21.29% over the average closing price of HK\$1.113 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 18 February 2005.

The Conversion Shares will be issued pursuant to the resolution to be approved at the SGM.

Principal terms of the Promissory Note

- Issuer : The Company
- Principal amount : HK\$246,220,000
- Interest : 2% per annum, payable in arrears on the last day of every six months period from the date of the issue of the Promissory Note
- Maturity date : Fourth anniversary from the date of the issue of the Promissory Note
- Security : The Promissory Note is unsecured
- Early repayment : At the option of the Company

Conditions

Completion of the S&P Agreement is conditional upon, inter alia, the following conditions precedent being satisfied:

- (a) the Company being satisfied in all respects in its absolute opinion with the results of a due diligence investigation to be carried out by it and/or its professional advisers on the assets, liabilities, business and prospects of Value Ahead Group and the status, condition and title of the Land and such investigation having revealed nothing to show that any of the warranties of the Vendor under the S&P Agreement are untrue, misleading or incorrect in any material respect;
- (b) approval of (i) the S&P Agreement and the transactions contemplated therein; and (ii) the issue of the Convertible Note and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Note, in each case by ordinary resolution passed at the SGM by the Independent Shareholders;
- (c) the Company having obtained a legal opinion from a firm of PRC lawyers acceptable to it in relation to Suifenhe Shimao and being satisfied in all respects in its absolute opinion with the contents of such legal opinion including but not limited to (i) the status, condition and title of the properties owned by Suifenhe Shimao; and (ii) the due establishment and valid existence of Suifenhe Shimao and the status of the registered capital, licences, permits and approval and assets of Suifenhe Shimao; and
- (d) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, all the Conversion Shares.

The Company shall have the right to waive any or all of the conditions specified in the S&P Agreement except for those in (b) and (d) above. If any of the conditions of the S&P Agreement is not fulfilled or waived by the Company on or before 30 June 2005 or such other date as shall be agreed between the Vendor and the Company, the S&P Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any prior breach of the S&P Agreement. In the event that the above conditions (a) and/or (c) are waived, further announcement with details on reasons for such waiver will be made by the Company.

Completion

Completion shall take place within five business day following the date on which all the conditions of the S&P Agreement shall have been fulfilled and/or waived, which is expected to be on or before 30 June 2005, or such other date as shall be agreed between the Vendor and the Company.

SHAREHOLDING STRUCTURE

The following table sets out the existing shareholding structure of the Company and the shareholding structure upon full conversion, if any, of the Convertible Note:

	Existing shareholding structure		Shareholding structure upon full conversion of the Convertible Note	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
The Controlling Shareholder (<i>Note 1</i>)	618,571,397	74.74	618,571,397	61.08
The Vendor (<i>Note 2</i>)	–	–	185,185,185	18.28
Public	209,068,489	25.26	209,068,489	20.64
Total	<u>827,639,886</u>	<u>100.00</u>	<u>1,012,825,071</u>	<u>100.00</u>

Notes:

1. The Controlling Shareholder, Perfect Zone International Limited, is a company incorporated in the BVI with limited liability and wholly owned by Overseas Investment Group International Limited as trustee of an unit trust, all the units of which are held by Trident Corporate Services (B.V.I.) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui for the benefit of his wife and children, being the major Shareholder interested in approximately 74.74% of the issued share capital of the Company as at the date of this announcement.
2. The Vendor, Dynamic Keen Developments Limited, is a company incorporated in BVI with limited liability and wholly owned by Mr. Hui.

Pursuant to the S&P Agreement, the Vendor agrees not to, and Mr. Hui agrees to procure the Vendor not to, exercise the conversion rights attaching to the Convertible Note to the extent that such exercise would result in the public float of the Shares to fall below the limit prescribed under the Listing Rules from time to time. The Stock Exchange has also indicated that no approval will be given for any Conversion Shares if the issue of the Conversion Shares will result in the breach of Rule 8.05 of the Listing Rules.

