



# SHIMAO INTERNATIONAL HOLDINGS LIMITED

## 世茂國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 649)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

The Board of Directors (the “Board” or the “Directors”) of Shimao International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2005 together with the comparative figures as follows:

#### UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Note	2005 HK\$'000	Restated 2004 HK\$'000
Turnover	2		
Company and subsidiaries		6,061	3,423
Share of an associated company		30,962	293,212
		<u>37,023</u>	<u>296,635</u>
Company and subsidiaries			
Turnover	2	6,061	3,423
Cost of sales		(940)	(177)
Gross profit		5,121	3,246
Other operating income		20,636	1,801
Administrative expenses		(20,459)	(13,283)
Other operating expenses		(416)	(32)
Operating profit/(loss)	3	4,882	(8,268)
Finance costs		(2,703)	(1,358)
Share of profit of an associated company		8,849	108,491
Profit before taxation		11,028	98,865
Taxation	4	(1,849)	(846)
Profit attributable to shareholders		<u>9,179</u>	<u>98,019</u>
Basic earnings per share	5	<u>HK1.11 cents</u>	<u>HK11.84 cents</u>

## UNAUDITED CONSOLIDATED BALANCE SHEET

		<b>30th June</b>	Restated
		<b>2005</b>	31st December
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Investment properties		<b>222,000</b>	220,000
Property, plant and equipment		<b>196,107</b>	98,206
Leasehold land and land use rights		<b>857,783</b>	288,982
Associated company		<b>113,273</b>	293,103
Other non-current assets		<b>68,986</b>	–
		<u><b>1,458,149</b></u>	<u>900,291</u>
Current assets			
Properties under development for sale		<b>93,873</b>	–
Completed properties held for sale		<b>141,860</b>	142,508
Trade receivables	6	<b>718</b>	104
Prepayments, deposits and other receivables		<b>12,091</b>	22,386
Bank balances and cash		<b>36,420</b>	18,359
		<u><b>284,962</b></u>	<u>183,357</u>
Total assets		<u><b>1,743,111</b></u>	<u>1,083,648</u>
<b>EQUITY</b>			
Capital and reserves			
Share capital		<b>82,764</b>	82,764
Reserves		<b>548,777</b>	579,031
Total equity		<u><b>631,541</b></u>	<u>661,795</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term bank loans		<b>141,950</b>	148,517
Promissory note		<b>214,190</b>	–
Convertible note		<b>231,660</b>	–
Amount received from Suifenhe Land Reserve Centre		<b>114,065</b>	–
Deferred taxation		<b>204,692</b>	61,389
		<u><b>906,557</b></u>	<u>209,906</u>

Current liabilities			
Trade payables	7	49,325	4,086
Advance proceeds from customers		44,371	–
Other payables and accruals		51,521	16,485
Amount due to ultimate holding company		46,663	99,369
Amounts due to related companies		–	4,104
Current portion of long-term bank loans		13,133	13,133
Short-term bank loans, secured		–	34,770
Promissory notes		–	40,000
		205,013	211,947
		1,111,570	421,853
Total liabilities		1,111,570	421,853
Total equity and liabilities		1,743,111	1,083,648
Net current assets/(liabilities)		79,949	(28,590)
Total assets less current liabilities		1,538,098	871,701

## NOTES

### 1. Principal accounting policies

#### (a) Basis of preparation and accounting policies

The unaudited condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies used in the preparation of the unaudited condensed interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2004, except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods commencing on or after 1st January 2005.

#### (b) Changes in accounting policies

The adoption of the following HKFRSs, which include all HKASs and applicable Interpretations (“HKAS-Ints” and “HK-Ints”), that necessitates material changes in accounting policies or presentations of financial information are summarised as follows:

- (i) The adoption of HKAS 1 “Presentation of Financial Statements” has affected the presentation of share of net results after tax of an associated company.
- (ii) The adoption of HKAS 17 “Leases” has resulted in a change in accounting policy relating to leasehold land which was previously included in fixed assets and completed properties held for sale and carried at cost less accumulated depreciation and impairment and the lower of cost and net realisable value, respectively. In accordance with the provisions of HKAS 17, the leasehold land is regarded as operating leases and the lease premium and other costs for acquiring the leasehold land are amortised over the terms of the leases. The adoption of HKAS 17 does not have any material effect to the Group.
- (iii) The adoption of HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets” do not permit to amortise the goodwill on a straight-line basis over a period of not exceeding 20 years. Also, goodwill is tested annually for impairment, as well as when there are indications of impairment. If the cost of acquisition is less than the fair values of the net assets acquired, the difference is recognised directly in the profit and loss account as negative goodwill.

