



Shimao China Holdings Limited



Interim Report 2004

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The Board of Directors (the "Board" or the "Director") of Shimao China Holdings Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2004 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

		Unaudited	
		Six months ended 30th June	
		2004	2003
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2		
Company and subsidiaries		3,423	5,672
Share of a jointly controlled entity		293,212	216,888
		296,635	222,560
Company and subsidiaries			
Turnover	2	3,423	5,672
Cost of sales		(177)	–
Gross profit		3,246	5,672
Other operating income		1,801	4,151
Administrative expenses		(13,283)	(13,765)
Other operating expenses		(32)	(109)
Operating loss before financing	3	(8,268)	(4,051)
Finance costs	4	(1,358)	(2,667)
Share of profit of a jointly controlled entity		127,637	60,888
Profit before taxation		118,011	54,170
Taxation	5	(19,992)	(9,593)
Profit attributable to shareholders		98,019	44,577
Earnings per share	7	HK11.84 cents	HK5.39 cents

CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2004

	Note	Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
Non-current assets			
Fixed assets	8	537,468	530,265
Jointly controlled entity	9	231,569	236,286
		<u>769,037</u>	<u>766,551</u>
Current assets			
Properties under development		123,398	98,792
Trade receivables	10	5,713	2,885
Prepayments, deposits and other receivables		21,019	20,999
Bank balances and cash		8,658	25,502
		<u>158,788</u>	<u>148,178</u>
Current liabilities			
Trade payables	11	2,268	2,075
Other payables and accruals		7,878	11,953
Amount due to ultimate holding company		10,933	64,644
Amounts due to related companies		50,461	51,502
Current portion of long-term bank loans	12	13,133	13,067
Short-term bank loans, secured		27,631	1,604
		<u>112,304</u>	<u>144,845</u>
Net current assets		<u>46,484</u>	<u>3,333</u>
		<u>815,521</u>	<u>769,884</u>
Financed by:			
Share capital	13	82,764	82,764
Reserves	14	505,667	457,306
Shareholders' funds		<u>588,431</u>	<u>540,070</u>
Non-current liabilities			
Long-term bank loans	12	155,083	158,550
Promissory notes	15	40,000	40,000
Deferred taxation		32,007	31,264
		<u>227,090</u>	<u>229,814</u>
		<u>815,521</u>	<u>769,884</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited	
	Six months ended 30th June 2004	2003
	HK\$'000	HK\$'000
Total equity as at 1st January	540,070	340,013
Exercise of warrants	–	782
Payment of special dividend	(49,658)	–
Profit for the period	98,019	44,577
Total equity as at 30th June	588,431	385,372

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(39,775)	7,418
Net cash generated from investing activities	104,715	83,129
Net cash used in financing activities	(81,784)	(96,019)
Decrease in cash and cash equivalents	(16,844)	(5,472)
Cash and cash equivalents at the beginning of period	25,502	10,919
Cash and cash equivalents at the end of period	8,658	5,447
Analysis of balances of cash and cash equivalents		
Bank balances and cash	8,658	5,447

NOTES TO THE CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial report have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group is principally engaged in property investment and development of property projects in Hong Kong and the People’s Republic of China (“PRC”). Turnover comprises gross income from rental operation and revenue from sales of properties which is recognised based on stage of completion.

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries		
Rental income	3,423	5,672
Share of a jointly controlled entity		
Sales of properties	293,212	216,888
	296,635	222,560

2. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information

For management purposes, the Group is organised into two main 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

Six months ended 30th June 2004	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment turnover			
Company and subsidiaries	–	3,423	3,423
Share of a jointly controlled entity	293,212	–	293,212
	<u>293,212</u>	<u>3,423</u>	<u>296,635</u>
Segment results	<u>(647)</u>	<u>1,601</u>	954
Other operating income, net			1,769
Corporate administrative expenses			<u>(10,991)</u>
Operating loss before financing			(8,268)
Finance costs			(1,358)
Share of profit of a jointly controlled entity	127,637	–	<u>127,637</u>
Profit before taxation			118,011
Taxation			<u>(19,992)</u>
Profit attributable to shareholders			<u>98,019</u>

2. **TURNOVER AND SEGMENT INFORMATION** (Continued)(b) **Segment information** (Continued)

Business segments (Continued)

