

Chairman's Statement

Dear Shareholders,

I am pleased to present the first annual results of Shimao Property Holdings Limited ("Shimao Property" or the "Company" and together with its subsidiaries, the "Group") since listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006. For the year ended 31 December 2006, our leadership in property development and investment in China has been reinforced as Shimao Property's business continued to expand healthily and rapidly, highlighted by our remarkable performance.

During the year under review, the Group realised encouraging results with significant growth in both turnover and profit attributable to shareholders compared with the last financial year. The steady development of our projects and the satisfactory sales performance were all in line with the Group's expansion strategies. The Group's turnover and gross profit were RMB6,913 million and RMB2,481 million respectively, representing an increase of 1.8 times and 3.2 times compared with last year. Net profit attributable to shareholders of the Company was RMB2,279 million, representing an increase of 1.5 times compared with last year.

The figures analysed by the management have revealed that excluding certain non-cash items (including certain fair value adjustments, fair value gains on investment properties and goodwill impairment), net profit attributable to shareholders for 2006 has increased by 3.2 times relative to 2005 at RMB2,197 million (2005: RMB526 million).

Even more inspiring was the Company's successful listing on the main board of the Stock Exchange on 5 July 2006, which marked a paramount milestone in the Group's development. Since 1 December 2006, the Company was included into the Morgan Stanley Capital International ("MSCI") Standard Equity Index and the MSCI China Index Constituent Stocks by MSCI Barra. Most recently, the Company was selected as a constituent of the 200-Stock Hang Seng Composite Index Series and Hang Seng Freefloat Index Series, effective as of 12 March 2007.

Shimao Property has always been committed to maximising shareholders' return. The success of the initial public offering ("IPO") and the issuance of 5-year floating rate senior notes and 10-year fixed rate senior notes has granted the Group access to both additional capital resources and the global capital market. As such, the Group is well positioned to capture opportunities arising from sustainable growth of China's property market and to enhance shareholders' return.

The Group will adhere to its philosophy of “Cultivating Lifestyle, Realising Urban Dreams”, to strengthen its brand at the national level, and develop large scale quality real estate projects.

In view of the Group's strong operating performance and financial strength, the Board of Directors (the “Board”) recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2006.

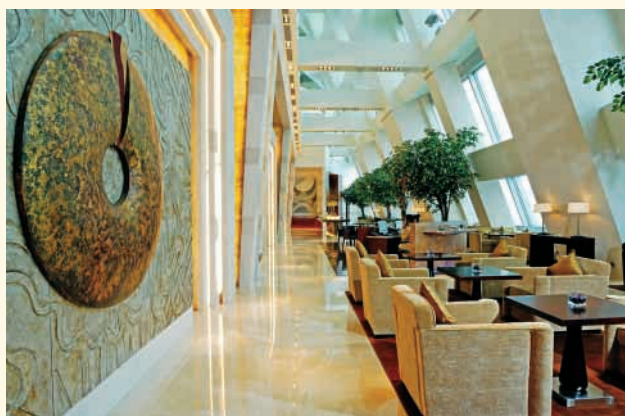
Strategic Expansion Proved Successful with Satisfactory Sales Performance

The Group accelerated the growth in sales revenue by leveraging on its strong brand name, outstanding project management capabilities and extensive cost management expertise. Revenue recognised from properties sales for the whole year amounted to RMB7,927 million (including attributable recognised sales revenue of RMB1,191 million from associated companies), representing an increase of 192.2% over 2005. Gross floor area (“GFA”) of properties sold amounted to 675,000 sq.m. (including attributable GFA of 111,000 sq.m. from associated companies), representing an increase of 159.6% over 2005. The momentum of recognised sales in areas outside of Shanghai city picked up during the year and amounted to RMB3,453 million (2005: RMB614 million). Total sales revenue from all projects in different regions served as the testimony to the success of our nationwide strategic expansion.

During the year, the Group (including associated companies) completed a total GFA of 1.4 million sq.m. (2005: 491,000 sq.m.) of eight residential projects and a



Shanghai Shimao International Plaza



Le Royal Méridien Shanghai

hotel project, which are located in Shanghai, Changshu, Kunshan, Beijing, Harbin, Nanjing and Fuzhou, representing an increase of 185.1% from last year.