- (iv) The adoption of HKAS 40 “Investment Property” has resulted in a change in the accounting policy whereby changes in fair values of investment properties are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of HKAS 40 has been applied retrospectively, however, there is no effect on the equity as at 1st January 2004 and 2005.

- (v) The adoption of HKAS-Int 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of carrying amount of assets through use. In prior years, carrying amount of assets was expected to be recovered through sale.

The adoption of HKAS-Int 21 has been applied retrospectively and comparatives presented have been restated to conform to the changed policy. The opening retained profit as at 1st January 2004 and 2005 have been decreased by HK\$11,870,000 and HK\$23,116,000 respectively. Capital reserve at 1st January 2004 and 2005 have also been decreased by HK\$4,550,000.

- (vi) The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”, has set up the basis for recognition, measurement, derecognition and disclosure of financial instruments. Borrowings are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. The fair value of the liability component of a convertible note is determined using a market interest rate for an equivalent non-convertible note and is recorded on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in reserves as an equity component of a convertible note.

- (vii) The adoption of Hong Kong Interpretation (“HK-Int”) 3 “Revenue – Pre-completion Contracts for the Sale of Development Properties” has resulted in a change in accounting policy relating to the recognition of revenue from sales of properties under development in advance of completion. In prior years, sales of properties under development in advance of completion were recognised over the course of the development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. In accordance with HK-Int 3, sales of properties are recognised when the risk and rewards of the property have been passed to the customers.

## 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 income from rental operation and revenue from sales of properties.

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
Rental income	<b>6,061</b>	3,423
Share of an associated company		
Sales of properties	<b>30,962</b>	293,212
	<b><u>37,023</u></b>	<u>296,635</u>

(b) *Segment information*

For management purposes, the Group is organised into two main 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**

<b>Six months ended 30th June 2005</b>	<b>Property development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>	
Segment turnover				
Company and subsidiaries	–	6,061	6,061	
Share of an associated company	30,962	–	30,962	
	<u>30,962</u>	<u>6,061</u>	<u>37,023</u>	
Segment results	<u>(1,888)</u>	<u>4,354</u>	2,466	
Other operating income, net			2,244	
Corporate administrative expenses			(17,804)	
Negative goodwill			17,976	
Operating profit			4,882	
Finance costs			(2,703)	
Share of profit of an associated company	8,849	–	8,849	
Profit before taxation			11,028	
Taxation			(1,849)	
Profit attributable to shareholders			<u>9,179</u>	
	<b>Property development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Corporate items HK\$'000</b>	<b>Total HK\$'000</b>
Capital expenditure	–	218	2,037	2,255
Amortisation of leasehold land and land use rights	–	–	1,693	1,693
Depreciation	–	–	2,063	2,063
Results				

Six months ended 30th June 2004	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	
Segment turnover				
Company and subsidiaries	–	3,423	3,423	
Share of an associated company	293,212	–	293,212	
	<u>293,212</u>	<u>3,423</u>	<u>296,635</u>	
Segment results	<u>(647)</u>	<u>1,601</u>	954	
Other operating income, net			1,769	
Corporate administrative expenses			(10,991)	
Operating loss			(8,268)	
Finance costs			(1,358)	
Share of profit of an associated company	108,491	–	108,491	
Profit before taxation			98,865	
Taxation			(846)	
Profit attributable to shareholders			<u>98,019</u>	
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate items <i>HK\$'000</i>	Total <i>HK\$'000</i>
Capital expenditure	–	8,009	484	8,493
Amortisation of leasehold land and land use rights	–	–	448	448
Depreciation	–	–	842	842
<b>Balance sheet</b>				
<b>As at 30th June 2005</b>	<b>Property development <i>HK\$'000</i></b>	<b>Property investment <i>HK\$'000</i></b>		<b>Total <i>HK\$'000</i></b>
Assets				
Segment assets	<b>608,093</b>	<b>596,044</b>		<b>1,204,137</b>
Associated company	<b>113,273</b>	–		<b>113,273</b>
Unallocated corporate assets				<b>425,701</b>
				<u><b>1,743,111</b></u>
Liabilities				
Segment liabilities	<b>228,779</b>	<b>46,519</b>		<b>275,298</b>
Unallocated corporate liabilities				<b>836,272</b>
				<u><b>1,111,570</b></u>

