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## **SHIMAO PROPERTY HOLDINGS LIMITED**

**世茂房地產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 813)**

### **MAJOR AND CONNECTED TRANSACTION**

Reference is made to the Preliminary Announcement.

To effect the Proposed Transaction and the matters contemplated thereunder, the Company entered into the following agreements on 22 October 2007: (1) the Share Subscription and Asset Transfer Agreement; (2) the PRC Non-Competition Agreement; (3) the Deed of Release; and (4) the Amendment to the Hong Kong Non-competition Agreement.

Upon Completion, Shanghai Shimao will become an approximately 64.2% indirectly-owned subsidiary of the Company. The Proposed Transaction involves the injection by the Company in Shanghai Shimao of certain of its retail and commercial properties with an aggregate net asset value of RMB7,666.5 million as at the Appraisal Date, in exchange for the issue by Shanghai Shimao of 630 million New A Shares at the New A Share Subscription Price of RMB12.05 per New A Share. Moreover, Shanghai Shimao will issue an additional 62,240,000 New A Shares to Shimao Enterprises, a new subsidiary of the Company pursuant to the Capital Injection.

It is intended that following Completion, the Company will focus on the development and operation of the Group's residential property and hotel projects, whereas Shanghai Shimao will be responsible for the development and operations of commercial property projects. Accordingly, upon Completion, non-competition undertakings previously given by the Company and Shanghai Shimao to each other under the Hong Kong Non-competition Agreement will be modified and the arrangements contemplated under the PRC Non-competition Agreement will be effected. The PRC Non-competition Agreement will be subject to approval by the Independent Shareholders.

In addition to the PRC Non-competition Agreement, the relevant parties have also entered into the Deed of Release, the Shimao International Deed of Release and the Amendment to the Hong Kong Non-competition Agreement to reflect the new commercial circumstances in relation to the existing non-competition arrangements between the Company and its related parties.

The Proposed Transaction constitutes a major transaction and a connected transaction of the Company under Chapters 14 and 14A of the Listing Rules, and is subject to, among other things, Independent Shareholders' approval. An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Transaction and the matters contemplated thereunder.

A circular containing, among other things, (i) details of the Proposed Transaction and the Share Subscription and Asset Transfer Agreement; (ii) details of the PRC Non-Competition Agreement; (iii) details of the Deed of Release; (iv) details of the Amendment to the Hong Kong Non-competition Agreement; (v) a letter from the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Independent Shareholders on the approval of the Proposed Transaction; (vi) the recommendation of the Independent Board Committee regarding the approval of the Proposed Transaction; and (vii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

Reference is also made to the PRC Valuation Reports. The Company has been informed by Shanghai Shimao that the PRC Valuation Reports will be published in the PRC in the Shanghai Securities News and on the official website of the Shanghai Stock Exchange on the date of this announcement. The PRC Valuation Reports set out, among other things, the net asset values of the Target Companies and the value of the Target Asset as at the Appraisal Date. The PRC Valuation Reports have been prepared by the PRC Valuer.

The Board hereby announces that DBS Asia Capital Limited has been appointed as independent financial advisor to the Independent Board Committee in respect of the Proposed Transaction.

**Shareholders and prospective investors of the Company should note that the Proposed Transaction, which is subject to the Conditions, may or may not proceed. Accordingly, Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

The Board announces that the Company entered into the following agreements on 22 October 2007:

- (1) the Share Subscription and Asset Transfer Agreement;
- (2) the PRC Non-Competition Agreement;
- (3) the Deed of Release; and
- (4) the Amendment to the Hong Kong Non-competition Agreement.

The Board further announces that Shimao International has granted to the Company, Overseas Investment and Mr. Hui, a unilateral release of their undertakings to Shimao International under the Hong Kong Non-competition Agreement.

The Board hereby announces that DBS Asia Capital Limited has been appointed as independent financial advisor to the Independent Board Committee in respect of the Proposed Transaction.

# THE SHARE SUBSCRIPTION AND ASSET TRANSFER AGREEMENT

## Date

22 October 2007

## Parties

- (1) The Company;
- (2) Shanghai Shimao;
- (3) Peak Gain;
- (4) Beijing Shimao; and
- (5) Shimao Enterprises.

