



n behalf of Shimao China Holdings Limited ("the Company"), I would like to present the annual report for the Company and its subsidiaries ("the Group") for the year ended 31 December, 2001 to shareholders.

October 2001 marked a significant milestone in the Company's history. It did not simply represent a change in the Company's controlling ownership and the Board of Directors. More importantly, it signalled the introduction of new business strategies and opportunities for the Group. I hope that this annual report will provide shareholders with a thorough understanding of the new management of the Group and our new business strategies.

Results

As at 31 December, 2001, the Group recorded a turnover of approximately HK\$44,052,000, representing a growth of 35.3% as compared to the previous year. The loss attributable to shareholders was HK\$36,538,000, which was trimmed by 43.3% as compared to the previous year.

During the year, the development of the property business in Fuzhou progressed slowly. In addition, prospects for investment in the Chinafortunes.net, Cangshan Hightech Industrial Park, Fuzhou and the construction of broadband networks, etc. are unsatisfactory. These projects have not yet started generating income for the Group. Therefore, income performance for the Group has not yet shown an improvement.

Dividend

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December, 2001. (2000: nil)

Change of Company Name

Immediately after the change of control in the Company in October last year, to better reflect the Group's new business direction, shareholders approved a change in Company name to "Shimao China Holdings Limited" at a special general meeting held on 22 November, 2001. The objective of the name change was to leverage the well-established "Shimao" brandname, which is synonymous with premier property development in the PRC. This leading reputation will provide a springboard in the PRC property market and direct the Group on the road to success as we become a leading Hong Kong and PRC premier property developer.



Business Review

In the past, the Group has been focusing on developing and investing in the property market in the PRC where we have already established an excellent reputation. During the period under review, the Group continued to develop existing property projects and actively explore quality land and property projects with high potential both in Hong Kong and the PRC. We aim to strengthen the Group's capital structure, enhance earning capabilities as well as to broaden the income sources of the Group.

Consistent with the Group's objective to become a leading property developer in Hong Kong and the PRC, the Group purchased the world class luxury property "The Genesis" at the price of HK\$230,000,000 on 21 December, 2001. It marks our first step into the Hong Kong luxury property market. The Group will redevelop "The Genesis", with a view to enhancing returns. The property is currently under redevelopment planning.



The Group also places high value on the booming China property market. During the period, the Group actively searched for property projects with high potential and strong earning capabilities, to increase returns to shareholders.

In the past year, the Group sold a number of existing properties including the City Commercial Centre and Blanco Gardens. Pre-sales of Dong Hui Gardens Phase II Tower 3 of Ya Ju Court and Rong He Mansion also commenced. Nevertheless, as the overall progress of Fuzhou property development has been on the slow side, business performance has been far from satisfactory.

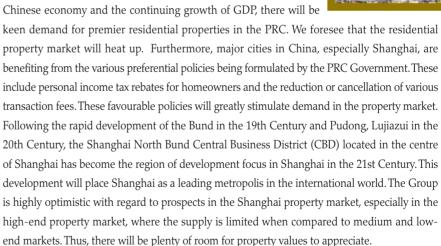
The new management does not have an optimistic view on the prospects of the Group's businesses, including the Cangshan Hightech Industrial Park in Fuzhou, Chinafortunes.net, the high capacity electric power quality monitoring compensators and broadband networks as they did not make any contribution to the Group during the period under review.



Future Prospects

The 21st Century is an era of innovation. The Group aims to remain at the forefront of the industry with continuous improvement and business innovation. As such, we will restructure our existing business while retaining property development as our core business. Building on our "customer-oriented" service mission, we will offer high-level property projects, comprehensive supporting facilities and services. We will strive to adopt first class construction materials and construction designs, while also introducing innovative supporting facilities with advanced technology to add more value to our properties. By doing so, the Company's philosophy for business innovation will be realized.

With China's entry to WTO and Beijing's successful bid to host the 2008 Olympic Games, together with the concurrent booming of the Chinese economy and the continuing growth of GDP, there will be



In view of these favourable market conditions, the Group, through a 50:50 joint venture between our wholly-owned subsidiary and a subsidiary of Shanghai Shimao Co. Ltd., an "A" share listed company in Shanghai, purchased a parcel of land located at Jinyang Shenghuoyuanju, Pudong, Shanghai in February 2002 for HK\$320,816,340. The land will be used to develop a large scale premier property project – Shanghai Shimao Lakeside Garden. This development project reveals the Group's positive attitude and aggressiveness in the investment of projects with great potential. The entire project is scheduled for completion by mid 2004 and is expected to be offered for presales in September 2002. Over HK\$2 billion in cash will be realized at the end of 2003, contributing significant returns to the Group.







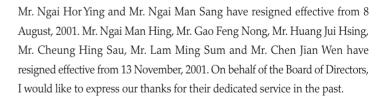
The Hong Kong luxury property market has become more active as the economy steadily recovers from the Asia Monetary Crisis of 1997. The limited supply of high quality land has created room for luxury property prices to move up. The Group is highly confident in the Hong Kong luxury property market. Leveraging the Group's extensive experience and good reputation in developing luxury properties, more and more property projects with high return potential will be explored.

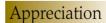
Supported by these favourable factors, we have full confidence in the outlook of the Hong Kong and the PRC economies. Looking ahead, we will strengthen the Group's value, be more innovative and stay on the top of market trends and develop competitive strategies to cope with the market situation. This will further strengthen the competitiveness of the Company with additional dynamism and motivation. We will expand out of Fuzhou, keeping a keen eye on Hong Kong and the PRC, and will work to become a prominent property developer in Hong Kong and the PRC.

Appointment of New Directors

Effective from 23 October, 2001, both Ms. Hui Mei Mei, Carol and I were appointed by the Board as Deputy Chairman and Chairman respectively. Effective from 22 October, 2001,

Mr. Liu Hing Hung and Mr. Lu Hong Bing were appointed as the independent Non-executive Directors.





On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to the management and staff for their dedicated efforts, devoted service and loyalty. Additionally, I would also like to express our gratitude to our shareholders for their continuing support. I sincerely hope that, under the new leadership, all our staff will stand united and with our great effort to establish a new and brighter chapter for the Group.

Hui Wing MauChairman

19 April 2002