As at 31st December 2004	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>			
Segment assets	142,508	226,563	369,071
Associated company	293,103	–	293,103
Unallocated corporate assets			421,474
			<u>1,083,648</u>
<b>Liabilities</b>			
Segment liabilities	79,992	12,653	92,645
Unallocated corporate liabilities			329,208
			<u>421,853</u>

### 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:

<b>Six months ended 30th June 2005</b>	<b>Segment results <i>HK\$'000</i></b>	<b>Capital expenditure <i>HK\$'000</i></b>
Hong Kong	(2,344)	2,027
Mainland China	11,523	228
	<u>9,179</u>	<u>2,255</u>
<b>Six months ended 30th June 2004</b>	<b>Segment results <i>HK\$'000</i></b>	<b>Capital expenditure <i>HK\$'000</i></b>
Hong Kong	(12,743)	8,493
Mainland China	110,762	–
	<u>98,019</u>	<u>8,493</u>
<b>Total assets</b>	<b>30th June 2005 <i>HK\$'000</i></b>	<b>31st December 2004 <i>HK\$'000</i></b>
Hong Kong	539,313	564,092
Mainland China	1,203,798	519,556
	<u>1,743,111</u>	<u>1,083,648</u>

### 3. Operating profit/(loss)

	Six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit/(loss) is stated after crediting and charging the following:		
<u>Crediting</u>		
Negative goodwill on acquisition	17,976	–
Fair value gain on investment properties	2,000	–
Gross rental income from investment properties	6,061	3,423
Interest income	69	1
	<u>          </u>	<u>          </u>
<u>Charging</u>		
Staff costs (including directors' emoluments)		
Salaries and other benefits	7,401	5,854
Contribution to retirement benefits scheme	179	100
	<u>          </u>	<u>          </u>
	7,580	5,954
Amortisation of leasehold land and land use rights	1,693	448
Depreciation	2,063	842
Outgoings in respect of investment properties	637	6
	<u>          </u>	<u>          </u>

Generally, the Group's operating leases are for terms of within one year except for three (31st December 2004: three) long-term leases which are beyond five years. There is no contingent rent included in rental income for both years.

	30th June	31st December
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The future minimum rental income receivable under non-cancellable leases are as follows:		
Within one year	10,280	8,085
Between two and five years	25,745	23,882
After five years	26,526	28,827
	<u>          </u>	<u>          </u>
	62,551	60,794
	<u>          </u>	<u>          </u>

### 4. Taxation

	Six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax in the PRC		
Current	169	103
Deferred	1,680	743
	<u>          </u>	<u>          </u>
	1,849	846
	<u>          </u>	<u>          </u>

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 period (2004: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

The Group's associated company established in the Pudong New Area of the PRC is required to pay income tax at a preferential rate of 15% (2004: 15%).

Share of taxation of an associated company for the six months ended 30 June 2005 of HK\$2,145,000 (2004: HK\$19,146,000) are included in the consolidated profit and loss account as share of profit of an associated company.



## 5. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$9,179,000 (2004: HK\$98,019,000) and 827,640,000 (2004: 827,640,000) ordinary shares in issue during the period.

There is no potential dilutive effect on the equity component of the convertible note.

## 6. Trade receivables

The Group normally allows a credit period of one month to its trade customers. The aging analysis of trade receivables is as follows:

	<b>30th June 2005 HK\$'000</b>	31st December 2004 HK\$'000
Current	718	29
Over 90 days	–	75
	<b>718</b>	<b>104</b>

## 7. Trade payables

The Group's trade payables mainly comprise costs payable for property development projects which are payable upon completion of work certified by the architects. At 30th June 2005, most of the Group's trade payables were current within their respective terms of credit and there were no significant overdue amounts.

