



On behalf of the Board of Directors (the "Board" or "Directors") of Shimao China Holdings Limited (the "Company"), I would like to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2004.



Hui Wing Mau
Chairman

RESULTS

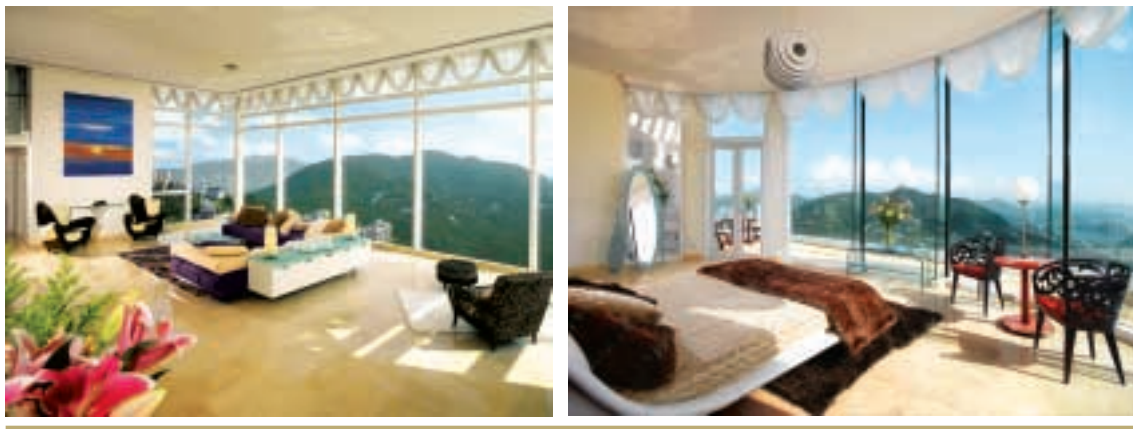
The results of the Group for the year 2004 remained positive due to the satisfactory sales performance of its property. For the year ended 31st December 2004, the Group recorded a turnover (including share of an associated company) of HK\$604,706,000 (2003: HK\$579,041,000), representing an increase of 4.4% as compared to the previous year; profit attributable to shareholders was HK\$132,639,000 (2003: HK\$144,274,000), representing a decrease of 8.1% as compared to the previous year. Earnings per share was HK\$0.16 (2003: HK\$0.174).

In 2004, sales of "Shanghai Shimao Lakeside Garden" ("Lakeside Garden"), a project of the Company's associate which most of the units were sold in the year, were the Group's major revenue contributor. According to the Group's accounting policy on sales recognition, the project brought forth a turnover of HK\$1,196,188,000 for the year and the Group's share of profit before tax was approximately HK\$200,030,000 (2003: HK\$192,610,000), representing an increase of 3.9%.

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.

Chairman's Statement



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 by mid-2005.

The Lakeside Garden sold a gross floor area of 229,000 square feet in 2004, amounting to an aggregate revenue of over HK\$2,594,369,000, of which, the Group's share of turnover of HK\$598,094,000 was recorded in 2004 and accounted for 99% of the Group's total turnover 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 were sold prior to the move. Considering a total investment amount 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, Hong Kong. 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 the “Genesis” at No. 23 Severn Road for corporate use.



The redevelopment project of "No. 21 Severn Road" 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 House No. 1 and 2 of "No. 21 Severn Road", are four storeys high with gross floor area of approximately 6,000 square feet respectively. Moreover, each house is equipped with its own garden, swimming pool, sheltered parking and a sightseeing elevator covering a total area of 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 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 brand image of 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 27% over the previous year. Of which, the price of luxury residential market rose even more significantly to reach 36%. In fact, the performance of Hong Kong's private property market has been inspiring in the past 18 months. Both property prices and sales volumes experienced dramatic growth particularly the luxury residential property market.

In 2005, with the support of favourable conditions including the continuous inflow of capital, the Mainland China's lifting of barriers on private enterprises moving into Hong Kong, and with large scale 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, the supply of supreme residential property remains in short supply, thus sending the selling price per square feet of quality houses on the Peak to attain possible 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 a stable rental income to the Group in 2004.

PROSPECTS

The Group is proactively seeking development opportunities upon the completion of Lakeside Garden, so as to propel income growth. The Hong Kong's 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 in the market and has successfully established an image as a quality property developer for the Group. This favours the long-term development of the Group in Hong Kong.

CHINA PROPERTY MARKET

During 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 economic 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 sized 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 both of the deposit and lending rates 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 agreement. 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 sized property developers will face difficult business conditions in the Mainland China during 2005. The high demand for capital may indirectly affect the returns from the project. Given the Chinese government continues to strengthen its regulations on the property market, the Group will endeavor to look for development opportunities outside the Mainland China for the benefits of its shareholders and for the long-term development of the Company, unless favourable conditions arise in the Mainland China's 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 independent shareholders of the Company. As the Company is in the process of discussing the contents of the proposal with the The Stock Exchange of Hong Kong Limited, 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 Shimao Development Project on 23rd February 2005. 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 and entertainment and recreational facilities. Further development on the transaction has been set out in the Company's announcement dated 18th April 2005. The acquisition is pending for approval by the independent shareholders of the Company.

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

CHANGE OF COMPANY'S NAME

To reflect the Group's future focus, the Board proposed to change the name of the Company to Shimao 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.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff. Their efforts, endeavor and commitment are the key elements for the Group's success. In addition, I would like to thank our shareholders for their continued support. We will strive for a prosperous future and maximize the returns to our shareholders.

On behalf of the Board

Hui Wing Mau

Chairman

Shanghai, 22nd April 2005