



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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2005

The Board of Directors (the "Board" or the "Directors") of Shimao International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2005 together with the comparative figures as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 HK\$'000	Restated 2004 HK\$'000
Turnover			
Company and subsidiaries	3	13,987	6,612
Share of an associated company	3	34,515	598,094
	3	<u>48,502</u>	<u>604,706</u>
Company and subsidiaries			
Turnover	3	13,987	6,612
Cost of sales		(2,540)	(1,117)
Gross profit		11,447	5,495
Excess of fair values of net assets acquired over cost of acquisition		17,976	–
Fair value gains on investment properties		224,642	66,913
Other gains		1,120	2,154
Selling expenses		(10,353)	(1,620)
Administrative expenses		(41,270)	(37,798)
Other operating expenses		(13,312)	–
Operating profit before financing	4	190,250	35,144
Finance costs	5	(33,154)	(3,516)
Share of profit of an associated company		6,012	170,025
Profit before taxation		163,108	201,653
Taxation	6	(54,099)	(13,850)
Profit attributable to shareholders		109,009	187,803
Dividend	7	–	41,382
Earnings per share			
– Basic	8	HK 13.2 cents	HK22.7 cents
– Diluted	8	HK 12.4 cents	HK22.7 cents

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Notes	2005 HK\$'000	Restated 2004 HK\$'000
ASSETS			
Non-current assets			
Investment properties		801,826	220,000
Property, plant and equipment		219,461	98,206
Leasehold land and land use rights		689,500	288,982
Associated company		112,646	293,103
Deferred taxation assets		21,410	–
		<u>1,844,843</u>	<u>900,291</u>
Current assets			
Properties under development and for sale		274,191	142,508
Trade receivables	9	816	104
Prepayments, deposits and other receivables		10,935	22,386
Bank balances and cash		27,574	18,359
		<u>313,516</u>	<u>183,357</u>
Total assets		<u>2,158,359</u>	<u>1,083,648</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		82,764	82,764
Reserves		665,108	579,031
Total equity		<u>747,872</u>	<u>661,795</u>
LIABILITIES			
Non-current liabilities			
Borrowings		643,480	148,517
Amount received from Suifenhe Land Reserve Centre		114,642	–
Deferred taxation liabilities		280,901	61,389
		<u>1,039,023</u>	<u>209,906</u>
Current liabilities			
Trade payables	10	84,976	4,086
Advanced proceeds from customers		88,245	–
Other payables and accruals		58,263	16,485
Amount due to ultimate holding company		40	99,369
Amounts due to related companies		3,220	4,104
Borrowings		136,720	87,903
		<u>371,464</u>	<u>211,947</u>
Total liabilities		<u>1,410,487</u>	<u>421,853</u>
Total equity and liabilities		<u>2,158,359</u>	<u>1,083,648</u>
Net current liabilities		<u>(57,948)</u>	<u>(28,590)</u>
Total assets less current liabilities		<u>1,786,895</u>	<u>871,701</u>

NOTES

1 Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2 Basis of preparation and accounting policies

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention, as modified by the financial assets and liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new and revised HKFRS, Hong Kong Accounting Standards ("HKAS") and interpretations ("HK-Int", "HK(SIC)-Int" and "HKFRS-Int") (collectively the "new HKFRSs"), which are relevant to its operations. The 2004 comparatives are amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK(SIC)-Int 12	Consolidation – Special Purpose Entities
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

(a) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33, 36, 38 and HK(SIC)-Int 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of share of net after-tax results of associated companies and other disclosures.
- HKASs 2, 7, 8, 10, 16, 21, 23, 27, 28, 31, 33, 36, 38 and HK(SIC)-Int 12 and 15 had no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of the following HKFRSs, which include all HKASs and applicable "HK-Int", "HK(SIC)-Int" and "HKFRS-Int", that necessitates material changes in accounting policies or presentations of the accounts are summarised as follows:

- (b) 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.
- (c) 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.
- (d) 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.
- (e) The adoption of HK(SIC)-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.

(f) The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation”, HKAS 39 “Financial Instruments: Recognition and Measurement” and HKAS 39 (Amendment) “Transition and Initial Recognition of Financial Assets and Financial Liabilities” have 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.

(g) The adoption of 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.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective HKFRS. All standards adopted by the Group require retrospective application other than HKAS 39, HKFRS 3 and HK-Int 3 which is applied prospectively on or after 1st January 2005.