## DIVIDEND

At a meeting held on 22nd April 2005, the Board proposed a final dividend of HK\$0.05 per ordinary share amounting to HK\$41,382,000 for the year ended 31st December 2004, which was paid on 10th June 2005 and has been reflected as an appropriation of retained profit for the six months ended 30th June 2005.

The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2005 (2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Performance

During the period under review, in view of the robust potential of the international real estate market, the Group strategically focused on property development and investments in international markets. To better reflect its business development strategies, the Group changed its name to Shimao International Holdings Limited with the approval by the Shareholders.

For the first half year of 2005, the Group achieved remarkable breakthroughs. In addition to the official launch of "No. 21 Severn Road", a top-notch luxury residential project in Hong Kong, the Group successfully acquired Value Ahead Investments Limited ("Value Ahead"), the investment holding company of Suifenhe Shimao Development Project ("Suifenhe Shimao"), a property development project, located along the national boundary between the Russian Federation and the PRC, dedicating itself to the development of the Suifenhe Sino-Russian Intertrading Zone development project.

For the six months ended 30th June 2005, the turnover of the Group (including share of turnover of an associated company) was HK\$37,023,000 (30th June 2004: HK\$296,635,000), representing a decrease of HK\$259,612,000 compared to the corresponding period last year. The decrease in turnover was mainly because most properties of Shimao Lakeside Garden have been sold prior to 2005, and most of the respective profit have been recognised. Therefore, contribution for the period was insignificant. Moreover, since the Suifenhe Shimao is still under development and at pre-sale stage, under the new accounting policies of the Group, even though the property has commenced pre-sale, revenue can only be recognised by the Group upon completion of the project.

Therefore the revenue generated from the pre-sale of the Suifenhe Shimao during the period has not been recognised during the period. Profits attributable to shareholders of the Group during the period decreased to HK\$9,179,000 (2004: HK\$98,019,000) while earning per share was HK1.11 cents (2004: HK11.84 cents).

### **Business Review**

During the period under review, the Group strategically focused on the development of the international real estate and investment business as by actively exploring opportunities in Southeast Asia and overseas markets. Under the new business direction, the Group continues to aggressively enhance its competitiveness so as to capture every potential opportunity.

### **International Business**

During the period under review, the Group successfully acquired 100% interest on Value Ahead. The primary asset of Value Ahead is its wholly-owned property project, Suifenhe Shimao. Suifenhe Shimao currently holds the First Phase Land located across the national boundary between Russia and the PRC, which comprises two parcels of land located in the Municipality of Suifenhe, the PRC, with a total site area of 722,824.5 sq.m., on which a commercial and trade centre and a five-star hotel are under construction, for the first phase of development within the Chinese border of the Intertrading Zone; and the contractual right to acquire the Second Phase Land, which is located in the Sino-Russian Intertrading Zone with site area of 807,175 sq.m, for the second phase of development.

The entire development project of Suifenhe Shimao is located at the commercial and tourist development zone across the national boundary of the PRC and the Russia Federation with a total site area of approximately 4.53 sq. km., of which two-thirds is within the Russian territory. Comprising various property portfolios, Suifenhe Shimao not only includes traditional property development components such as residential, hotel, office, retail and exhibition and promotion areas, but also integrates warehousing, logistics, product processing, cultural exchange, travelling, entertainment and leisure facilities.

The first phase of construction includes Shimao International Commercial and Exhibition Centre (Phase 1) and a five-star hotel.

The four-storey Shimao International Commercial and Exhibition Centre (Phase 1) has a site area and a total gross floor area of approximately 38,000 sq. m. and 83,000 sq. m. respectively, offering around 1,800 shops suitable for wholesale, retail, exhibition, food and beverage and entertainment businesses. Having completed the topping-out process, the Centre is currently under both internal and external renovations, and is expected to be available for occupation by April 2006 and to commence operations by around July.