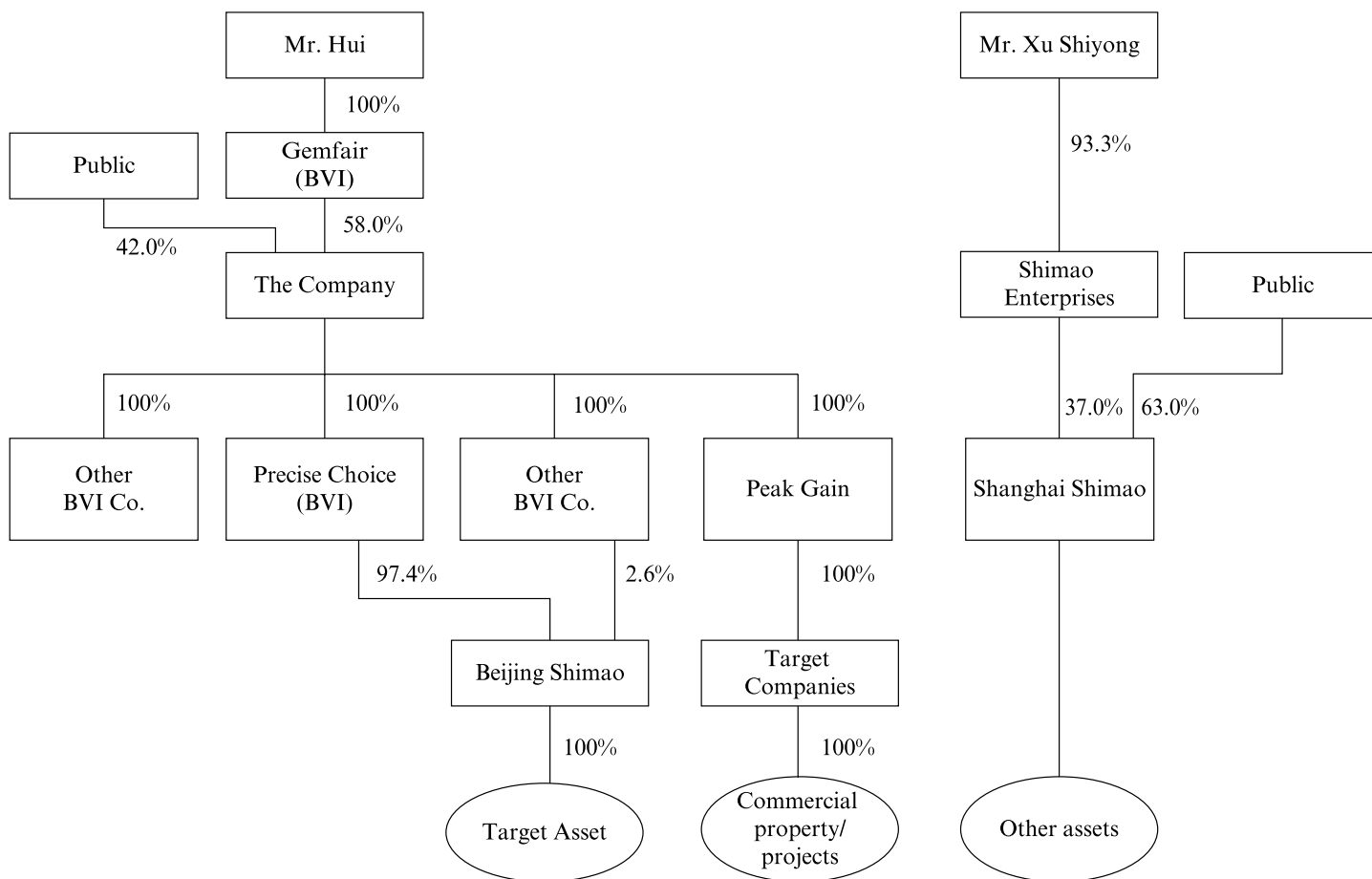
## Proposed Transaction

The Proposed Transaction involves the injection by the Company in Shanghai Shimao of certain of its retail and commercial properties with an aggregate net asset value of RMB7,666.5 million as at the Appraisal Date in exchange for the issue by Shanghai Shimao of 630 million New A Shares at the New A Share Subscription Price of RMB12.05 per New A Share. Moreover, Shanghai Shimao will issue an additional 62,240,000 New A Shares to Shimao Enterprises, a new subsidiary of the Company pursuant to the Capital Injection. Accordingly, the Proposed Transaction consists of:

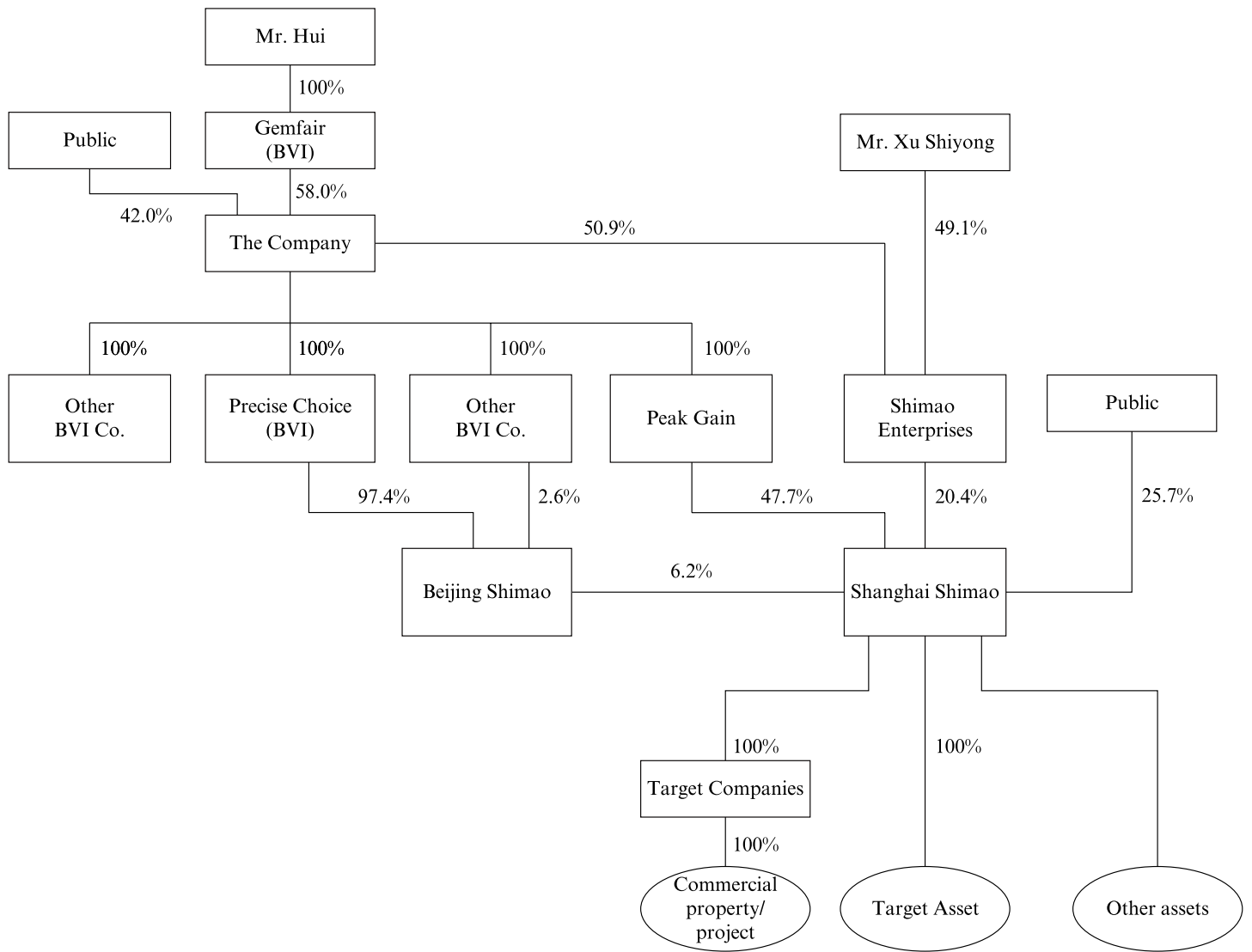
- (1) the Asset Transfer;
- (2) the New A Shares Placings;
- (3) the Capital Injection; and
- (4) the Shimao Enterprises New A Share Subscription.