The effect of the changes in accounting policies on the Group’s reserves as at 1st January 2004 and 2005, the profit for the year ended 31st December 2004 and 2005 are summarised below:

	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HK(SIC)- Int 21 HK\$'000	HKFRS 3 HK\$'000	Total HK\$'000
Increase/(decrease) in profit attributable to shareholders					
For the year ended 31st December 2005					
Increase in amortisation of leasehold land and land use rights	4,424	-	-	-	4,424
Increase in fair value gains on investment properties	-	3,557	-	-	3,557
Increase in deferred taxation charge	-	-	(1,174)	-	(1,174)
	<u>4,424</u>	<u>3,557</u>	<u>(1,174)</u>	<u>-</u>	<u>6,807</u>
Increase/(decrease) in earnings per share, basic, HK cents	<u>0.5</u>	<u>0.4</u>	<u>(0.1)</u>	<u>-</u>	<u>0.8</u>
Increase/(decrease) in earnings per share, diluted, HK cents	<u>0.5</u>	<u>0.4</u>	<u>(0.1)</u>	<u>-</u>	<u>0.8</u>
For the year ended 31st December 2004					
Increase in fair value gains on investment properties	-	66,913	-	-	66,913
Increase in deferred taxation charge	-	-	(11,749)	-	(11,749)
	<u>-</u>	<u>66,913</u>	<u>(11,749)</u>	<u>-</u>	<u>55,164</u>
Increase/(decrease) in earnings per share, basic and diluted, HK cents	<u>-</u>	<u>8.1</u>	<u>(1.4)</u>	<u>-</u>	<u>6.7</u>
Increase/(decrease) in assets					
As at 31st December 2005					
Leasehold land and land use rights	285,596	-	-	-	285,596
Property, plant and equipment	(285,596)	-	-	-	(285,596)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31st December 2004					
Leasehold land and land use rights	288,982	-	-	-	288,982
Property, plant and equipment	(288,982)	-	-	-	(288,982)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in shareholders' funds					
As at 31st December 2005					
Capital reserves	-	(4,550)	-	(14,993)	(19,543)
Properties revaluation reserves	-	(133,441)	-	-	(133,441)
Retained profit	-	133,441	(23,116)	14,993	125,318
	<u>-</u>	<u>(4,550)</u>	<u>(23,116)</u>	<u>-</u>	<u>(27,666)</u>
As at 31st December 2004					
Capital reserves	-	-	(4,550)	-	(4,550)
Properties revaluation reserves	-	(68,156)	-	-	(68,156)
Retained profit	-	68,156	(11,870)	-	56,286
	<u>-</u>	<u>-</u>	<u>(16,420)</u>	<u>-</u>	<u>(16,420)</u>

3 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.

	2005 HK\$'000	2004 HK\$'000
Company and subsidiaries		
Rental income	13,987	6,612
Share of an associated company		
Sales of properties	34,515	598,094
	<u>48,502</u>	<u>604,706</u>

(b) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

Year ended 31st December 2005	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000	
Segment turnover				
Company and subsidiaries	-	13,987	13,987	
Share of an associated company	34,515	-	34,515	
	<u>34,515</u>	<u>13,987</u>	<u>48,502</u>	
Segment results	<u>(18,441)</u>	<u>233,117</u>	<u>214,676</u>	
Excess of fair values of net assets acquired over cost of acquisition			17,976	
Other gains			1,120	
Corporate administrative expenses			(43,522)	
Operating profit before financing			190,250	
Finance costs			(33,154)	
Share of profit of an associated company	6,012	-	6,012	
Profit before taxation			163,108	
Taxation			(54,099)	
Profit attributable to shareholders			<u>109,009</u>	
	Property development HK\$'000	Property investment HK\$'000	Corporate items HK\$'000	Total HK\$'000
Capital expenditure	-	137,790	4,463	142,253
Depreciation	-	-	4,675	4,675
Amortisation of leasehold land and land use rights	4,968	-	3,386	8,354
Year ended 31st December 2004 (restated)	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000	
Segment turnover				
Company and subsidiaries	-	6,612	6,612	6,612
Share of an associated company	598,094	-	598,094	598,094
	<u>598,094</u>	<u>6,612</u>	<u>604,706</u>	
Segment results	<u>(4,388)</u>	<u>71,410</u>	<u>67,022</u>	
Other gains			2,154	2,154
Corporate administrative expenses			(34,032)	(34,032)
Operating profit before financing			35,144	35,144
Finance costs			(3,516)	(3,516)
Share of profit of an associated company	170,025	-	170,025	170,025
Profit before taxation			201,653	201,653
Taxation			(13,850)	(13,850)
Profit attributable to shareholders			<u>187,803</u>	<u>187,803</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	-	-	4,234	4,234
Amortisation of leasehold land and land use rights	-	-	1,487	1,487
Balance sheet				
As at 31st December 2005	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000	
Assets				
Segment assets	676,727	947,380	1,624,107	1,624,107
Associated company			112,646	112,646
Unallocated corporate assets			421,606	421,606
			<u>2,158,359</u>	<u>2,158,359</u>
Liabilities				
Segment liabilities	251,463	72,471	323,934	323,934
Unallocated corporate liabilities			1,086,553	1,086,553
			<u>1,410,487</u>	<u>1,410,487</u>