Results

Six months ended 30th June 2003	Property development HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment turnover			
Company and subsidiaries	–	5,672	5,672
Share of a jointly controlled entity	216,888	–	216,888
	<u>216,888</u>	<u>5,672</u>	<u>222,560</u>
Segment results	<u>(220)</u>	<u>5,066</u>	4,846
Other operating income, net			4,042
Corporate administrative expenses			<u>(12,939)</u>
Operating loss before financing			(4,051)
Finance costs			<u>(2,667)</u>
Share of profit of a jointly controlled entity	60,888	–	<u>60,888</u>
Profit before taxation			54,170
Taxation			<u>(9,593)</u>
Profit attributable to shareholders			<u>44,577</u>

3. **OPERATING LOSS BEFORE FINANCING**

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Operating loss before financing is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	3,423	5,672
Interest income	<u>1</u>	<u>561</u>
Charging		
Staff costs (including directors' emoluments)		
Salaries and other benefits	5,854	7,451
Contribution to retirement benefits scheme	<u>100</u>	<u>154</u>
	5,954	7,605
Depreciation	1,290	1,046
Operating lease rentals in respect of land and buildings	–	884
Outgoings in respect of investment properties	<u>6</u>	<u>21</u>

4. FINANCE COSTS

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Interest on long-term bank loans not wholly repayable within five years	1,364	2,583
Interest on promissory notes wholly repayable within five years	300	614
Interest on short-term bank loans	68	103
	1,732	3,300
Amount capitalised in properties under development	(374)	(633)
	1,358	2,667

5. TAXATION

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Income tax in the PRC		
Current		
Company and subsidiaries	103	460
Deferred		
Company and subsidiaries	743	–
A jointly controlled entity	19,146	9,133
	19,992	9,593

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 period (2003: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at the applicable rate of taxation.

The Group's jointly controlled entity established in the Pudong New Area of the PRC is required to pay income tax at a preferential rate of 15% (2003: 15%).

6. DIVIDEND

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Special dividend, paid, of HK\$0.06 per ordinary share (2003: Nil)	49,658	–

6. DIVIDEND *(Continued)*

The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2004 (2003: Nil).

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$98,019,000 (2003: HK\$44,577,000) and 827,640,000 (2003: weighted average of 827,625,000) ordinary shares in issue during the period.

8. FIXED ASSETS

HK\$ '000

Cost or valuation	
At 1st January 2004	532,625
Addition	8,493
	<hr/>
At 30th June 2004	541,118
	<hr style="border-top: 1px dashed black;"/>
Accumulated depreciation	
At 1st January 2004	2,360
Charge for the period	1,290
	<hr/>
At 30th June 2004	3,650
	<hr style="border-top: 1px dashed black;"/>
Net book value	
At 30th June 2004	537,468
	<hr style="border-top: 3px double black;"/>
At 31st December 2003	530,265
	<hr style="border-top: 3px double black;"/>

9. JOINTLY CONTROLLED ENTITY

As at 30th June 2004, the Group had interest in the following jointly controlled entity:

Name of entity	Place of registration	Registered capital	Attributable interest	Principal activities
Shanghai Shimao Hubin Real Estate Company Limited ("Shimao Hubin")	PRC	US\$18 million	50%	Property development

Shimao Hubin is a sino-foreign equity joint venture for a period of 20 years commencing from 19th April 2002.

9. JOINTLY CONTROLLED ENTITY (Continued)

Set out below is a summary of financial information of the jointly controlled entity for the period ended 30th June 2004:

Results

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Turnover	586,424	433,775
Profit before taxation	255,274	121,776
Taxation	38,292	18,266
Profit after taxation	216,982	103,510
Dividend paid	226,416	–
Attributable to the Group		
Profit before taxation	127,637	60,888
Taxation	19,146	9,133
Profit after taxation	108,491	51,755
Dividend received	113,208	–

Net assets

	30th June	31st December
	2004	2003
	HK\$'000	HK\$'000
Non-current assets	301,267	3,328
Current assets	998,827	1,707,684
Current liabilities	(784,075)	(1,238,440)
Non-current liabilities	(52,881)	–
	463,138	472,572
Net assets attributable to the Group	231,569	236,286

9. JOINTLY CONTROLLED ENTITY *(Continued)*

- (a) As at 30th June 2004, Shimao Hubin had provided guarantees amounting to HK\$1,008,085,000 (31st December 2003: HK\$1,320,000,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Shimao Hubin is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Shimao Hubin is entitled to take over the legal title and possession of the related properties.