Upon Completion, Shanghai Shimao will become an approximately 64.2% indirectly-owned subsidiary of the Company. The pre- and post-completion corporate structures are set out in the charts below.

## Pre-completion corporate structure chart



# Post-completion corporate structure chart



## The Asset Transfer

### (1) Description of Target Companies and Target Asset

There are nine Target Companies which together hold ten commercial properties at various stages of development located in Shanghai, Beijing, Jiangsu, Zhejiang, Liaoning, and Anhui provinces in the PRC, with an aggregate planned GFA of approximately 4.0 million square metres. The Target Asset is a commercial property known as Beijing Shimao Tower (formerly known as Beijing Huaping Plaza (北京華平大廈)), located at No. 92 Jia Jianguo Road, Chaoyang District, Beijing, with total GFA of 72,195 square metres.

In accordance with the Listing Rules, an independent valuation of the property interests held by the Target Companies and the Target Asset has been conducted by DTZ as at the Appraisal Date. At the same time, another independent valuation of the Target Shares and Target Asset has been conducted by the PRC Valuer for the purpose of determining the consideration of the Asset Transfer according to the requirement of CSRC.

Details of the Target Companies and Target Asset are set out below:

Target Companies/ Target Asset	Location	Commercial Site Area	Planned GFA	Land Premium	DTZ Asset Valuation <sup>(1)</sup>	PRC Valuation			Book NAV
						Total Assets <sup>(2)</sup>	Total Liabilities	NAV	
		<i>sqm</i>	<i>sqm</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
<b>Target Companies</b>									
上海世茂新體驗置業 有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.) <sup>(3)</sup>	Shanghai	428,213	391,000	333.1	686.0	2,686.6	1,314.1	1,372.6	390.9
	Beijing	29,411	212,000	1,400.0	2,100.0				
常熟世茂新發展置業 有限公司 (Changshu Shimao New Development Property Co., Ltd.)	Changshu, Jiangsu	344,579	981,505	473.2	2,238.0	2,221.2	213.4	2,007.8	260.0
昆山世茂房地產開發 有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	Kunshan, Jiangsu	126,802	191,440	137.2	610.0	896.3	127.1	769.3	431.4
常州世茂新城房地 產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	Changzhou, Jiangsu	60,393	339,600	169.1	411.0	348.0	0.1	347.9	177.0
徐州世茂置業有限 公司 (Xuzhou Shimao Property Co., Ltd.)	Xuzhou, Jiangsu	88,594	220,000	164.7	219.0	270.8	7.1	263.7	201.4
蘇州世茂投資發展 有限公司 (Suzhou Shimao Investment and Development Co., Ltd.)	Suzhou, Jiangsu	92,451	256,089	288.4	586.0	619.0	111.0	508.0	226.5

Target Companies/ Target Asset	Location	Commercial Site Area	Planned GFA	Land Premium	DTZ Asset Valuation <sup>(1)</sup>	PRC Valuation			Book NAV
						Total Assets <sup>(2)</sup>	Total Liabilities	NAV	
嘉興世茂新世紀置業有限公司 (Jiaxing Shimao New Century Property Co., Ltd.)	Jiaxing, Zhejiang	135,594	267,000	127.1	213.0	282.0	127.1	154.9	(0.0) <sup>(4)</sup>
蕪湖世茂新發展置業有限公司 (Wuhu Shimao New Development Property Co., Ltd.)	Wuhu, Anhui	80,310	132,895	178.8	341.0	321.0	128.8	192.2	49.9
沈陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	Shenyang, Liaoning	61,000	967,220	587.8	1,200.0	1,117.7	8.8	1,108.9	580.7
<b>Subtotal</b>		<b>1,447,347</b>	<b>3,958,749</b>	<b>3,859.4</b>	<b>8,604.0</b>	<b>8,762.8</b>	<b>2,037.6</b>	<b>6,725.2</b>	<b>2,317.8</b>
<b>Target Asset</b>									
北京世茂大廈 (Beijing Shimao Tower)	Beijing	7,183	72,195	1,082.0 <sup>(5)</sup>	1,450.0	1,378.8	437.5	941.3	611.6
<b>Total</b>		<b>1,454,530</b>	<b>4,030,944</b>	<b>4,941.4</b>	<b>10,054.0</b>	<b>10,141.6</b>	<b>2,475.1</b>	<b>7,666.5</b>	<b>2,929.4</b>