INFORMATION ON VALUE AHEAD AND SUIFENHE SHIMAO

Value Ahead was incorporated in the BVI on 5 July 2001 and is wholly owned by the Vendor. The primary asset of Value Ahead is its 100% interest in Suifenhe Shimao. Suifenhe Shimao, which was established on 13 April 2004 for a period of 40 years, is the project company of the Suifenhe Shimao Development Project, a property development project located in a region designated by the Chinese and Russian governments for the development of cross-border commerce and tourism between the PRC and Russia and which is planned to include a mixture of residential, commercial and retail space and warehousing and logistics facilities. The total investment amount and the registered capital of Suifenhe Shimao are US\$30 million (equivalent to approximately HK\$234 million) and US\$29.8 million (equivalent to approximately HK\$232.4 million) respectively. Value Ahead has fully contributed the registered capital of Suifenhe Shimao of US\$29.8 million, of which US\$9.5 million (equivalent to approximately HK\$74.1 million) and US\$20.3 million (equivalent to approximately HK\$158.3 million) were contributed in the form of land and cash respectively.

Suifenhe Shimao currently holds two parcels of land located in the Municipality of Suifenhe, the PRC with a total site area of 722,824.5 sq.m. which are designated to be developed as part of the Pogranichny-Suifenhe Intertrading Economic Zone. The original acquisition cost of the Land, including the cost of obtaining the exclusive development right of the Land from the Municipality of Suifenhe of approximately RMB59,054,000 (equivalent to approximately HK\$55,712,000), was approximately RMB192,980,000 (equivalent to approximately HK\$182,056,000).

The Land is planned to be developed in phases and the first phase of the development includes a commercial and trade centre known as 世茂國際商展中心 (Shimao International Commercial and Exhibition Centre) (Phase I) and a five-star hotel which occupy site areas of approximately 38,010 sq.m. and 33,924 sq.m. respectively. Construction of Shimao International Commercial and Exhibition Centre and the five-star hotel is in progress and is scheduled to be completed in September 2005 and December 2005 respectively. Suifenhe Shimao has obtained the relevant approvals and consents as required under the law of the PRC for the development of the construction in progress of both Shimao International Commercial and Exhibition Centre and the five-star hotel. It is expected that the Company will engaged a professional management company and a hotel management company to operate Shimao International Commercial and Exhibition Centre and the five-star hotel respectively.

The total construction costs and professional fees incurred for Shimao International Commercial and Exhibition Centre) (Phase I) as at 31 December 2004 were approximately RMB54,128,000 (equivalent to approximately HK\$51,064,151) whilst the outstanding costs to completion as at 31 December 2004 were approximately RMB207,092,000 (equivalent to approximately HK\$195,369,811). The total construction costs and professional fees incurred for the five-star hotel as at 31 December 2004 were approximately RMB19,679,000 (equivalent to approximately HK\$18,565,000) whilst the outstanding costs to completion as at 31 December 2004 were

approximately RMB201,534,000 (equivalent to approximately HK\$190,126,000). The construction costs and professional fees for Shimao International Commercial and Exhibition Centre (Phase I) and the five-star hotel will be financed by the proceeds from pre-sale of property units and future bank borrowings of Suifenhe Shimao which is expected to be in the amount of around RMB100 million (equivalent to approximately HK\$94 million). Currently, Suifenhe Shimao has no outstanding bank borrowings.

The land and property interests of Suifenhe Shimao are valued by Savills (Hong Kong) Limited, the independent property valuer, at an aggregate of RMB750,600,000 (equivalent to approximately HK\$708,113,000) as at 31 December 2004.

Based on the unaudited consolidated financial statements of Value Ahead Group for the three years ended 31 December 2002, 2003 and 2004, Value Ahead Group recorded loss before and after taxation of approximately HK\$14,000, profit before and after taxation of approximately HK\$12,000 and loss before and after taxation of approximately HK\$3,899,000 for the three years ended 31 December 2002, 2003 and 2004 respectively. Based on the unaudited consolidated balance sheet of Value Ahead Group as at 31 December 2004, the net deficit of Value Ahead Group as at 31 December 2004 were approximately HK\$3,620,000. Based on the valuation of the land and property interests of Suifenhe Shimao of RMB750,600,000 (equivalent to approximately HK\$708,113,000) as at 31 December 2004 and the corresponding book value as at 31 December 2004, the valuation surplus after deferred taxation effect attributable to the land and property interests of Suifenhe Shimao amounted to approximately HK\$305,229,000.