The directors of Shimao Hubin consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the accounts for the guarantees.

- (b) Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the regulations on 27th January 1995 in the PRC, effective from 1st January 1994, all gains arising from the transfer of real estate properties in the PRC are subject to LAT at progressive rates of up to 60%. Notwithstanding these provisions, an exemption to LAT for a period of five years is applicable to property development contracts which were signed before 1st January 1994. This exemption to LAT expired on 31st December 1998.

No provision for LAT has been made in the accounts since Shimao Hubin has not been required by the relevant authorities to pay LAT and the directors of Shimao Hubin consider that it is unlikely to receive demands from the tax authorities in the PRC for payment of LAT amounting to approximately HK\$144,843,000 (31st December 2003: HK\$94,800,000) in relation to the sales recognised on or before 30th June 2004.

10. 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:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Current	–	490
1 to 60 days	868	980
61 to 120 days	980	980
Over 120 days	3,865	435
	5,713	2,885

11. 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 30th June 2004, most of the Group's trade payables were current within their respective terms of credit and there were no significant overdue amounts.

12. LONG-TERM BANK LOANS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Secured bank loans	168,216	171,617
Current portion included in current liabilities	(13,133)	(13,067)
	<u>155,083</u>	<u>158,550</u>

The Group's bank loans are repayable as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one year	13,133	13,067
Between one and two years	13,133	13,067
Between two and five years	39,400	36,868
After five years	102,550	108,615
	<u>168,216</u>	<u>171,617</u>

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each '000	HK\$'000
Authorised:		
At 31st December 2003 and 30th June 2004	10,000,000	1,000,000
Issued and fully paid:		
At 31st December 2003 and 30th June 2004	827,640	82,764

14. RESERVES

Group	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Retained profit/(accumulated loss) HK\$'000	Total HK\$'000
At 1st January 2004	318,290	47,654	19,543	68,156	–	3,663	457,306
Reduction of share premium	(318,290)	106,482	–	–	–	211,808	–
Reclassification	–	–	–	(67,830)	67,830	–	–
Payment of special dividend	–	(49,658)	–	–	–	–	(49,658)
Profit for the period	–	–	–	–	–	98,019	98,019
At 30th June 2004	–	104,478	19,543	326	67,830	313,490	505,667
At 1st January 2003	317,774	47,654	19,543	13,155	–	(140,611)	257,515
Exercise of warrants	516	–	–	–	–	–	516
Profit for the period	–	–	–	–	–	44,577	44,577
At 30th June 2003	318,290	47,654	19,543	13,155	–	(96,034)	302,608

15. PROMISSORY NOTES

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Issued to:		
A related company	30,000	30,000
Ultimate holding company	10,000	10,000
	40,000	40,000

The promissory notes are unsecured, bear interest at 1.5% per annum and wholly repayable on 31st December 2005.

16. COMMITMENT

(a) Operating lease rental receivable

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
The future minimum rental income receivable under non-cancellable leases are as follows:		
Within one year	2,178	6,794
Between two and five years	3,888	25,380
After five years	990	3,956
	7,056	36,130

(b) Capital expenditure commitments

At 30th June 2004, the Group had the following capital commitments in respect of fixed assets:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Contracted but not provided for	8,986	9,259

17. CONTINGENT LIABILITIES

The Company has given guarantees in favour of bankers to the extent of HK\$232,000,000 (31st December 2003: HK\$196,000,000) in respect of banking facilities granted to subsidiaries of the Company. The banking facilities are also guaranteed by a director of the Company. At 30th June 2004, the banking facilities utilised by the subsidiaries amounted to approximately HK\$194,271,000 (31st December 2003: HK\$171,616,000).

18. RELATED PARTY TRANSACTIONS

Related companies are those companies which are controlled and/or beneficially owned by certain directors of the Company.