Penetrate New Markets to Strategically Increase Our Land Bank Reserve

During the year under review, the Group had strategically increased its land bank reserve through active participation in land auctions and listing-for-sale hosted by the Government, to manifest our confidence in becoming a large scale, integrated property developer. Planned GFA added to the land bank reserve during the year reached 6.3 million sq.m., spanning across Shaoxing, Zhejiang Province, Wuhu, Anhui Province, Yantai, Shandong Province, Jiaxing, Zhejiang Province, Changzhou, Jiangsu Province, and Shenyang, Liaoning Province. Currently, the Group has acquired three additional pieces of land. The Group's current land bank has increased to 20.16 million sq.m., which should adequately meet the Group's development needs in the coming six to seven years. To maximise our future growth, the Group will continue to search for large land parcels of premier quality throughout China, which will offer long term appreciation potential, when transformed into large scale integrated real estate projects by leveraging on the Group's resources and experiences.

Accelerated Investment in Non-Residential Projects to Expand Property Portfolio

During the year, apart from developing quality residential properties, Shimao Property continued to expand its business scope to include long term investment projects,

such as hotels, retail properties and offices, in a prudent and orderly manner. The Group has added the second five star hotel to its portfolio during the year upon the commencement of operation of five star Le Royal Meridien Shanghai. At the same time, the Group acquired an entire commercial building located at Chaoyang District, Beijing to diversify our property portfolio for a long term balanced revenue stream.

Through a diversified product portfolio, the Group is confident in its ability to take full advantage of the upward trend in different types of properties, and ensure steady growth in our overall income in the future.

Strengthening Corporate Governance and Social Responsibilities for Favourable Development

Shimao Property is committed to maintaining and upgrading the standard of our corporate governance. In order to fulfill our regulatory obligation as a listed company and our pledge to shareholders, the Board has established a series of committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee, during the year. These committees carry out their duties in accordance with the Articles of Association to strictly monitor the internal control systems of the Company and to ensure that such systems are in compliance with the Code of Best Practice.

The Group truly believes in giving back to our society. Shimao Property has been supportive of various charitable activities. We are eager to fully apply our creative corporate culture to such programs and to cultivate a sense of social participation and dedication amongst our staff. The benefits of such activities are



Shanghai Le Méridien Sheshan



Nanjing Shimao Riviera New City

extensive, as such that the Group will continue to participate in worthy charitable causes and will include social responsibility into our overall agenda for corporate development.

Future Plans and Goals

Since the listing in July 2006, Shimao Property has steadily and healthily embarked on a brand new stage of development: we have successfully secured land parcels in second and third tier cities, developed residential and commercial properties such as shopping malls and offices, and five star hotels. During the year, in addition to signing strategic alliance agreements with world-famous retailers, the group also launched two five-star hotels. While maintaining our leadership position in property development industry, Shimao Property has embarked upon significant strategic expansion with a focus on positive, stable long term development, yielding higher return for investors.

The Group will continue to expedite the implementation of its strategic roadmap into the second and third tier markets in the future. We will further our presence in the property markets in the Yangtze River Delta, the Bohai Bay and other regions with rapid economic growth. Further, the Group will mitigate risk exposure through the adoption of a dual focused development strategy for both short term and long term investments.

The Group will adhere to its philosophy of "Cultivating Lifestyle, Realising Urban Dreams", strengthen its brand at the national level, and develop large scale quality real estate projects.

Meanwhile, in order to broaden the Group's income basis and strive for a balanced growth, the Group is prudent in identifying other investment opportunities. Our goal is to become an integrated large scale enterprise with sound strategies and favourable revenue growth potential. The Group will continue to adhere to a prudent approach in our operation, develop our business with the support of in-depth market studies and analysis, and endeavor to be a first mover to capitalise on new business opportunities, in order to maximise return for our shareholders with even more impressive achievements in a sustainable manner.

Appreciation

The Group's outstanding results of the year were attributable to the concerted efforts of the management and all staff. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our staff for their dedication, loyalty and contribution during the year. Furthermore, we would like to extend our appreciation to our customers, business partners, shareholders, and professional advisors for their unreserved support in making it yet another fruitful year for Shimao Property.

Hui Wing Mau

Chairman

Hong Kong, 27 March 2007



Beijing Shimao Olive Garden