THE POGRANICHNY-SUIFENHE INTERTRADING ECONOMIC ZONE

The Municipality of Suifenhe is a city situated in the south-eastern part of Heilongjiang Province of the PRC and adjoining the national border between the PRC and Russia. As a result of its geographical advantages, the Municipality of Suifenhe has become one of the major ports for Chinese-Russian trades. According to the data of the bureau of statistics of Suifenhe, the gross domestic products of the Municipality of Suifenhe for the year ended 31 December 2003 amounted to approximately RMB1,399.5million (equivalent to approximately HK\$1,320.3 million) whilst the gross domestic product per capita of the Municipality of Suifenhe for the year ended 31 December 2003 amounted to approximately RMB25,248 (equivalent to approximately HK\$23,819). The total imports/exports were approximately US\$1,906.73 million (equivalent to approximately HK\$14,872.49 million) which comprise imports of approximately US\$921.78 million (equivalent to approximately HK\$7,189.88 million) and exports of approximately US\$984.95 million (equivalent to approximately HK\$7,682.61 million). In particular, the trades with Russia amounted to approximately US\$1,842.1 million (equivalent to approximately HK\$14,368.4 million), representing approximately 96.6% of the total imports/exports of the Municipality of Suifenhe. In 2003, approximately 345,000 visitors travelled to and from the Municipality of Suifenhe.

In 1998, the Chinese and the Russian governments reached an agreement to develop Sino-Russian cross border trading zones and simplify the customs formalities for entry into the trading zones such as exemption of entry visa. The development includes, inter alia, a trading economic zone known as Pogranichny-Suifenhe Intertrading Economic Zone which is located across the national border between the Municipality of Suifenhe and the Municipality of Pogranichny. The Intertrading Zone comprises a total site area of 453 hectares (equivalent to 4,530,000 sq.m.), of which 153 hectares (equivalent to 1,530,000 sq.m.) fall within the Chinese border and the remaining 300 hectares (equivalent to 3,000,000 sq.m.) fall within the Russian border. The property development in the Intertrading Zone is planned to facilitate a wide range of functions including, inter alia, international trade, retail and wholesale businesses, exhibitions, bonded warehouses, logistics, resorts, cultural and entertainment facilities.

Pursuant to an agreement dated 19 January 2004 entered into between the Municipal Government of Suifenhe and Shimao Jianshe, a company beneficially and wholly owned by Mr. Hui, the Municipal Government of Suifenhe granted an exclusive right to Shimao Jianshe for the development of the Intertrading Zone on the Chinese border of the Municipality of Suifenhe for a consideration of RMB125,000,000 (equivalent to approximately HK\$117,924,528) and agreed, among others, that Suifenhe Shimao has the right to acquire 153 hectares (equivalent to 1,530,000 sq.m.) of land for the project development. The consideration of RMB125,000,000 (equivalent to approximately HK\$117,924,528) was apportioned as to RMB59,054,289 (equivalent to approximately HK\$55,711,593) to the Land with a site area of 722,824.5 sq.m. and as to RMB65,945,711 (equivalent to approximately HK\$62,212,935) to the remaining portion of land with a site area of around 807,175 sq.m. in the Chinese border of the Intertrading Zone. Pursuant to a transfer agreement dated 21 October 2004 entered into among the Municipal Government of Suifenhe, Shimao Jianshe and Suifenhe Shimao, all the rights and obligations of Shimao Jianshe were transferred to Suifenhe Shimao. The cost of this transfer to Suifenhe Shimao was RMB125,000,000 (equivalent to approximately HK\$117,924,528). For the purpose of the first phase of development of the Intertrading Zone, Suifenhe Shimao has acquired the Land with a total site area of 722,824.5 sq.m. within the Chinese border of the Intertrading Zone. It is the intention of the Directors that, after completion of the construction of the first phase of development, the Group will proceed to negotiate with the relevant governmental authority of the Municipality of Suifenhe in relation to the acquisition of the remaining portion of land of a site area of around 807,175 sq.m. within the Chinese border of the Intertrading Zone. The Land currently owned by Suifenhe Shimao is planned to be developed in phases and