- (1) In the case of Target Companies, DTZ asset valuation represents the valuation of the property interests held by each Target Company.
- (2) In the case of Target Companies, total asset value pursuant to the PRC valuation represents the value of the total assets of each Target Company (including property interests and other assets).
- (3) Shanghai Shimao Wonderland Property Co., Ltd. has two project sites, one in Shanghai and another in Beijing. Shanghai Shimao Wonderland Property Co., Ltd. also holds the Non-separable Hotels Projects.
- (4) Equals to RMB (5,482).
- (5) Represents the cost of original acquisition from 北京天寰房地產開發有限責任公司 on 29 December 2006.

The assets attributable to the Target Companies are either undeveloped land or projects under early stages of development, none of which has yet to generate any profits. Similarly, the Target Asset has not generated any profits either since it is only scheduled to open for operations in December 2007. Accordingly, details of the net profits attributable to the Target Companies and Target Asset for the financial years ended 31 December 2005 and 2006 are not available.

As shown in the table above, according to the DTZ Valuation Reports, the total value of the property interests held by the Target Companies as at the Appraisal Date is RMB8,604.0 million. According to the PRC Valuation Reports, the total assets of the Target Companies as at the Appraisal Date amounts to approximately RMB8,762.8 million and the total liabilities of the Target Companies amounts to approximately RMB2,037.6 million. Accordingly, the

appraised net asset value of the Target Companies as at the Appraisal Date, as stated in the PRC Valuation Report, is approximately RMB6,725.2 million, representing a 190.2% increase over the book net asset value of the Target Companies in the amount of approximately RMB2,317.8 million. The total liabilities of the Target Companies will be transferred, together with the Target Companies, to Shanghai Shimao.

As at the Appraisal Date, the value of the Target Asset is RMB1,450.0 million, according to the DTZ Valuation Reports and RMB1,378.8 million according to the PRC Valuation Reports. Further, as at the Appraisal Date, the Target Asset is subject to the China Everbright Mortgage in the amount of RMB437.5 million. The China Everbright Mortgage has been assigned to Shanghai Shimao, and the assignment will take effect at Completion.

## ***(2) Consideration for the Asset Transfer***

The total consideration of the Asset Transfer amounts to RMB7,665.2 million and comprises of:

- (a) the Target Shares Consideration in the amount of RMB6,723.9 million which will be entirely paid in the form of New A Shares; and
- (b) the Target Asset Consideration in the amount of RMB941.3 million of which RMB867.6 million are to be paid in the form of New A Shares and the remaining RMB73.7 million will be paid in cash or cash equivalent.

The Target Shares Consideration will be adjusted by any subsequent changes in the net asset value of the Target Companies during the period between the Appraisal Date and the Completion Date. Such adjustments will be determined by a special audit of the Target Companies to be performed by such qualified accountants as agreed between Peak Gain and Shanghai Shimao based on accounting standards that are usually adopted by Shanghai Shimao. Any adjustments to the Target Shares Consideration will be settled by cash or such other assets as agreed.

The Target Asset Consideration will be adjusted by any subsequent changes to the value of the China Everbright Mortgage during the period between the Appraisal Date and the Completion Date and any such adjustments will be settled by cash or such other assets as agreed.



## New A Shares Placings

Shanghai Shimao is currently principally engaged in the development of small scale property projects in Mainland China. Prior to the Proposed Transaction, the principal assets held by Shanghai Shimao include 50% of the interests of Nanjing Shimao Real Estate Development Co. Ltd. and Fujian Shimao Investment Development Co. Ltd., which hold two of the Company's existing residential development projects, as well as a few other commercial property projects. The details of the New A Shares Placings are as follows:

Subscriber	Number of New A Shares	Subscription Price (RMB)	Subscription Amount (RMB)
<i>Consideration in form of New A Shares in respect of the Asset Transfer</i>			
Peak Gain	558,000,000	New A Share Subscription Price	6,723,900,000
Beijing Shimao	72,000,000	New A Share Subscription Price	867,600,000
<i>Shimao Enterprises New A Share Subscription</i>			
Shimao Enterprises	<u>62,240,000</u>	New A Share Subscription Price	<u>749,992,000</u>
Total	<u>692,240,000</u>		<u>8,341,492,000</u>

The New A Share Subscription Price is determined based on the volume weighted average price of Shanghai Shimao's A share prices for the last 20 consecutive trading days prior to the date of the Preliminary Announcement. The New A Share Subscription Price of RMB12.05 is at a discount of 53.1% to the average closing price of Shanghai Shimao for the 5 trading days prior to and including 19 October 2007 of RMB25.69. Each of the Subscribers is subject to a lock-up period of 36 months from the Completion Date in respect of the New A Shares issued to each of them.