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
			<u>1,083,648</u>
Liabilities			
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:

	2005 HK\$'000	Restated 2004 HK\$'000
Segment results		
Hong Kong	(4,743)	(4,388)
Mainland China	219,419	71,410
	<u>214,676</u>	<u>67,022</u>
Excess of fair value of net assets acquired over cost of acquisition	17,976	–
Other gains	1,120	2,154
Corporate administrative expenses	(43,522)	(34,032)
Operating profit before financing	190,250	35,144
Finance costs	(33,154)	(3,516)
Share of profit of an associated company	6,012	170,025
Profit before taxation	163,108	201,653
Taxation	(54,099)	(13,850)
Profit attributable to shareholders	<u>109,009</u>	<u>187,803</u>
	2005 HK\$'000	2004 HK\$'000
Segment assets		
Hong Kong	144,331	142,508
Mainland China	1,479,776	226,563
	<u>1,624,107</u>	<u>369,071</u>
Associated company	112,646	293,103
Unallocated	421,606	421,474
Total assets	<u>2,158,359</u>	<u>1,083,648</u>
	2005 HK\$'000	2004 HK\$'000
Capital expenditure		
Hong Kong	2,899	11,452
Mainland China	139,354	4,322
	<u>142,253</u>	<u>15,774</u>

4 Operating profit before financing

	2005 HK\$'000	2004 HK\$'000
Operating profit before financing is stated after crediting and charging the following:		

Operating profit before financing is stated after crediting and charging the following:

Crediting

Gross rental income from investment properties	13,987	6,612
Interest income	330	2

Charging

Amortisation of leasehold land and land use rights Less: Amount capitalised	12,863 (4,509)	1,487 –
Depreciation	8,354	1,487
Outgoings in respect of investment properties	4,675	4,234
Auditors' remuneration	1,429	785
	<u>680</u>	<u>460</u>

5 Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank loans	10,996	3,514
Promissory notes	16,434	602
Convertible note	5,724	–
	<u>33,154</u>	<u>4,116</u>
Amount capitalised in properties under development	–	(600)
	<u>33,154</u>	<u>3,516</u>

6 Taxation

	2005 HK\$'000	2004 HK\$'000
Current taxation		
Income tax in the PRC	420	145
Deferred taxation		
Relating to the origination and reversal of temporary differences	53,679	13,705
	<u>54,099</u>	<u>13,850</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 year (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.

Share of taxation of an associated company of HK\$1,680,000 (2004: HK\$30,005,000) is included in the consolidated profit and loss account as share of profit of an associated company.

7 Dividend

	2005 HK\$'000	2004 HK\$'000
Paid, final, HK\$0.05 per ordinary share	–	41,382

The Board of directors do not recommend the payment of dividend in respect of 2005.

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$109,009,000 (2004: HK\$187,803,000) and 827,639,886 (2004: weighted average of 827,639,886) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31st December 2005 is based on HK\$114,733,000, representing the profit attributable to shareholders of HK\$109,009,000 plus interest on convertible note saving of HK\$5,724,000 and, 924,037,654 shares being the weighted average number of 827,639,886 shares in issue during the year plus 96,397,768 shares deemed to be in issue assuming the convertible note had been converted upon issuance on 24th June 2005.

The basis and diluted earnings per share are the same for 2004 since there are no potential dilutive shares.

9 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:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current	316	29
1 to 60 days	404	–
61 to 90 days	96	–
Over 90 days	–	75
	<u>816</u>	<u>104</u>

The carrying amounts approximate their fair value and are mainly denominated in Renminbi.

10 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 31st December 2005, most of the Group's trade payables were current within their respective terms of credit. The carrying amounts approximate their fair value and are mainly denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS**Results Performance**

During the year under review, in view of the robust potential of the international real estate markets, 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 during the year.