the first phase of development includes Shimao International Commercial and Exhibition Centre (Phase I) and a five-star hotel. Shimao International Commercial and Exhibition Centre (Phase I) is planned to be developed into a 3/4-storey commercial building which will accommodate 1,767 units and comprise a gross floor area of approximately 79,914 sq.m. The five-star hotel is planned to be developed into a six-storey hotel with a gross floor area of approximately 42,767 sq.m. and 301 rooms erected over one podium floor and one basement floor, with restaurants, car parking spaces and other ancillary facilities provided therein. Construction of Shimao International Commercial and Exhibition Centre (Phase I) and the five-star hotel is in progress and is scheduled to be completed in September 2005 and December 2005 respectively. Subject to the development plan which is to be determined upon completion of construction of Shimao International Commercial and Exhibition Centre (Phase I) and the five-star hotel, the remaining development on the Land may include a commercial and trade centre (Phase II), a four-star hotel, an oriental shopping arcade and an office building.

On 16 June 2004, Suifenhe Shimao also entered into a co-operative agreement with the Russian Party, which is a company incorporated in the Russian Federation and is not a connected person (as defined in the Listing Rules) of the Company, for the purpose of laying down the scope and principles of developing across the national boundary between the Municipality of Pogradichny in Russia and the Municipality of Suifenhe in the PRC. Pursuant to the Co-operative Agreement, Suifenhe Shimao shall be responsible for carrying out property design and development for a site area of 153 hectares (equivalent to 1,530,000 sq.m.) of land on the Chinese border of the Intertrading Zone while the Russian Party will contribute 300 hectares (equivalent to 3,000,000 sq.m.) of land on the Russian border of the Intertrading Zone.

On the Russian border of the Intertrading Zone which covers a site area of around 300 hectares (equivalent to 3,000,000 sq.m.) and represents around 66% of the total site area of the Intertrading Zone, it is expected that the property development will include, inter alia, a multi-function complex, a medical centre, a Russian shopping arcade, a financial centre and a five-star casino hotel. Under the Co-operative Agreement, Suifenhe Shimao and the Russian Party will be entitled to (i) 90% and 10% interest in Shimao International Commercial and Exhibition Centre (Phase I) on the Chinese border respectively; and (ii) 80% and 20% interest in the multi-function complex and the casino hotel on the Russian border respectively and; (iii) 90% and 10% interest in the medical centre and the financial centre on the Russian border respectively. The entitlement of the Russian Party to these interests will be subject to further negotiations and agreements with Suifenhe Shimao. It is the intention of the Directors that Suifenhe Shimao and the Russian Party will establish investment holding companies under the Russian laws to hold the property interest and to engage in the operation of the casino hotel on the Russian border of the Intertrading Zone. The establishment and business activities of these investment holding companies in Russia will comply with the Russian laws. Subject to further agreements with the Russian Party, it is expected that all the construction and development costs of the property in the Russian border of the Intertrading Zone will be contributed by Suifenhe Shimao.

Currently, Suifenhe Shimao is in negotiation with the Russian Party in relation to the establishment of a joint venture company in Russia for the purpose of developing a multi-function complex comprising a casino hotel and other entertainment facilities and operating the businesses in the multi-function complex within the Russian border of the Intertrading Zone. Suifenhe Shimao has yet to discuss and conclude the details of the joint venture with the Russian Party. As no terms have been concluded and no agreement has been reached at this stage, the establishment of the Russian joint venture company or any other project companies for the purpose of joint project development in the Intertrading Zone as contemplated in the Co-operative Agreement may or may not materialise. Further announcement(s) will be made if necessary in compliance with the Listing Rules in the event that the Acquisition is completed and any definitive agreement is entered into between Suifenhe Shimao and the Russian Party for the purpose of any joint project development in the Intertrading Zone.

REASONS FOR THE S&P AGREEMENT AND THE ISSUE OF CONVERTIBLE NOTE

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are principally engaged in property investment and development in Hong Kong and the PRC, the provision of management services to the properties it developed and investment holding.