During the period, the Group entered into the following related party transactions, which were carried out in the normal course of the Group's business:

	Note	Six months ended 30th June	
		2004 HK\$'000	2003 HK\$'000
Interest on promissory note to ultimate holding company (note 15)		75	73
Interest on promissory note to a related company (note 15)		225	541
Interest income from a jointly controlled entity	(a)	–	560
Service fee income from a related company	(b)	1,800	1,455

Notes:

- (a) Interest income was charged on loan provided to a jointly controlled entity. The loan was unsecured, interest bearing and was fully repaid in March 2003.
- (b) The service fee income is charged at fixed amount to a related company as specified in the service contract.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the period under review, the Group continued to record a considerable growth of profit. For the six months ended 30th June 2004, the profit attributable to shareholders was HK\$98,019,000 (2003: HK\$44,577,000), representing a significant increase of 120% as compared with the corresponding period last year. The Group's total turnover (including share of a jointly controlled entity) amounted to HK\$296,635,000 (2003: HK\$222,560,000), of which HK\$293,212,000 was attributed from Shanghai Shimao Lakeside Garden project, representing an overall upsurge of 33% over the corresponding period last year.

Leveraging on the proven edge of the "Shimao" brand name, the Group recorded an encouraging sales performance during the period, while at the same time further expanded its profit base and achieved considerable growth in profit. For the six months ended 30th June 2004, earnings per share was HK11.84 cents (2003: HK5.39 cents). The profit contributions were mainly generated from Shanghai Shimao Lakeside Garden project, in which the Group owned 50% interest. As at 30th June 2004, the accumulated sales revenue of Shanghai Shimao Lakeside Garden project reached approximately HK\$2,466,000,000.

Business Review

In view of the enormous development potential in the real estate market, the Group seized every business opportunity to actively explore the high-end property business in China and Hong Kong. During the period under review, Shanghai Shimao Lakeside Garden project recorded a remarkable sales performance, reflecting the Group's strong commitment in developing quality properties in premium locations with the best materials and its success of enhancing its brand name. The Group has successfully established itself as a leading high-end property developer in Shanghai.

China

Sales of the Shanghai Shimao Lakeside Garden project have been on target. An aggregate of 721 units and 181 townhouses with total floor area over 2,200,000 sq. ft. out of 2,339,000 sq. ft. were sold, the rate of return on investment was encouraging, reflecting the management's insight in the real estate market of Shanghai, their unique development strategy and their capabilities in capturing opportunities to bring the shareholders with fruitful return.

The implementation of the macro-economic regulatory measures has been expected to constrain the rapid growth of the over-heated real estate market in China. Nevertheless, the impact of such measures was minimal. The Group expects that the selling price of Shanghai property will move up steadily throughout 2004, and such increase will be modest when compared with the overall property price last year. It is expected that, with effective regulations on the economies of China and Shanghai, the property market will become healthier and more rational, and falls in the right track, which will facilitate the Group to capture more development opportunities in future.

Hong Kong

To take advantage of the gradual recovery of the luxury residential property market in Hong Kong, the insightful management of the Group is going to launch the sale of the quality luxury residential property, "The Genesis". In December 2001, Hong Kong real estate market was at its trough. The Group capturing the immense upside potential of the luxury residential property market, purchased a detached luxury residential house located at No. 23, Severn Road, The Peak, the prestigious residential location of Hong Kong. The property currently comprises one main building and two newly developed houses, construction works of which are expected to be completed and these two houses will be launched into the market towards the end of this year.

Furthermore, with land sales being withheld by the Hong Kong Government in previous years, the number of luxury residential properties to be completed by 2005 is expected to decrease substantially, while the demand for such properties continues to rise. This will put the Group in a better position when "The Genesis" is being launched in the fourth quarter of this year.

Financial Performance

As at 30th June 2004, the total assets of the Group reached HK\$927,825,000 (31st December 2003: HK\$914,729,000), representing an increase of 1.43% as compared with the end of last year. Total non-current assets amounted to HK\$769,037,000 (31st December 2003: HK\$766,551,000). Current assets were approximately HK\$158,788,000 (31st December 2003: HK\$148,178,000), representing an increase of 7.16% as compared with the end of last year. The shareholders' equity were HK\$588,431,000 (31st December 2003: HK\$540,070,000), representing an increase of 8.95% when compared with the end of last year.

Pledge of Assets

As at 30th June 2004, the Group pledged land and properties with book value of HK\$441,695,000 (31st December 2003: HK\$413,714,000) to banks to secure certain banking facilities granted to the Group.

Bank Borrowings

As at 30th June 2004, the bank borrowings of the Group amounted to HK\$195,847,000 (31st December 2003: HK\$173,221,000), representing an increase of 13.06% as compared with the end of last year. The increase in bank borrowings is related to the construction loan for the two newly developed houses of "The Genesis". The borrowings of the Group mainly bear floating interest rate and are mostly denominated in HK dollars.