The five-star hotel in the region has a total site area and a total gross floor area of 33,924 sq. m. and 49,000 sq. m. respectively. The 8 storey building comprised one basement floor and 7 floors above ground level. The hotel is designed by SRSS, a renowned US company, and a globally renowned hotel group will be appointed for managing the hotel. The hotel offers approximately 300 guest rooms and comprehensive ancillary facilities, including a magnificent cafe, Chinese and western restaurants, ballrooms, multifunctional conference rooms, swimming pools, entertainment centre and business centres, etc. Having completed the topping-out process, the facade of the hotel is currently enclosed to facilitate the sophisticated internal decorations. The hotel is expected to commence trial operations in July 2006.

The Shimao International Commercial and Exhibition Centre (Phase 1) commenced pre-sale and letting during the period and received favourable market response.

## **Hong Kong Business**

The Group's wholly-owned superb residential project "No. 21 Severn Road" is located in the luxurious residential district of Severn Road, the Peak. The two four-storey detached houses offer a spectacular sea view and have a total floor area of approximately 6,000 sq. ft. each. Its premier design has been awarded the Annual Awards 2004 – Merit by the Hong Kong Institute of Architects. Each detached house has its own garden, swimming pool, sheltered parking and sightseeing elevator, covering an area of over 6,000 sq. ft., plus a spectacular 180-degree sea view of the Victoria Harbour. The entire architectural and interior design seamlessly combines life style, architecture and nature. Construction of the project was completed at the beginning of 2005.

In 2005, the Hong Kong economy displayed strong development, recording an increase in GDP for the first quarter of 6% compared to the corresponding period last year, coupled with the gradually stabilising political and economic environment, together boosted the property market once again.

Because of the tight land supply for luxury residential development, the demand for luxury residential property continues to be in excess of supply. Overlooking the recent properties launched in the market, luxury residential properties have attracted much attention from the market. According to the Land Registry, the number of transactions recorded for luxury residential properties with the value of over HK\$10 million in the first half of 2005 was approximately 2,362, representing a significant increase of 49% compared to the second half of last year and even surpassed the 1,583 transactions recorded in 1998, reaching a record high since 1997, among which, the traditional luxury residential properties on Hong Kong Island which have always been under supply achieved the most outstanding performance.

According to the List of Sites for Sale by Application for 2005-2006 provided by the Hong Kong Government, there are only 6 pieces of land on Hong Kong Island available for luxury residential development. These are expected to supply a total of less than 1,600 units, of which the number of units located in the traditional luxury residential area in southern Hong Kong Island would be even fewer. It is expected that the supply of luxury residential properties in the second half of 2005 will be inadequate. Given the high demand, prices of those properties will be further boosted. With the continuing growth of the Hong Kong economy in the second half of the year, the Group is confident that the sale of "No. 21 Severn Road" will generate significant revenue for the Group.

## **China Business**

Most of the units of the Group's 50% owned Shimao Lakeside Garden were sold during the period, with profits attributable to the Group having been properly accounted for in the period and previous financial years respectively.

On the other hand, the occupation rate of Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province and the 3 units of Epoch Centre Phase II in Beijing owned by the Group reached over 90% for the period under review. The performance was outstanding and generated stable rental income for the Group.

## **Prospects**

The Hong Kong property market is becoming more active with increasing transactions since the second quarter of 2005, especially under the current undersupply environment, and the demand for luxury residential properties being strong. "No. 21 Severn Road" has received positive market recognition and has successfully established a quality brand image for the Group, which will benefit the Group's long term development in Hong Kong.

For the second half of 2005, the Group will continue the pre-sale and letting of Shimao International Commercial and Exhibition Centre. As at 31st August 2005, pre-sale and letting of the property have received very positive response and sales of a total gross floor area of approximately 6,736 sq.m. with a supply of 244 units have been committed. On the letting front, lease for a total

gross floor area of 8,000 sq.m. with a supply of 338 shops have been engaged, with an average term of 3 years, evidencing customers' confidence for the Suifenhe Shimao. Committed tenants include international enterprises such as Roca and iRevo. The Group expects that the project will generate considerable revenue for the Group upon its completion next year.

