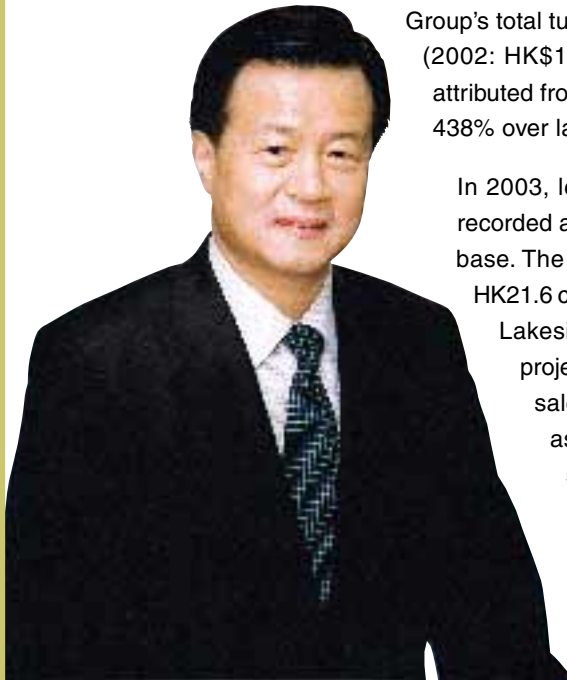


# Chairman's Statement

On behalf of the Board of Directors (the "Board") of Shimao China Holdings Limited ("Shimao China" or the "Company"), I would like to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2003.

## RESULTS

The Group experienced a fruitful year in 2003, with annual result achieved a successful turnaround and a significant rise in profit. For the year ended 31st December 2003, the Group's profit after taxation was HK\$144,274,000 (2002: loss of HK\$162,312,000), representing a significant increase as compared with profit last year. The Group's total turnover (including share of a jointly controlled entity) was HK\$579,041,000 (2002: HK\$107,490,000), of which HK\$570,707,000 (2002: HK\$90,426,000) was attributed from Shanghai Shimao Lakeside Garden, representing an overall upsurge of 438% over last year.



In 2003, leveraging on the proven edge of the "Shimao" brand name, the Group recorded a satisfactory sales performance while at the same time expanded its profit base. The profit per share for the year was HK17.4 cents (2002: loss per share of HK21.6 cents). The profit contributions were mainly generated from Shanghai Shimao Lakeside Garden which is owned by the Group's jointly controlled entity. The project was launched for sale in September 2002, and recorded an accumulated sales revenue of approximately HK\$2,280,000,000 (2002: HK\$707,000,000) as at 31st December 2003. According to the Group's accounting policy on sales recognition, the project accounted a turnover of approximately HK\$1,141,414,000 (2002: HK\$180,852,000) for the year, and the Group's share of profit before taxation was approximately HK\$192,610,000 (2002: HK\$3,101,000), representing a dramatically 61-fold increase over last year.



## SPECIAL DIVIDEND

The Board recommended a special dividend of HK6 cents per share, amounting to an aggregate of HK\$49,658,000 (2002: Nil), payable to shareholders whose names appear on the register of members of the Company on 30th March 2004. The proposed special dividend is conditional upon the approval by the shareholders at the forthcoming annual general meeting.

## BUSINESS REVIEW

The Group was a pioneer in focusing on the development of high-end property business in Hong Kong and China. During the year, Shanghai Shimao Lakeside Garden project recorded a remarkable sales performance, reflecting the Group's strong commitment in developing quality properties in premium areas with the best materials and its success of enhancing its brand name. The Group established itself as a leading high-end property developer in Shanghai amongst buyers.

### China

"Shanghai Shimao Lakeside Garden", a large-scale luxury property project in which the Group owned 50% equity interest, will be completed in the second half of 2004. For the year ended 31st December 2003, 664 units of high-rise residential buildings of Block 1, 2 and 3, and 181 townhouses of Shanghai Shimao Lakeside Garden were sold, with floor area over 2,071,000 sq.ft.. Accumulated sales revenue exceeded HK\$2,280,000,000 and the project ranked third in property sales revenue in Shanghai for 2003. With the total investment of HK\$420,000,000, the project recorded an encouraging rate of return. This has reflected the management's unique insight towards the Shanghai real estate market and their capabilities in capturing opportunities at precise timing, which enabled the Group to maximise the rewards for its shareholders. Upon completion of the project, the Group is currently identifying investment opportunities in new development projects in Shanghai and other developed cities.

