

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Shimao China Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2002.



Results

For the year ended 31 December, 2002, the Group recorded a turnover of approximately HK\$17,064,000 and net loss attributable to shareholders was approximately HK\$161,115,000. The Group's joint venture project, Shanghai Shimao Lakeside Garden, recorded sales revenue of approximately RMB750 million in 2002. In compliance with the concerned Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants, a large portion of these profit contribution would not be reflected in the Group's accounts in 2002.

In 2002, we have undergone a corporate restructuring and ridded those assets and operations with unsatisfactory performance, and have also actively developed high quality projects to strengthen the Group's asset base.

As the new property project "The Genesis" is currently under redevelopment, the returns from the projects could not be reflected in 2002. Furthermore, Shanghai Shimao Lakeside Garden under construction during the year was launched to the market in September 2002, and according to SSAPs, a large portion of its profit contribution will be reflected in subsequent years. In addition, after careful reviewing the values and the prospect of the remaining property and technology investment projects in Fuzhou, we are not optimistic with their future development and consider these operations inconsistent with the Group's strategy of developing high-end properties. The Group therefore decided to extensively clear off these unsatisfactory businesses. As stated in the 2002 interim report, with reference to an independent valuation report, made by an independent professional valuer, the Group has made a one-off provision of approximately HK\$134,868,000 for those property projects in Fuzhou. As a result, the Group has recorded a loss during the year.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December, 2002 (2001: Nil).

Business Review

In 2002, the Group focused on developing and investing in premier property projects in Hong Kong and the PRC where it has already established an excellent reputation. During the year under review, the Group broadened its asset base with the acquisition and development of four property projects including "The Genesis", a luxury residential property in Hong Kong, Shanghai Shimao Lakeside Garden, the rental commercial units of the Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province and Epoch Centre in Beijing. The Group also acquired an office premises in Office Tower, Convention Plaza as its headquarters in Hong Kong.



Redevelopment of "The Genesis"

The Group acquired the world class luxury residential property "The Genesis" at the price of HK\$230,000,000 in December 2001, which is undergoing redevelopment to enhance its investment returns. The total investment cost of the redevelopment project which covers one main building and two new houses, amounts to a total of approximately HK\$90,000,000. Commencing in September 2002, the redevelopment project is expected to be completed and ready for sale by the end of 2003. The building plans for two new houses were approved in February 2003. The existing main building will be retained under the redevelopment, with the addition of two adjacent 4-storey detached houses, each with gross floor area of about 4,300 sq. ft.

Acquisition of an office premises

In line with the Group's determination to establish its base in Hong Kong while expanding its business in the PRC, the Group acquired office premises in the Office Tower of the Convention Plaza as its headquarters in Hong Kong for a total consideration of HK\$49,098,000 in August 2002. The office with panoramic view of the Victoria Harbour is equipped with comprehensive office system. It is our intention to provide quality working environment for our staff, thus improving their efficiency and paving the way for future corporate expansion. The new office commenced its full operations in early 2003 and a number of professional management staff were employed.

Outstanding pre-sale results for Shanghai Shimao Lakeside Garden

In February 2002, the Group formed a joint venture with a subsidiary of Shanghai Shi Mao Co., Ltd. (an A share listed company in Shanghai), in which each party holds 50% stake, to invest in a large scale and up-market property project-Shanghai Shimao Lakeside Garden ("Lakeside Garden"), which is located at Jinyang Shenghuoyuanju, Jin Qiao, Pudong, Shanghai. The project is expected to be completed in mid 2004 and its total investment amounted to approximately HK\$420,000,000.

The formal sale of Lakeside Garden commenced in September 2002. For the year ended 31 December, 2002, Block 1 (a high-rise residential building with about 200 units) and 88 townhouses were fully sold, recording sales revenue of approximately RMB750 million. As the project is still under construction, according to SSAPs, a large portion of the profit contribution will be reflected in subsequent years. Up to early April 2003, the accumulated sales revenue was approximately RMB1.3 billion and it is expected that the total sales revenue for the entire project is approximately RMB2.6 billion.

With its outstanding sales record, Lakeside Garden was ranked seventh in property sales revenue in Shanghai for 2002. The Group is greatly encouraged by this achievement.





Acquisition of Dong Fang Hong Shopping Centre and shop units at Epoch Centre

In July 2002, through a wholly-owned subsidiary of the Company, the Group acquired commercial units of the Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province and Epoch Centre in Beijing for a consideration of HK\$150,000,000. The acquisition marked the Group's presence in the quality commercial property market in the PRC. Having high occupancy rates, these properties can bring to the Group a stable rental income.