In 2005, the Group was in active pursuit of its new business. 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. It was dedicated to the development of the Suifenhe Sino-Russian Intertrading Zone development project.

For the year ended 31st December 2005, turnover of the Group (including share of turnover of an associated company) was HK\$48,502,000 (2004: HK\$604,706,000), representing a decrease of HK\$556,204,000 compared with the corresponding period last year. Profit attributable to shareholders of the Group during the year decreased to HK\$109,009,000 (2004: HK\$187,803,000), which includes gain on revaluation of investment properties (net of deferred tax) of HK\$150,510,000. Earnings per share was HK13.2 cents (2004: HK22.7 cents).

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31st December 2005 (2004: HK5 cents).

Business Review

During the year under review, the Group strategically focused on the development of international real estate and investment business by actively exploring opportunities in overseas markets. Under the new business direction, the Group strove to enhance its competitiveness so as to capture every potential opportunity. As the Group was in the process of transformation and the new business was under incubation during the year, the Group recorded diminished results for the year. However, the Group has full confidence in its new business which is expected to bring remarkable return for the shareholders.

International Business

During the year under review, the Group successfully acquired 100% interest in Value Ahead. The primary asset of Value Ahead is its wholly-owned property project, Suifenhe Shimao. Suifenhe Shimao currently holds the First Phase Land, comprising two parcels of land located in the Municipality of Suifenhe, Heilongjiang, 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 as part of the first phase development project within the Chinese border of the Intertrading Zone. Suifenhe Shimao also holds the contractual right to acquire the Second Phase Land, which is located in the Sino-Russian Intertrading Zone with a site area of 807,175 sq. m. as part of the second phase development project.

For the second half of 2005, the Group carried out the pre-sale and letting of Shimao International Commercial and Exhibition Centre. As at 31st December 2005, pre-sale and letting of the property have received very positive response and sales of a total gross floor area of approximately 6,639 sq. m. with a supply of 244 units have been committed. On the letting front, leases for a total gross floor area of 13,837 sq. m. with a supply of 430 shops have been engaged, with an average term of 2 years, evidencing customers' confidence in the Suifenhe Shimao.

The entire development project of Suifenhe Shimao is located at the commercial and tourist development zone across the national boundary of the PRC and Russia 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.

Teemed with natural resources, Russia is the largest oil producer second only to the Middle East. The rising oil prices injected new momentum for the economic growth of Russia as a key oil exporter, with revenue of both the local government and corporations on the rise. Meanwhile, the Russian government actively implemented reforms and promoted consumptions through measures, such as tax relief, so as to build up favourable investment sentiments. Gross Domestic Products (GDP) of Russia in 2005 amounted to US\$765.8 billion, representing a year-on-year increase of 6.4%, which was greater than the economic growth of developed countries and regions such as the US, the Euro Region and Japan. Compared with 1999, the Russian GDP recorded an effective growth of 50% in 2005. The Group expects that Russia will maintain its economic growth, providing a favourable environment for the development of its real estate business in the country.

Hong Kong Business

The luxurious residential project “No. 21 Severn Road” wholly-owned by the Group is located in the upmarket residential district of Severn Road, the Peak. The two four-storey detached houses offer a spectacular sea view and a total floor area of approximately 6,000 sq. ft. each. Its premier design has won 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.

Due to limited land supply for luxury residential development, the demand for luxury residential property continues to be in excess of supply. In particular, traditional upmarket residential regions on the Hong Kong Island, which have long been subject to undersupply, achieved the most spectacular performance. The Group will actively identify purchaser for the “No. 21 Severn Road” project as opportunity arises, so as to maximize the return to shareholders.

Subsequent Event

To further develop its overseas business, the Group entered into various agreements on 15th April 2006 to invest in a large scale property investment and development project in St. Petersburg, Russia for a consideration of approximately HK\$232 million (the “Baltic Pearl Project”). The project involves the development of a mixture of residential, hotel, commercial and retail space, office, exhibition and convention facilities on a land of 1,640,717 square meters. Upon completion of the agreements, the Group will have a 33.34% interest in the Baltic Pearl Project. Particulars of the agreements and the Baltic Pearl Project will be contained in a separate announcement published on the same date.

