



SHIMAO CHINA HOLDINGS LIMITED

世茂中國控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 649)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2004

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Board of Directors (the "Board" or the "Directors") of Shimao China Holdings Limited (the "Company") is pleased to announce the audited consolidated profit and loss account of the Company and its subsidiaries (the "Group") for the year ended 31st December 2004 as follows:

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover			
Company and subsidiaries	2	6,612	8,334
Share of an associated company/a jointly controlled entity		598,094	570,707
	2	604,706	579,041
Company and subsidiaries			
Turnover		6,612	8,334
Cost of sales		(1,117)	(79)
Gross profit		5,495	8,255
Other operating income		2,154	5,851
Administrative expenses		(39,418)	(26,877)
Other operating expenses		—	(125)
Operating loss before financing	3	(31,769)	(12,896)
Finance costs	4	(3,516)	(4,811)
Share of profit of an associated company/a jointly controlled entity		200,030	192,610
Profit before taxation		164,745	174,903
Taxation	5	(32,106)	(30,629)
Profit attributable to shareholders		132,639	144,274
Earnings per share	6	HK16.0 cents	HK17.4 cents

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at valuation.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact on these new HKFRSs but is not yet in position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Turnover and segment information

(a) Turnover

The Group is principally engaged in property investment and development of property projects in Hong Kong and the Mainland China. Turnover comprises gross proceeds from sales of properties and revenue from rental operation.

	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries		
Rental income	6,612	8,334
Share of an associated company/a jointly controlled entity		
Sales of properties	598,094	570,707
	<u>604,706</u>	<u>579,041</u>

(b) Segment information

For management purposes, the Group is organised into two operating businesses – property development and property investment. These businesses are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Business segments

Results

<i>Year ended 31st December 2004</i>	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000	
Segment turnover				
Company and subsidiaries	–	6,612	6,612	
Share of an associated company	598,094	–	598,094	
	<u>598,094</u>	<u>6,612</u>	<u>604,706</u>	
Segment results	<u>(4,388)</u>	<u>4,497</u>	109	
Other operating income			2,154	
Corporate administrative expenses			(34,032)	
Operating loss before financing			(31,769)	
Finance costs			(3,516)	
Share of profit of an associated company	200,030	–	200,030	
Profit before taxation			164,745	
Taxation			(32,106)	
Profit attributable to shareholders			<u>132,639</u>	
	Property development HK\$'000	Property investment HK\$'000	Corporate items HK\$'000	Total HK\$'000
Capital expenditure	–	12,087	3,687	15,774
Depreciation	–	–	5,721	5,721

Results

Year ended 31st December 2003

	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment turnover			
Company and subsidiaries	–	8,334	8,334
Share of a jointly controlled entity	570,707	–	570,707
	<u>570,707</u>	<u>8,334</u>	<u>579,041</u>
Segment results	<u>(948)</u>	<u>5,449</u>	4,501
Other operating income			5,851
Corporate administrative expenses			(23,248)
Operating loss before financing			(12,896)
Finance costs			(4,811)
Share of profit of a jointly controlled entity	192,610	–	192,610
Profit before taxation			174,903
Taxation			(30,629)
Profit attributable to shareholders			<u>144,274</u>

	Property development HK\$'000	Property investment HK\$'000	Corporate items HK\$'000	Total HK\$'000
Capital expenditure	–	24,258	3,011	27,269
Depreciation	–	–	2,276	2,276

Balance sheet

As at 31st December 2004

	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000
Assets			
Segment assets	142,508	226,563	369,071
Associated company	293,103	–	293,103
Unallocated corporate assets			421,474
			1,083,648
Liabilities			
Segment liabilities	79,992	12,653	92,645
Unallocated corporate liabilities			301,542
			394,187

As at 31st December 2003

	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000
Assets			
Segment assets	98,792	482,370	581,162
Jointly controlled entity	236,286	–	236,286
Unallocated corporate assets			97,281
			914,729
Liabilities			
Segment liabilities	38,420	215,274	253,694
Unallocated corporate liabilities			120,965
			374,659

Geographical segments

The Group's operations are mainly located in Hong Kong and the Mainland China.

All the turnover of the Group were derived in the Mainland China.

