

Chairman's Statement

On behalf of Shimao International Holdings Limited (the "Company") and the board of Directors (the "Board"), I would like to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

Results Performance

For the year ended 31 December 2006, revenue of the Group was HK\$104,943,000 (2005: HK\$13,987,000), representing an increase of HK\$90,956,000 as compared with last year. Loss attributable to shareholders of the Group during the year amounted to HK\$193,824,000 (2005 profit attributable to shareholders: HK\$109,009,000). Basic loss per share were HK23.4 cents (basic earnings per share of 2005: HK13.2 cents).

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2006 (2005: Nil).

Business Review

During the year under review, the Group continuously focused on strategic development of its international property development and investment business. However, the Group's business was affected by the implementation of "Ban on Commerce" imposed by Russia. In the future, the Group will invariably leverage on its resources in the hope of bringing reasonable return for its shareholders.

International Business

"Suifenhe-Pogranichny Cross-border Trade Zone"

On the backdrop of the increasingly prosperous Sino-Russian cross-border trade, Shimao International Commercial and Exhibition Centre and Holiday Inn Suifenhe developed by the Group in the Municipality of Suifenhe, Heilongjiang Province were completed and have commenced operation in August 2006. However, due to various measures imposed by the Russian Government within the year, including the limits on the Russians' number of goods purchased from, and purchase frequency in, the People's Republic of China ("PRC") and the introduction of the "Ban on Commerce" which have restricted the Chinese to conduct retail business within Russia. All aforementioned measures affected not only the Sino-Russian cross-border trade, but also the letting front of the Group's shopping malls and hotels. The Group will attract more tenants by launching various offers and strengthening advertising.

Baltic Pearl Project

The Group jointly participated in the property investment and development of the Baltic Pearl Project in St. Petersburg of Russia with several companies during the year. Since certain terms on project development were not fulfilled or waived within the extended period, the Group's participation in the project has been suspended.

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Hong Kong Business

In retrospect of 2006, Hong Kong's economy showed a rosy picture with a growth rate of 6.8%. Factors such as overall improvement in employment conditions and increasing individual income fuelled fervent investment sentiment, particularly towards trading in the stock and property markets, driving up demand for residential properties.

However, the Group intended to sell the luxurious residential project "No. 21 Severn Road" of Hong Kong in a prudent manner to maximise return for the shareholders.

Prospects

In addition to making good use of its resources, the Group will leverage on its well-established experience in the international property market to grasp commercial opportunities in a prudent manner and strive to maximise return for its shareholders.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and the entire staff.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 16 March 2007