In light of the successful acquisition of the Suifenhe Shimao, the Group is actively seeking development opportunities on a global level so as to bring growth momentum to the Group's business. The Group will leverage on its well-established experience in the property market to strive to maximise returns for its shareholders.

## **FINANCIAL ANALYSIS**

### **Interim Results**

For the six months ended 30th June 2005, turnover of the Group (including share of turnover of an associated company) was HK\$37,023,000, representing a fall of 87.5% compared to the corresponding period in 2004 (30th June 2004: HK\$296,635,000). The decrease in turnover was mainly because most of the units of Shimao Lakeside Garden have been sold prior to 2005, and most of the respective profits have been recognised. Therefore, contribution for the period was insignificant. Moreover, since the Suifenhe Shimao is still under development and at pre-sale stage. Under the new accounting policies of the Group, the Group will only recognise the respective revenue upon completion of the projects, and accordingly, the pre-sale revenue from the Suifenhe Shimao for the period has not been recognised as turnover for the current period. Profits attributable to the shareholders of the Company was HK\$9,179,000, representing a decrease of 90.6% compared to the corresponding period in 2004 (corresponding period in 2004: HK\$98,019,000).

### **Liquidity, Financial Resources and Bank Loans**

For the period under review, the Group's liquidity maintained at healthy level and its financial resources were also well distributed. As at 30th June 2005, total assets of the Group reached HK\$1,743,111,000, of which current assets amounted to HK\$284,962,000, total liabilities was HK\$1,111,570,000, non-current liabilities was HK\$906,557,000 and equity attributable to the shareholders of the Company amounted to HK\$631,541,000.

Moreover, as at 30th June 2005, the Group had an aggregate cash and bank balances of approximately HK\$36,420,000 (31st December 2004: HK\$18,359,000) and bank borrowings of approximately HK\$155,083,000 (31st December 2004: HK\$196,420,000). Average interest rate of the bank loans were ranged between 1.6% to 4.9%.

### **Pledge of Assets**

As at 30th June 2005, the Group has pledged its leasehold land and buildings with a total carrying amount of approximately HK\$519,130,000 (31st December 2004: HK\$522,407,000) in favour of banks to secure the facilities granted to the Group. The facilities utilised at 30th June 2005 amounted to HK\$155,083,000 (31st December 2004: HK\$196,420,000).

### **Foreign Exchange Risk**

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong dollars and Renminbi with a small proportion in US dollars. The exchange rates of other major currencies remained relatively stable during the period. The directors of the Group do not expect substantial exchange fluctuation risks to the Group, while it is not assured that any exchange risk will not affect the Group's operating business in the future. As at 30th June 2005, the Group have not issued any financial instrument nor entered into any contracts for hedging purpose.

### **Financial Strategies**

The Group will continue to control financial risks cautiously and proactively adopt internationally-recognised corporate management standards to ensure maximum protection for shareholders.

## **Employees and Remuneration Policy**

As at 30th June 2005, the Group employed a total of 139 employees. The fringe benefits and remuneration of the staff of the Group are determined with reference to individual experience and academic attainments as well as general market conditions. Year-end bonus and incentives are provided according to the Group's results and individual performance. The Group also provides adequate training and continuous professional development opportunities to its staff.

## **IMPORTANT EVENTS OCCURRED AFTER 31ST DECEMBER 2004**

1. The Company announced on 23rd February 2005 the Group's plan to pursue a business strategy of property development and investment in international markets (including Hong Kong) outside mainland PRC and the entering into of a non-competition undertaking (the "Undertaking") dated 19th February 2005 with Mr. Hui Wing Mau ("Mr. Hui"), the Chairman and a non-executive director of the Company, and other parties including Shimao Property Holdings Limited, a company wholly-owned by Mr. Hui, whereby the parties thereto agree to delineate their respective businesses on the terms and conditions set out therein. The reasons for and the benefits of the delineation and other details of the Undertaking were contained in the circular of the Company dated 26th February 2005 (the "Circular") and a Special General Meeting has also been convened to be held on 14th March 2005 to consider and if appropriate to approve the Undertaking. As the Listing Committee of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") later took the view that the principles of spin-off application under Practice Note 15 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange should apply by the Stock Exchange in considering the Undertaking (the "Decision"), the said Special General Meeting was adjourned and the Company also submitted a written request for a review of the Decision to the Listing (Review) Committee of the Stock Exchange on 7th April 2005. Details of the development have been set out in the Company's 2004 Annual Report.