The following is an analysis of the segment results, carrying amount of segment assets, and capital expenditure analysed by the geographical area in which the assets are located:

	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Year ended 31st December 2004			
Hong Kong	(39,935)	564,092	11,452
Mainland China	172,574	519,556	4,322
	132,639	1,083,648	15,774
Year ended 31st December 2003			
Hong Kong	(26,555)	461,428	3,011
Mainland China	170,829	453,301	24,258
	144,274	914,729	27,269

3. Operating loss before financing

	2004 <i>HKS'000</i>	2003 <i>HKS'000</i>
Operating loss before financing is stated after crediting and charging the following:		
<i>Crediting</i>		
Gross rental income from investment properties	6,612	8,334
Interest income	<u>2</u>	<u>562</u>
<i>Charging</i>		
Staff costs (including directors' emoluments)		
Salaries and other benefits	15,732	14,139
Contribution to retirement benefits schemes	<u>233</u>	<u>205</u>
	15,965	14,344
Depreciation	5,721	2,276
Operating lease rentals in respect of land and buildings	–	884
Auditors' remuneration	460	435
Outgoings in respect of investment properties	<u>785</u>	<u>79</u>
	2004	2003
	<i>HKS'000</i>	<i>HKS'000</i>

The future minimum rental income receivable under non-cancellable leases are as follows:

Within one year	8,085	6,794
Between two and five years	23,882	25,380
Beyond five years	<u>28,827</u>	<u>3,956</u>
	60,794	36,130

Generally, the Group's operating leases are for terms of within one year except for three (2003: one) long-term leases which are beyond five years. There is no contingent rent included in rental income for both years.

4. Finance costs

	2004 <i>HKS'000</i>	2003 <i>HKS'000</i>
Interest on bank loans	3,514	5,091
Interest on promissory notes wholly repayable within five years	<u>602</u>	<u>909</u>
	4,116	6,000
Amount capitalised in properties under development	<u>(600)</u>	<u>(1,189)</u>
	3,516	4,811

5. Taxation

	2004 <i>HKS'000</i>	2003 <i>HKS'000</i>
Income tax in China		
Current		
Company and subsidiaries	145	531
Deferred		
Company and subsidiaries	1,956	888
An associated company/a jointly controlled entity	<u>30,005</u>	<u>29,210</u>
	32,106	30,629

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

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

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates, being the weighted average of rates prevailing in the provinces in China in which the Group operates, as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	164,745	174,903
Tax calculated at applicable tax rates	24,848	26,729
Tax losses not recognised	7,291	4,582
Utilisation of previously unrecognised tax losses	(1,014)	(1,328)
Other items	981	646
Taxation charge	32,106	30,629

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$132,639,000 (2003: HK\$144,274,000) and 827,639,886 (2003: weighted average of 827,418,282) ordinary shares in issue during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

A summary of the Group's performance for the year is set out below:

- The Group's turnover for the year was HK\$604,706,000, representing an increase of 4.4% from HK\$579,041,000 in the previous year
- Profit attributable to shareholders for the year fell 8.1% to HK\$132,639,000

Business Review

The Group focused on the development of two properties in 2004, namely the large-scale and high-end Lakeside Garden located at Jinyang Shenghuoyuanqu, Jinqiao, Pudong, Shanghai, and the super luxurious "No. 21 Severn Road" project located on the Peak in Hong Kong.

During the year under review, Lakeside Garden, 50% owned by the Group, attained an overwhelming market response with most of the units sold. The entire project will be completed in mid-2005.

The Lakeside Garden sold a total floor area of 229,000 square feet in 2004, amounting an aggregate revenue of over HK\$2,594,369,000, of which, HK\$598,094,000 was booked in 2004 and accounted for 99% of the Group's total revenue during the year under review. Sales of Lakeside Garden were immune to the recent measures taken by the Chinese government to regulate the property market as majority of the units had been sold prior to the move. Considering a total investment of HK\$420,000,000, the rate of return from the project was encouraging.

Another prominent investment was the wholly owned "No. 21 Severn Road" project, a top-notch development located in the superb residential district of No. 21 Severn Road. Comprised of two detached houses for sale, the project was designed meticulously by the architects. It is built on an extraordinary location which makes it appear as a villa in the air. Due to its unique design, the "No. 21 Severn Road" project was awarded the Annual Awards 2004 – Merit by Hong Kong Institute of Architects. The Group will keep "Genesis" on No. 23 Severn Road for corporate use.