Financial Performance

For the year ended 31st December 2005, the turnover of the Group (including share of turnover of an associated company) was HK\$48,502,000 (2004: HK\$604,706,000), representing a decrease of 92% as compared with the corresponding period last year. The decrease in turnover was mainly because most properties of Shimao Lakeside Garden have been sold with the majority of the revenue recognised prior to 2004. Therefore, contribution from the project for the year was insignificant. Moreover, since 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 revenue from the pre-sale of Suifenhe Shimao during the year has not been recognised. Profit attributable to shareholders of the Group during the period decreased to HK\$109,009,000.

2005 is the first year of adoption of applicable new accounting standards. Accordingly, changes in fair value of investment properties were required to be recognised in the profit and loss, resulting in a gain on revaluation of investment properties (net of deferred tax) of HK\$150,510,000.

Finance cost increased substantially during the year, mainly contributable to the amortised cost and interest on promissory notes and convertible note. The rise in interest rate also contributed to the increase in finance cost.

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 31st December 2005, total assets of the Group reached HK\$2,158,359,000, of which current assets amounted to HK\$313,516,000, total liabilities was HK\$1,410,487,000, non-current liabilities was HK\$1,039,023,000 and equity attributable to the shareholders of the Company amounted to HK\$747,872,000, increased by 13% over HK\$661,795,000 of last year.

Moreover, as at 31st December 2005, the Group had aggregate cash and bank balances of approximately HK\$27,574,000 (31st December 2004: HK\$18,359,000) and bank borrowings of approximately HK\$407,639,000 (31st December 2004: HK\$196,420,000). Average interest rate of the bank loans ranged between 1.6% to 6.0%.

Pledge of Assets

As at 31st December 2005, the Group had leasehold land and buildings with a total carrying amount of approximately HK\$518,974,000 (31st December 2004: HK\$522,407,000) under pledge in favour of banks to secure the facilities granted to the Group. The facilities utilised as of 31st December 2005 amounted to HK\$407,639,000 (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. However, it cannot be guaranteed that exchange risk will not affect the Group’s business in the future. As at 31st December 2005, the Group had not issued any financial instrument nor entered into any contract for hedging purpose.

Financial Policies

The Group will continue to control financial risks in a prudent manner and proactively adopt internationally-recognised corporate management standards to safeguard the interests of shareholders.

Employees and Remuneration Policy

As at 31st December 2005, the Group employed a total of 124 employees. The benefits and remuneration packages of the staff of the Group are determined according to individual experience and academic attainments with reference to general market conditions. Year-end bonuses 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 employees.

Prospects

The Hong Kong property market continued to blossom since 2005, with relatively tight supply in the luxury residential market, resulting in keen demand for luxury residential properties. “No. 21 Severn Road” received positive market recognition and has successfully established a superior brand image for the Group, which will benefit the Group’s long-term development in Hong Kong.

As for international business, the Group will continue the pre-sale and letting of Shimao International Commercial and Exhibition Centre. The commercial and trade centre and hotel project under Suifenhe Shimao will be in operation in August 2006. With a total site area of

33,924 sq. m., the 8-storey hotel, which comprises of one basement level and seven floors, will offer a total gross floor area of 42,767 sq. m. divided into an aggregate of 301 guest rooms. The hotel is designed by the renowned SRSS from the US and will be managed by the world-famous InterContinental Hotels Group. The hotel will offer comprehensive ancillary facilities, including well-equipped business, conference, dining and entertainment facilities. The Group expects to recognise considerable revenue from Suifenhe Shimao upon its completion in 2006.

The Group will actively seek development opportunities on a global level so as to bring growth momentum into the Group’s business. The Group will also leverage on its well-established experience in the property market to strive to maximise return for its shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Code on Corporate Governance Practices

The Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) throughout the accounting period for the year ended 31st December 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, all being independent non-executive Directors of the Company, entered into a service contract with the Company on 23rd May 2005 confirming their appointment till 31st December 2006 subject to retirement by rotation and re-election 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 being last elected or re-elected. 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 of directors should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the company.

A Code for Securities Transaction by Relevant Employees on terms not less exacting than the Model Code 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.

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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 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 the Hong Kong Institute of Certified Public Accountants 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 Group’s annual results for the year ended 31st December 2005 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ANNUAL GENERAL MEETING

The 2006 annual general meeting of the Company will be held on 26th June 2006. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Friday, 23rd June 2006 to Monday, 26th June 2006, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the 2006 annual general meeting of the Company to be held on 26th June 2006, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22nd June 2006.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

This results announcement will be published on the Stock Exchange’s website and the 2005 annual report of the Company containing all information required under the Listing Rules will be dispatched to shareholders of the Company and made available on the website of the Stock Exchange in due course.

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)
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

Hong Kong, 24th April 2006

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