The Company announced on 10th August 2005 that following a review hearing on the Decision, the Listing (Review) Committee has decided to overturn the Decision and ruled that Practice Note 15 of the Listing Rules was not applicable to the Undertaking. The Company then reissued the Circular to shareholders of the Company on 31st August 2005 with revised and updated information to address certain points raised by the Listing (Review) Committee and reconvened the adjourned Special General Meeting. The adjourned Special General Meeting was held on 15th September 2005 in which the ordinary resolution relating to the approval of the Undertaking and transactions contemplated thereunder was duly passed by independent shareholders by way of poll. Results of the adjourned Special General Meeting have been announced on 15th September 2005.

2. The Company also announced on 23rd February 2005 (the "Suifenhe Announcement") the acquisition by the Company of the entire issued share capital of, and the amount due from, Value Ahead Investments Limited from Mr. Hui and his associate at an aggregate consideration of HK\$496,220,000 (the "Acquisition"). The principal asset of Value Ahead Investments Limited is the effective interest in the Suifenhe Shimao Development Project (as defined in the Suifenhe Announcement). Details of the Acquisition and the Suifenhe Shimao Development Project have been set out in the Company's 2004 Annual Report and the circular issued to shareholders of the Company on 25th May 2005. In a Special General Meeting held on 13th June 2005, the Acquisition and transactions contemplated thereunder were duly approved by independent shareholders by way of poll. Results of the Special General Meeting were announced on 13th June 2005 and the Acquisition completed on 24th June 2005.
3. The shareholders of the Company approved the change of name of the Company to Shimao International Holdings Limited and the adoption of 世茂國際控股有限公司 as the Chinese name of the Company by way of a special resolution on 23rd May 2005. Such change of name was approved by the Registrar of Companies in Bermuda and became effective on 26th May 2005.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30th June 2005, except for the following deviation:

### **Code Provision A.4.1**

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Each of Professor Lee Chack Fan, Mr. Liu Hing Hung and Dr. Zhu Wenhui, being all the independent non-executive directors of the Company, entered into a service contract with the Company on 23rd May 2005 confirming the appointment till 31st December 2006 subject to re-election following by rotation in accordance with the Bye-Laws of the Company.

### **Code Provision A.4.2**

The last sentence of this code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

A special resolution was passed on 23rd May 2005 to amend the Bye-Laws of the Company such that every director shall retire from office by rotation no later than the third annual general meeting of the Company after he was last elected or re-elected and directors holding offices as chairman and managing director are also subject to retirement by rotation.

### **Code Provision A.5.4**

The code stipulates that, inter alia, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company.

A Code for Securities Transaction by Relevant Employees which is on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") set out in the Appendix 10 of the Listing Rules has been adopted by the Board on 19th August 2005.

### **Code Provision B.1.1**

The code stipulates that listed issuers should establish a remuneration committee.

The remuneration committee of the Company was established on 24th March 2005 with written terms of reference which will be available upon request.

### **Code Provision D.2**

The code stipulates that board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

The written terms of reference of the Executive Committee formed on 5th February 2004 was adopted by the Board on 25th August 2005.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference which describe the authority and duties of the Audit Committee. The terms of reference were prepared and adopted with reference to the guidelines published by HKICPA and the relevant provisions in the latest edition of the Listing Rules. The Committee currently comprises three independent non-executive directors, namely Professor Lee Chack Fan, Mr. Liu Hing Hung and Dr. Zhu Wenhui.

The Audit Committee has reviewed the unaudited interim financial information and discussed the financial related matters with management. At the request of the directors, the Group's external auditors have carried out a review of the interim financial information in accordance with Statement of Auditing Standards 700 issued by HKICPA.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors, all directors confirmed they had complied with the required standard set out in the Model Code during the six months ended 30th June 2005.

By Order of the Board  
**Shimao International 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*)

Tung Chi Shing (*Executive Director*)

Chan Loo Shya (*Executive Director*)

Hong Kong, 15th September 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.”