The redevelopment of "No. 21 Severn Road" project commenced in September 2002. The Group successfully secured a world-class architectural company for the re-design of the property. Two new detached houses, being No. 1 and 2 of "No. 21 Severn Road", are four storeys high with an aggregate floor area of approximately 6,000 square feet respectively. Moreover, each house has its own garden, swimming pool, sheltered parking and sightseeing elevator covering an area over 6,000 square feet. A balcony in the size of hundreds square feet is attached to the master bedroom. All guest rooms are self-contained. Other than having a spectacular view of the Victoria Harbour, the houses are built with quality materials and equipped with excellent facilities to provide residents with an elegant and supreme living environment.

The Group aspires to develop properties in superior districts using high quality materials with unmatched artistic construction. It has successfully established a unique image for its brand as a provider of dream house for property buyers.

The Hong Kong property market recovered steadily in the year under review. According to The Land Registry of Hong Kong, property transactions in 2004 were over 100,000, the highest since 1997. At the end of the year alone, the overall price index of residential property increased by 36% over the previous year. Of which, the price of luxury residential market rose even more significantly to reach 30%. In fact, the performance of Hong Kong private property market has been inspiring in the past 18 months. Both property prices and sales volumes experienced dramatic growth particularly in the luxury residential property market.

In 2005, with the support of favorable factors including the continuous inflow of capital, China's lifting of barriers on private enterprises moving into Hong Kong, and with large international enterprises setting up offices in Hong Kong, Hong Kong's economy will further rebound remarkably and thus stimulate the overall development of the property market. Notwithstanding the luxury residential property market recorded significant growth in the year under review, the supply of supreme residential property remains in shortage, the selling price per square feet of the quality houses on the Peak may possibly attain record highs.

The sale of "No. 21 Severn Road" is expected to generate a considerable income for the Group.

The Dong Fang Hong Shopping Centre, Lanzhou Shi, Gansu Province and the 3 units of Epoch Centre Phase II, Beijing owned by the Group continued to contribute stable rental income to the Group in 2004.

Financial Position

As at 31st December 2004, the Group's total assets amounted to HK\$1,083,648,000 (2003: HK\$914,729,000), representing an increase of 18.5% when compared to the previous year. Non-current assets totaled HK\$900,291,000 (2003: HK\$766,551,000), representing an increase of 17.4%. Current assets amounted to approximately HK\$183,357,000 (2003: HK\$148,178,000), representing an increase of 23.7%. Shareholders' equity was HK\$689,461,000 (2003: HK\$540,070,000), representing an increase of 27.7% when compared to the previous year.

Pledge of Assets

As at 31st December 2004, the Group had pledged favourable to the banks with land and property assets valued at HK\$522,407,000 (2003: HK\$413,714,000) for facilities granted by banks.

Bank Borrowings

As at 31st December 2004, the bank borrowings of the Group amounted to HK\$196,420,000 (2003: HK\$173,221,000), representing an increase of 13.4% when compared to the previous year. The borrowings of the Group bear floating interest rates and are mostly denominated in Hong Kong dollars.

Financial Ratio

As at 31st December 2004, the Group's current ratio (i.e. current assets/current liabilities) was 0.87 (2003: 1.02) and the gearing ratio (i.e. bank borrowings/shareholders' equity) was 0.28 (2003: 0.32).

Contingent Liabilities

The company has provided guarantee in respect of banking facilities in an aggregate amount of HK\$232,000,000 (2003: HK\$196,000,000) granted to its subsidiaries. As at 31st December 2004, the banking facilities utilized by these subsidiaries amounted to approximately HK\$195,854,000 (2003: HK\$171,616,000).

Foreign Exchange Risk

The Group's assets, liabilities and business transactions were mostly denominated in Hong Kong dollars, Renminbi and a small amount of US dollars. Although US dollar had depreciated, its proportion was relatively small. The exchange rates of the other major currencies remained relatively stable during the year. Since the Group faced no material foreign exchange exposure, no financial instrument had been used for hedging purpose.

Financial Strategies

The Group will continue to control financial risks with cautious approaches and proactively adopt internationally-recognized corporate management standards to ensure maximum protection for shareholders.

Employees and Remuneration Policy

As at 31st December 2004, the Group employed a total of 100 employees. The Group remunerates its employees in accordance with individual job nature and market condition. Other benefits include Mandatory Provident Fund Scheme, medical insurance, training program and share option scheme.

Prospects

The Group is proactively seeking development opportunities upon the completion of Lakeside Garden, so as to propel income growth. The Hong Kong property market continues to rebound since the resumption of land sales in 2004 especially amidst strong demand for luxury residential property. The “No. 21 Severn Road” project is well-recognized by the market and has successfully established the image of the Group as a quality property developer. This favors the long term development of the Group in Hong Kong.