The Group currently has two property development projects, Shimao Lakeside Garden and the two detached houses developed on the site of The Genesis. Shimao Lakeside Garden is expected to be completed in mid-2005 whilst the two houses are currently being offered for sale. As its property development projects come to an end, the Group currently has no property development projects in the PRC in the pipeline and that it does not have a land bank to draw from. The Group has been actively evaluating its business strategy going forward and intends to pursue a business strategy of property development and investment in international markets outside the PRC. As such, the Suifenhe Shimao Development Project represents an important step to realising this strategic business focus.

The location of the Suifenhe Shimao Development Project presents the Group with a platform to pursue its international business strategy going forward, as the majority of the site of the project is situated in Russian territory. In addition, as described in the paragraph headed "The Pogradichny-Suifenhe Intertrading Economic Zone", the Group expects to leverage on the location of the Suifenhe Shimao Development Project and the expected significant commercial and economic development of the area as Chinese-Russian trade and tourism continues to flourish in the area.

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, office and retail space. As such, the project would also offer the Group an opportunity to develop a variety of properties, compared to the Group's current two projects which are both residential-only developments.

Given the variety of facilities that the Suifenhe Shimao Development Project is planned to offer and its location in a region designated for the development of cross-border commerce and tourism between Russia and the PRC, 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, as well as providing the Group with a timely platform to pursue its international business strategy going forward.

The Group also announced that, as the Group's current property development projects in the PRC reach completion, the Group will pursue a business strategy of property development and investment in international markets outside mainland PRC, and in this regard, the non-competition undertaking dated 19 February 2005 was entered into between the Company, Mr. Hui and other parties, pursuant to which, inter alia, the parties agree to delineate their respective businesses on the terms and conditions set out therein. Details of the non-competition undertaking are set out in the separate announcement of the Company dated 23 February 2005. Since the majority of the site of the Suifenhe Shimao Development Project is situated in Russian territory, the parties to the non-competition undertaking have agreed that the existing property investment and development of the Group in Hong Kong and the PRC and the Suifenhe Shimao Development Project (comprising a site area of 153 hectares (equivalent to 1,530,000 sq.m.) of land on the Chinese border and a site area of 300 hectares (equivalent to 3,000,000 sq.m.) of land on the Russian border of the Intertrading Zone) shall not constitute property business in the PRC. Accordingly, the Company will not be in breach of the non-competition undertaking by entering into the S&P Agreement.

GENERAL

The Acquisition constitutes a major transaction for the Company under the Listing Rules. The Board considers that the terms of the S&P Agreement are fair and reasonable and in the interests of the Shareholders as a whole. As the Vendor is wholly owned by Mr. Hui, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval of the Independent Shareholders at the SGM. The Controlling Shareholder and its associates, being the major shareholder of the Company interested in approximately 74.74% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the SGM in respect of the resolutions to approve the S&P Agreement and transactions contemplated thereunder.

Partners Capital International Limited has been appointed as the financial adviser to the Company in relation to the Acquisition. An independent board committee will be appointed by the Board for the purpose of considering the Acquisition and making a recommendation to the Independent Shareholders. An independent financial adviser will be appointed to advise the independent board committee in this regard.

To be in line with the current Listing Rules in relation to share option schemes and to enable the Company to grant share options to selected eligible participants as incentive or rewards for their contributions to the Group, the Board also proposes to terminate the existing share option scheme of the Company and to adopt a new share option scheme of the Company in the SGM. A circular containing, inter alia, details of the Acquisition, the S&P Agreement, the recommendation from the independent board committee and the advice of the independent financial adviser in respect of the Acquisition and transactions contemplated thereunder, as well as details of the new share option scheme and a notice to convene the SGM, will be despatched to the Shareholders as soon as practicable.

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:

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Company pursuant to the S&P Agreement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors, including independent non-executive Directors
“BVI”	the 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
“Completion”	completion of the Acquisition pursuant to the terms of the S&P Agreement
“Completion Date”	the date on which Completion takes place