The Dong Fang Hong Shopping Centre in Lanzhou, Gansu Province and the Epoch Centre in Beijing continued to generate long-term and stable rental income for the Group.



Situated at the prime location at Jinyang Shenghuoyuanqu, Jingqiao, Pudong, Shanghai, Shanghai Shimao Lakeside Garden is easily accessible. This, together with its comprehensive ancillary and community facilities makes it a perfect home for residence.

Shanghai Shimao Lakeside Garden has adopted ecological lake view as its main theme for garden design and planning. Embracing the intoxicating garden and lake landscape and enjoying the lush greenery of the golf course all give an immense peace of mind.

## Hong Kong

The world-class property “the Genesis” is another inimitable investment identified by the management of the Group. During the roughest time of the Hong Kong property market, the Group has captured the immense potential of the luxury residential property market in Hong Kong. In December 2001, the Group purchased the luxury property, located at No. 23 Severn Road, the Peak, at HK\$230,000,000. The existing main house is currently under renovation and two adjacent detached houses are under development. The project is expected to be completed and launched in 2004.

Since July 2003, the Hong Kong economy has been experiencing a conspicuous rebound. Coupled with the implementation of the “Closer Economic Partnership Arrangement (CEPA)”, which enabled the Mainland visitors to purchase Hong Kong properties conveniently, further motivated the local economic development. Stimulated by a series of favorable developments, the Hong Kong’s luxury residential property market gradually improved. In addition, the announcement of “Capital Investment Entrant Scheme” activated the property market. The scheme requires those people with intentions of applying for residence in Hong Kong to invest at least HK\$6.5 million in Hong Kong. Furthermore, with the Hong Kong Government’s previous suspension in applications for land sales, the number of luxury residential properties to be completed by 2005 will substantially decrease. The promising future of the luxury residential property market in Hong Kong will put the Group in a better position for the sales of “the Genesis”, which is expected to generate considerable income to the Group.

## PROSPECTS

We believe that China’s economy will experience a sustainable growth. Taking a leading role in China’s economic development, Shanghai’s economy is experiencing an expeditious growth. The Group will further utilise competitive advantages of both Shimao Group and its own in Shanghai real estate market, so as to share with its vast group of investors the fruitful rewards from the rapid development of economy in Shanghai, Yangzi-Delta and China.



The economic recovery and the return of confidence has led to a rapid increase in the demand for investment in real estate and luxury properties, reflecting on its high potential.



As a metropolitan city, Shanghai witnesses a rapid growth in its real estate market, which is boosted by the take-off of the China economy. The potential for the Shanghai real estate market is enormous.

Shanghai won the bid of hosting the World Expo 2010, which significantly stimulated the growth in Shanghai and the neighboring regions. With the continuous capital investment by investors from China and overseas, together with the swift economic development in areas such as Zhejiang and Jiangsu, Shanghai real estate market will continue to flourish. In recent years, the Group has been focusing on developing high-end properties in Shanghai and Hong Kong, while searching for investment opportunities throughout China, including Beijing, Nanjing, Fuzhou, Harbin, etc. Leveraging on a team of professional and experienced management with a thorough understanding of the China property market, the Group has established a unique image for its property projects and formulated a stable development policy with the support of the Shimao Group. Due to the tremendous economic rebound in Hong Kong since July 2003, we believe that “the Genesis”, which will be launched in 2004, will bring in remarkable return for our shareholders.

Looking ahead, we will further focus on developing high-end property business with proven quality and high return in Hong Kong and China, with an objective of bringing quality life for our customers.

## APPOINTMENT OF NEW DIRECTORS

At the beginning of 2004, the Company appointed Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Li as Executive Directors of the Company. Mr. Ip and Mr. Tang have comprehensive experience in project management and construction management respectively. Moreover, Ms. Yao has extensive experience in administration and human resources management. We believe that their joining will further enhance the capability of our professional management team.

## APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff. Their efforts, endeavor and commitment are the key elements for the Group’s success. In addition, I would like to thank our shareholders for their continuous support. We will strive for a prosperous future and maximise the returns to our shareholders.

By Order of the Board

**Hui Wing Mau**

*Chairman*

Hong Kong, 26th February 2004