The fruitful outcome of these acquisitions is expected to benefit the Group and its shareholders and establish solid foundation for us to develop its commercial property business in the PRC.

Strengthening the Group's asset base

In the year under review, the performance of the Group's historical property projects and technology investment projects in Fuzhou was unsatisfactory, failing to contribute returns to the Group. Therefore, we have made a one-off provision of approximately HK\$134,868,000 for these businesses during the year. These businesses were all disposed of to independent third parties in November 2002. With the disposal, the Group's future performance will no longer be affected by these unsatisfactory operations and its asset and financial structure will further be strengthened.

Enhancing the "Shimao" brandname

The successful pre-sale of Lakeside Garden, the Group's flagship residential property development project, has been awarded seventh in property sales revenue in Shanghai for 2002. It demonstrated not only the Group's capabilities in developing luxury and quality properties for the market, but also the strong market support to the Group's properties. With the "Shimao" brandname gaining greater recognition in the market and the stable development of the Group, we are fully confident of our future development in the PRC's property market.

Future Prospects

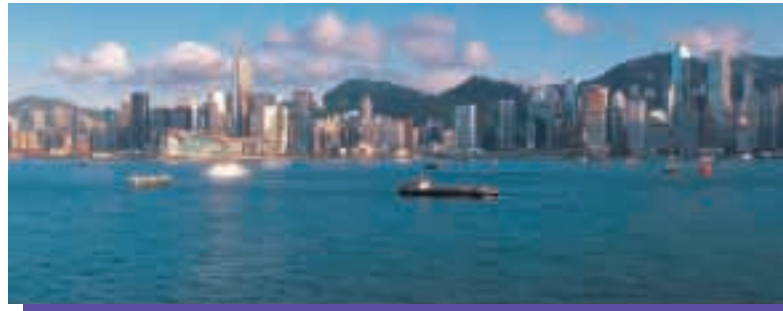
The Group has been adopting the prudent and yet progressive development approach. It actively explored new business opportunities while concentrating on property development as its core business. With "continuous improvement" as our operation philosophy, we are committed to achieving our mission of "providing quality properties and comprehensive supporting facilities and services". The success of Lakeside Garden has demonstrated the Group's effective pursuit of its business development objectives.

We are highly optimistic about the overall development of the property market in the PRC. Rapid economic growth in the PRC, the increasing demand for high quality residential properties, together with the deregulation of mortgage policies and a series of housing reform policies implemented by the PRC government, will stimulate a rapid growth of the country's property market. In 2001, Shanghai became the first city in the PRC to sell properties to both local and overseas buyers, which has greatly accelerated the demand of property in the local market. In addition, PRC's entry into WTO, Beijing becomes the host city of the 2008 Olympic Games, the successful bid to host the World Expo 2010 in Shanghai and the proposed new Universal Studios theme park in Shanghai, are all favourable factors, enhancing the demand of premier properties in the PRC from overseas buyers. We therefore expect that the property market in the PRC will continue to prosper.



Although Hong Kong economy has been affected by the global economic downturn, with its well established competitive edge together with the rapid economic development in the Pearl River Delta region, we believe that Hong Kong will overcome the difficulties and return on track to growth.

In future, the Group will focus on exploring property projects, with attractive returns in the PRC and Hong Kong, especially major metropolitan cities such as Beijing, Shanghai and other high potential cities, to broaden its income sources. Meanwhile, it will speed up the construction of existing projects and also upgrade their quality to enhance the "Shimao" brandname. These initiatives will help to increase the investment yields of the Group's existing portfolio. With strong capital structure, sufficient cash flows and a reasonable gearing level, the Group's financial position is sound. We will seize all business opportunities arising in the market and further strengthen our investment property portfolio with innovative concepts to increase its profitability, thus making us one of the leading property developers in Hong Kong and the PRC.



Appointment of New Directors

During the year, Mr. Hui Sai Tan, Jason and Ms. Lee Yuk Ying were appointed as Executive Directors of the Company. Mr. Hui has comprehensive experience in property sale and marketing in the PRC, while Ms. Lee is well experienced in accounting, finance and management. Their joining to the Board will certainly benefit the Group in its overall management, sales, promotions and operations, and speeding up the Group's property development businesses.



Appreciation

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders for their continuing support. In addition, I would also like to extend our heartfelt appreciation to the management and staff for their dedicated efforts, devoted service and loyalty to the Group. Their efforts are definitely the driving force for the Group to move forward to future success.

Hui Wing Mau

Chairman

Hong Kong, 15 April, 2003