“Consideration”	the total consideration payable by the Company to the Vendor for the purchase of the Sale Share and the Sale Loan under the S&P Agreement, which comprises the Share Consideration and the Loan Consideration
“Controlling Shareholder”	Perfect Zone International Limited, a company incorporated in the BVI with limited liability and wholly owned by Overseas Investment Group International Limited as trustee of an unit trust, all the units of which are held by Trident Corporate Services (B.V.I.) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui for the benefit of his wife and children, being the major Shareholder interested in approximately 74.74% of the issued share capital of the Company as at the date of this announcement
“Conversion Shares”	the new Shares to be issued by the Company upon exercise of the conversion rights attached to the Convertible Note
“Convertible Note”	a redeemable convertible note in the aggregate amount of HK\$250,000,000 to be issued by the Company for settlement of part of the Consideration payable under the S&P Agreement
“Co-operative Agreement”	a co-operative agreement dated 16 June 2004 entered into between Suifenhe Shimao and the Russian Party for the purpose of laying down the scope and principles of developing the Intertrading Zone
“Director(s)”	the director(s), including the independent non-executive directors, of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Controlling Shareholder and its associates
“Intertrading Zone”	Pogranichny-Suifenhe Intertrading Economic Zone which is located across the national boundary between the Municipality of Pogranichny in Russia and the Municipality of Suifenhe in the PRC
“Land”	two parcels of land located in the Municipality of Suifenhe with a total site area of 722,824.5 sq.m. which are held by Suifenhe Shimao for the purpose of development as part of the Pogranichny-Suifenhe Intertrading Economic Zone
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	the consideration for the purchase of the Sale Loan to be paid by the Company to the Vendor under the S&P Agreement, which shall be equal to HK\$194,611,000, being the face amount of the Sale Loan as at the date of the S&P Agreement
“Mr. Hui”	Mr. Hui Wing Mau, the Chairman of the Company
“PRC”	the People’s Republic of China, which, for the purpose of the S&P Agreement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Promissory Note”	a promissory note in an aggregate principal amount equal to HK\$246,220,000 to be issued by the Company to the Vendor for settlement of part of the Consideration payable under the S&P Agreement
“Russian Party”	《濱海》信息分析封閉性股份公司 (Coastal Information Analysis Closed-end Stock Company Limited), a company established in the Russia Federation (whose English and Chinese names are for identification purpose only)
“S&P Agreement”	the sale and purchase agreement dated 19 February 2005 entered into between the Company, the Vendor and Mr. Hui, pursuant to which, inter alia, the Company agreed to acquire and the Vendor agreed to sell the Sale Share and the Sale Loan
“Sale Loan”	the amount due from Value Ahead to the Vendor as at the Completion Date which shall not be less than HK\$194,611,000
“Sale Share”	the one share of US\$1.00 beneficially owned by and registered in the name of the Vendor, representing the entire issued share capital of Value Ahead

“SGM”	the special general meeting of the Company to be convened for approving the S&P Agreement and the transactions contemplated thereunder and the new share option scheme of the Company
“Share Consideration”	HK\$301,609,000 being the consideration for the purchase of the Sale Share to be paid by the Company to the Vendor
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Shimao Jianshe”	上海世茂建設有限公司 (Shanghai Shimao Jianshe Company Limited), an enterprise established in the PRC and beneficially and wholly owned by Mr. Hui
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suifenhe Shimao”	綏芬河世茂開發建設有限公司 (Suifenhe Shimao Development & Construction Company Limited), a wholly foreign owned enterprise established in the PRC on 13 April 2004
“Suifenhe Shimao Development Project”	the property development project being undertaken by Suifenhe Shimao
“Value Ahead”	Value Ahead Investments Limited, a company incorporated in BVI with limited liability and wholly owned by the Vendor
“Value Ahead Group”	Value Ahead and Suifenhe Shimao, together with their respective subsidiaries (if any)
“Vendor”	Dynamic Keen Developments Limited, a company incorporated in BVI with limited liability and wholly owned by Mr. Hui
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC and for the purpose of this announcement, RMB is translated into Hong Kong dollars at fixed rate of RMB1.06 = HK\$1.00
“US\$”	United States Dollar, the lawful currency of the United States of America and for the purpose of this announcement, US\$ is translated into Hong Kong dollars at fixed rate of US\$1.00 = HK\$7.80
“sq.m.”	square metres
“%”	per cent.

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*)
Tung Chi Shing, Joseph (*Executive Director*)

Independent Non-executive Directors:
Lee Chack Fan
Liu Hing Hung
Zhu Wenhui

Hong Kong, 23 February 2005

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