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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)

CONTINUING CONNECTED TRANSACTION

The Directors are pleased to announce that on 12 June 2006, Shimao (Hong Kong), an indirect wholly-owned subsidiary of the Company, entered into the Licence Agreement with SPHL, a connected person of the Company as defined in the Listing Rules, pursuant to which Shimao (Hong Kong) has agreed to grant a licence to SPHL the right to use the Premises in common with Shimao (Hong Kong) for the period from 12 June 2006 to 31 December 2008.

Since Mr. Hui, the chairman and non-executive director of the Company, is indirectly holding approximately 84.02% of the existing issued share capital of SPHL, SPHL is a connected person of the Company and the Licence Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the relevant percentage ratio as set out in Rule 14.07 of the Listing Rules for the annual licence fees for the Licence Agreement is more than 2.5% but less than 25% of the applicable percentage ratios of the Company and the annual licence fees are less than HK\$10,000,000, the Licence Agreement will be classified as a continuing connected transaction under Rule 14A.34 of the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

The Licence Agreement will be subject to the annual review requirement, the reporting requirement and the announcement requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.47 of the Listing Rules respectively.

LICENCE AGREEMENT

- Date: 12 June 2006
- Parties: Shimao (Hong Kong) as licensor
SPHL as licensee
- Premises: Units 4307-4312, 43rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong with a total floor area of approximately 10,020 sq. ft. which are currently owned by the Group
- Term: From 12 June 2006 to 31 December 2008 (both dates inclusive)
- Licence Fee: HK\$150,300 per month payable on the 1st day of each calendar month, exclusive of management fee, rates and other service charges and outgoings, which has been agreed based on the comparable market rental of similar properties in Hong Kong and the respective number of the personnel of the Group and SPHL occupying the Premises. Savills Valuation and Professional Services Limited, an independent property valuer, has confirmed in its confirmation letter dated 12 June 2006 that the Licence Fee is fair and reasonable and at the market level
- Other Expenses: SPHL shall also be responsible for paying half of the management fee, rates, all other service charges and outgoings in respect of the Premises on the 1st day of each calendar month during the term of the Licence Agreement. There will be minor sharing of facilities in the Premises between Shimao (Hong Kong) and SPHL. In case that the cost of the said facilities is identifiable and material, such cost will be allocated to the parties on a fair and equitable basis
- Other Conditions: Shimao (Hong Kong) and SPHL agree that the Licence Fee as well as the Other Expenses payable by SPHL are based on the respective number of personnel of the Group and SPHL occupying the Premises at the time of entering into the Agreement. The Licence Fee and Other Expenses for 2007 and 2008 shall be subject to review at the end of 2006 and 2007 respectively based on the change of the respective number of personnel of the Group and SPHL occupying the Premises. As at the date hereof, there are all together 18 persons occupying the Premises including 9 persons from the Group and 9 persons from SPHL

REASONS FOR THE LICENCE AGREEMENT

The Premises are currently used by the Group as its principal head office in Hong Kong. As it is not necessary for the Group to utilize and occupy all the office area of the Premises, Shimao (Hong Kong) has agreed to grant a licence to SPHL the right to use the Premises in common with Shimao (Hong Kong), which will generate stable and recurrent licence fees as long-term investment for the Group. Moreover, as Mr. Hui is also one of the directors of SPHL, from SPHL's point of view, it would be more convenient and cost effective for SPHL to carry out its business under the same office with Shimao (Hong Kong).

Since 1 January 2005 before the signing of the Licence Agreement, some personnel of SPHL stayed at the Premises on a temporary basis for preparatory work and other transitional purposes during which time some of them frequently travelled between the PRC and Hong Kong from time to time. In this connection, SPHL has agreed to pay Shimao (Hong Kong) the respective amounts of HK\$307,374.14 and HK\$333,407 for SPHL's personnel staying at the Premises during the period from 1 January 2005 to 31 December 2005 and for the period from 1 January 2006 to 11 June 2006 respectively. These amounts are calculated on the basis of the fair market rent and the respective number of the personnel of the Group and SPHL staying at the Premises. As each of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules for the fees payable by SPHL to Shimao (Hong Kong) for the period from 1 January 2005 to 31 December 2005 is more than 0.1% but less than 2.5% and the annual consideration is less than HK\$1,000,000, the transaction is exempt from all the reporting, announcement and independent shareholder's approval requirements under Rule 14A.33(3) of the Listing Rules. Moreover, the fees payable by SPHL to Shimao (Hong Kong) in respect of the use of the Premises during the period from 1 January 2006 to 11 June 2006 in the aggregate amount of HK\$333,407 have been agreed on the following understanding:—

