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SHIMAO INTERNATIONAL HOLDINGS LIMITED

世茂國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 649)

PROFIT WARNING

The Board wishes to inform the shareholders of the Company and investors that the Group's unaudited consolidated interim results for the six months ended 30 June 2005 will be materially and adversely affected by (1) the new HKFRS applicable to the recent acquisition by the Company of the Suifenhe Shimao Development Project; and (2) the stage of development of the Company's only property development project in the PRC.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

The board of directors (the "Board") of Shimao International Holdings Limited (the "Company" and together with its subsidiaries, the "Group") wishes to inform the shareholders of the Company and investors that the unaudited consolidated interim results of the Group for the six months ended 30 June 2005 will be materially and adversely affected by the following:

- (1) The Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants which is effective for accounting periods commencing on or after 1 January 2005 and applicable to the recent acquisition by the Company of the Suifenhe Shimao Development Project (as defined in the circular of the Company dated 25 May 2005 ("Circular")).

HKFRS 3 – Business Combination

The HKFRS 3 – Business Combination ("HKFRS 3") has changed the principle on treatment of goodwill and contingent liability arising from acquisition. Prior to HKFRS 3 becoming effective, goodwill represents the excess of the fair value of the total purchase consideration over the fair value of the identifiable assets and liabilities (excluding fair value of the contingent liability) of the acquiree. Upon HKFRS 3 becoming effective on 1 January 2005, such assessment will also be required to take into account the fair value of the contingent liability, if any, of the acquiree. The resulted goodwill arising from the acquisition, if any, will be subject to impairment test and recognized in the profit and loss account of the company immediately for the impaired amount.

Under HKFRS 3, the acquisition by the Company of the Suifenhe Shimao Development Project which was completed on 24 June 2005 ("Completion Date") has resulted in goodwill, which is calculated after taking into account the fair value of the total purchase consideration and the fair value of the identifiable assets and liabilities (including fair value of the contingent liability) of the Value Ahead Group (as defined in the Circular) as at the Completion Date. Details of the Suifenhe Shimao Development Project and the financial information have been set out in the Circular. Under HKFRS 3, any goodwill arising from the acquisition will be tested for impairment and recognized in the consolidated profit and loss account of the Group for the six months ended 30 June 2005 for the impaired amount.

However, the Board considers that the daily operation and working capital of the Group are not materially and adversely affected by the goodwill arising from the acquisition.

- (2) The stage of development of the Company's only property development project in the People's Republic of China ("PRC").

For the six months ended 30 June 2005, the contribution from Shimao Lakeside Garden, the Group's only property development project in the PRC, was not significant as most of its properties have been sold and the revenue substantially recognized prior to 2005.

As the Group's unaudited consolidated interim results for the six months ended 30 June 2005 have not yet been finalised, the Board is not in a position to quantify precisely the relevant financial effect at this stage. The Board expects to announce its unaudited consolidated interim results for the six months ended 30 June 2005 by mid of September 2005.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Shimao International Holdings Limited
Mok Chung Fu, Eric
Company Secretary

Hong Kong, 20 July 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."