Capital Commitment

As at 30th June 2004, the Group had capital commitment contracted but not provided for in respect of fixed assets amounted to approximately HK\$8,986,000 (31st December 2003: HK\$9,259,000). The Group anticipates that those commitments will be funded from its operating revenue, bank borrowings and other sources of finance, where appropriate.

Financial Ratios

The current ratio (current assets/current liabilities) of the Group as at 30th June 2004 was 1.41 (31st December 2003: 1.02) while the debt-equity ratio (bank borrowings/shareholders' equity) was 0.33 (31st December 2003: 0.32).

Contingent Liabilities

The Company has provided guarantees in respect of the banking facilities of HK\$232,000,000 (31st December 2003: HK\$196,000,000) granted to its subsidiaries. As at 30th June 2004, the banking facilities utilised by these subsidiaries amounted to approximately HK\$194,271,000 (31st December 2003: HK\$171,616,000).

Risk of Currency Fluctuation

The majority of the assets, liabilities and business transactions of the Group are denominated in HK dollar, US dollar and Renminbi which remained relatively stable during the period. There was no material exchange risk experienced by the Group, thus the Group did not hold any financial instrument for hedging purposes.

Financial Policy

The Group continued to handle financial risks in a prudent manner and is actively adopting corporate management standards at international level in order to ensure maximum protection for the interests of shareholders.

Employees and Remuneration Policies

As at 30th June 2004, the Group had approximately 108 employees. The remuneration of staff is determined by the Group in accordance with individual job nature and market condition. Other benefits include Mandatory Provident Fund Scheme, medical insurance, training subsidy and share option scheme.

Prospect

The Group expects the economy will maintain a stable growth despite the implementation of macro-economic regulatory measures in China. Taking the 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 itself in real estate market, so as to share with its vast group of investors the fruitful rewards from the rapid development of economy in Shanghai, China and other Asian countries.

Looking forward, the Group will further focus on developing high-end property business with proven quality and huge growth return potential with an objective of bringing quality life for our customers.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

As at 30th June 2004, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Interests in the Company

Name of director	Number of ordinary shares		
	Personal interests	Other interests	Total
Mr. Hui Wing Mau	–	618,571,397 (Note)	618,571,397
Ms. Hui Mei Mei, Carol	–	618,571,397 (Note)	618,571,397
Mr. Hui Sai Tan, Jason	–	618,571,397 (Note)	618,571,397
Mr. Ip Wai Shing	304,000	–	304,000
Mr. Tang Ping Fai	30,000	–	30,000

Note: The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Trident Corporate Services (B.V.I.) Limited (formerly known as Ansbacher (BVI) Limited) as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau ("Mr. Hui"), a director of the Company, for the benefit of his wife and children. Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are the children of Mr. Hui and accordingly, Mr. Hui, Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of section 345(4) of the SFO.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Share Options

Under the terms of the share option scheme adopted by the Company, the Board may, at their discretion, grant options to employees of the Group, including executive directors of the Company, to subscribe for shares in the Company.

During the period, there is no outstanding share option and no share options were granted or exercised during the period.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30th June 2004, the following persons (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of shares held	Percentage of shareholding
Perfect Zone International Limited	618,571,397 (<i>Note</i>)	74.74%
Overseas Investment Group International Limited	618,571,397 (<i>Note</i>)	74.74%
Trident Corporate Services (B.V.I.) Limited (formerly known as Ansbacher (BVI) Limited)	618,571,397 (<i>Note</i>)	74.74%

Note: The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Trident Corporate Services (B.V.I.) Limited (formerly known as Ansbacher (BVI) Limited) as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau, a director of the Company, for the benefit of his wife and children.

Save as disclosed above, no other person (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

At no time during the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee has reviewed the unaudited interim financial statements and discussed the financial related matters with management. At the request of the Directors, the Group's external auditors have carried out a review of the interim financial statements in accordance with Statement of Auditing Standards 700 issued by HKSA.

Code of Best Practice

In the opinion of the Board, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30th June 2004, except that the independent non-executive directors of the Company were not appointed for any specific terms as they are subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the bye-laws of the Company.

APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to thank our shareholders for their continuous support.

By Order of the Board
Shimao China Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 1st September 2004