1. the said fees are calculated on a monthly basis according to the respective number of personnel of the Group and SPHL staying at the Premises;
2. the number of personnel, and therefore the fees payable by SPHL to Shimao (Hong Kong), may fluctuate and be subject to change every month; and
3. there was no contractual agreement as to the duration of this licence and there was no binding obligation or commitment for either Shimao (Hong Kong) or SPHL to continue this arrangement regarding the use of the Premises month after month. This arrangement was only temporary in nature at that time and could be terminated by either party from time to time. There was also no guarantee that this arrangement would extend to the future after completion of each monthly period.

Accordingly, when it is later contemplated that SPHL is required to establish a long term permanent office in Hong Kong, the rights between the Group and SPHL has to be clearly defined and the arrangement in respect of the use of the Premises has to be formalized by the Licence Agreement.

The Board (including the independent non-executive directors) is of the view that the Licence Agreement was entered after arm's length negotiation between Shimao (Hong Kong) and SPHL which was on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

LISTING RULES IMPLICATIONS

Since Mr. Hui is the chairman and non-executive director of the Company and he is also indirectly holding approximately 84.02% interest in the existing issued share capital of SPHL, SPHL is a connected person of the Company and the Licence Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

For the purpose of the Listing Rules, the Cap of annual fees payable by SPHL to Shimao (Hong Kong) in respect of the use of the Premises prior to the signing of the Licence Agreement as well as under the Licence Agreement is set at HK\$1,700,000 for the financial year ending 31 December 2006 and HK\$2,404,800 for each of the two financial years ending 31 December 2007 and 31 December 2008. The Cap is determined by reference to the fees estimated to be payable by SPHL to Shimao (Hong Kong) plus a reasonable buffer. If the fees payable by SPHL to Shimao (Hong Kong) exceeds the Cap, the Company will comply with all applicable requirements under the Listing Rules, including the making of further announcement and (where required) the obtaining of approval from its independent shareholders. However, based on the current estimation, it is unlikely that the fees payable by SPHL to Shimao (Hong Kong) would exceed the Cap.

As the relevant percentage ratio as set out in Rule 14.07 of the Listing Rules for the annual licence fees for the Licence Agreement is more than 2.5% but less than 25% of the applicable percentage ratios of the Company and the annual licence fees are less than HK\$10,000,000, the Licence Agreement will be classified as a continuing connected transaction under Rule 14A.34 of the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

The Licence Agreement will be subject to the annual review requirement, the reporting requirement and the announcement requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.47 of the Listing Rules respectively.

GENERAL

The principal activity of each of the Company and Shimao (Hong Kong) is investment holding. The Group's current principal business is property development and investment. The Group strategically focuses on the development of the international real estate and investment business by actively exploring opportunities in overseas markets.

SPHL is the holding company of a number of mainland China property developments and investment interests.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Board” or “Directors”	the board of directors of the Company
“Cap”	for the purpose of Chapter 14A of the Listing Rules, means HK\$1,700,000 for the financial year ending 31 December 2006 and HK\$2,404,800 for each of the two financial years ending 31 December 2007 and 31 December 2008 in respect of SPHL’s use of the Premises prior to the signing of the Licence Agreement as well as under the Licence Agreement
“Company”	Shimao International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange (stock code: 649)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Licence Agreement”	the property licence agreement dated 12 June 2006 entered into between Shimao (Hong Kong) and SPHL
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hui”	Mr. Hui Wing Mau, the chairman and non-executive director of the Company
“Premises”	Units 4307 - 4312, 43rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
“Shimao (Hong Kong)”	Shimao (Hong Kong) Investment Limited, a company incorporated in the British Virgin Islands
“SPHL”	Shimao Property Holdings Limited, a company incorporated in the Cayman Islands, is owned as to 84.02% by Mr. Hui
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“sq. ft.” square feet

By Order of the Board
Shimao International Holdings Limited
Yau Kwan Shan
Company Secretary

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

Independent Non-executive Directors
Lee Chack Fan
Liu Hing Hung
Zhu Wenhui

Hong Kong, 23 June 2006

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