China Property Market

During the year of 2004 and early 2005, the Chinese government implemented a series of macro regulatory measures to cool down the overheated industries including the property market. Macro policies targeting the property market aim at two major aspects:

1. Property developers

In 2004, the Chinese government further tightened the credit requirements for property developers to the cost of land is prohibited to be paid by bank credit. In addition, for those property developers who secured bank loans, the required ratio of capital fund paid for the property project was raised from 30% to 35%. These measures, to a certain extent, have imposed funding pressure on small to medium size property developers in terms of fund and development risk.

2. Property buyers

On 2nd September 2004, the China Banking Regulatory Commission announced the “Guidelines on Risk Management of Property Lending by Commercial Banks”. It stated clearly that commercial banks should place emphasis on assessing the repayment capability of borrowers by keeping the ratio of monthly repayment to monthly income under 50% for each housing loan and the ratio of monthly debt expenditure to monthly income under 55%. Furthermore, the People’s Bank of China raised the lending rate in October 2004 and the housing mortgage rate also increased accordingly. In March 2005, the People’s Bank of China required commercial banks in specific cities where the property market appeared to be overheated to increase the ratio of mortgage down payment to 30% from 20%. Also, it required the cancellation of the privileges long provided to mortgage loans and the adjustment of overdue interest rate by adding 30% to 50% to the lending rate stated in the loan contract. Furthermore, starting March 2005, Shanghai Inland Revenue imposed a levy of approximately 5.5% on the difference between the sales price and original price paid for the house occupied for less than one year before being sold. The Shanghai Property Resources Bureau also required the seller to repay fully the loan before transferring the house from April 2005 onwards. The measures mentioned above not only increased the capital cost of the mortgagor but also regulated the demand for property.

In conclusion, small to medium size property developers will face difficult business condition in the Mainland China during 2005. The high demand in capital may affect the returns of the project indirectly. Given the Chinese government continues to strengthen its regulations on the property market, the Group will endeavor to look for development opportunities outside China for the benefits of its shareholders and for the long term development of the Company unless favorable factors arise in the China market.

To further focus on the development of property business outside the Mainland China, the Group despatched a circular to the shareholders on 26th February 2005, proposing the delineation of the property business of Mr. Hui Wing Mau, Chairman of the Company, and other parties in China from that of the Group and an undertaking for not competing with each other. The proposal is pending for approval by the shareholders. As the Company is in the process of discussing the content of the proposal with the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the special general meeting has been adjourned until further notice. Further development has been set out in the Company’s announcements dated 10th March and 7th April 2005. The Group will notify the shareholders and investors on further development.

Development of International Business

The Group has made an announcement on the plan for acquiring the Suifenhe Shimaο Development Project. The project is located in the commercial and tourist cross-border region of China and Russia, of which two thirds are within Russia's territory. The whole project is made up of several property development projects. Other than residential flats, hotels, offices and retail properties, it also amalgamates warehouses, logistics, entertainment and recreational facilities. Further development of the transaction has been set out in the Company's announcement dated 18th April 2005. The acquisition is pending approval by the independent shareholders of the Company.

Considering the current financial position of the Group, the management will leverage on the widespread experience of the Group in the property market to explore room for development in overseas markets while developing luxury residential property in Hong Kong. It will seek potential developing opportunities in South East Asia, Asia Pacific region and neighboring Macau to generate considerable returns for shareholders.

Change of the Company's Name

To reflect the Group's future focus, the Board proposed to change the name of the Company to Shimaο International Holdings Limited and to adopt "世茂國際控股有限公司" as the Chinese name of the Company. The proposal will be presented to the shareholders at the forthcoming annual general meeting for approval.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK5 cents per share for the year ended 31st December 2004 (2003: final dividend (nil), special dividend (HK6 cents)) subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 23rd May 2005, the final dividend will be payable on 10th June 2005 to shareholders whose names appear on the register of members of the Company on 23rd May 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19th May 2005 to Monday, 23rd May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend which is going to be approved at the forthcoming annual general meeting, attending and voting at the forthcoming annual general meeting of the Company, all share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 18th May 2005.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1st July 2004 under the traditional arrangements, will be submitted for publication on the Stock Exchange's website in due course.

On behalf of the Board
Hui Wing Mau
Chairman

Shanghai, 22nd April 2005

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*)
Tung Chi Shing (*Executive Director*)
Chan Loo Shya (*Executive Director*)

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.