Information regarding Shimao Enterprises and Shanghai Shimao's net profits for the two financial years ended 31 December 2006 and the book value and market value are set out below:

	Net profits		Book value	Market value
	For the financial year of		as at	as at
	2005	2006	31 December 2006	October 2007
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Shimao Enterprises <sup>(1)</sup>	25.6	44.3	231.9	N/A
Shanghai Shimao <sup>(2)</sup>	84.1	120.0	906.7	12,652.5

(1) Net profits and book value of Shimao Enterprises are extracted from the audited accounts of Shimao Enterprises under PRC GAAP for the financial years ended 31 December 2005 and 2006.

(2) Net profits and book value of Shanghai Shimao are extracted from the audited accounts of Shanghai Shimao under PRC GAAP for the financial years ended 31 December 2005 and 2006.

## **The Capital Injection and the Shimao Enterprises New A Share Subscription**

The Proposed Transaction also contemplates the following transactions:

- (a) the Capital Injection; and
- (b) the Shimao Enterprises New A Share Subscription.

As at the date of this announcement, Shimao Enterprises, a company established in the PRC, is approximately 93.3% owned by Mr. Xu Shiyong, a nephew of Mr. Hui and 6.7% owned by Ms. Wang Lili, the sister-in-law of Mr. Hui. Prior to the Capital Injection, neither the Company nor Mr. Hui owned any shares in Shimao Enterprises. As at the date of this announcement, Shimao Enterprises holds approximately 37.0% of the shares of Shanghai Shimao with the rest of the shares being held by public shareholders. It is envisaged that following the Capital Injection and the Shimao Enterprises New A Share Subscription, Shimao Enterprises will become a 50.9% subsidiary of the Company. The Capital Injection will be funded by the Company's internal resources.

### **Non-separable Hotel Projects**

Two parcels of land which form part of the commercial properties to be transferred to Shanghai Shimao are currently planned to be developed into hotels. Due to PRC legal restrictions, the land use rights associated with the Non-separable Hotel Projects may not be separated from that of the Multiple-Use Projects of which they form part, hence the Non-separable Hotel Projects must be transferred to Shanghai Shimao as part of the Asset Transfer. However, since it is the Company's strategy to retain all hotel assets going forward, the parties agree that the Non-separable Hotel Projects should be transferred back to the Company in the future at the Appraisal Date value when PRC laws permit such transfer. Prior to such transfer, Shanghai Shimao will continue to develop the Non-separable Hotel Projects but the relevant development costs shall be borne by the Company.

According to the DTZ Valuation Reports and PRC Valuation Reports, the value of the Non-separable Hotel Projects as at the Appraisal Date is RMB844.0 million and RMB828.0 million, respectively. The latter amount will be accounted for as a prepayment by the Company to Shanghai Shimao.

## Shaoxing Projects

Two subsidiaries of the Company currently hold certain Commercial Properties located in Shaoxing, Zhejiang province. Due to PRC legal restrictions, they cannot be transferred to Shanghai Shimao as part of the Asset Transfer. Details of the Shaoxing Project Companies are set out below:

Location	Commercial Site Area	Planned GFA	Land Premium	DTZ Asset Valuation <sup>(1)</sup>	PRC Valuation			Book NAV	
					Total Assets <sup>(2)</sup>	Total Liabilities	NAV		
	sqm	sqm	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd)	Shaoxing, Zhejiang	81,364	182,439	223.2	674.0	416.0	45.8	370.2	177.4
紹興世茂新世紀置業有限公司 (Shaoxing Shimao New Century Property Co., Ltd)	Shaoxing, Zhejiang	36,888	86,778	106.6		229.5	127.8	101.7	8.6
<b>Total</b>		<b>118,252</b>	<b>269,217</b>	<b>329.8</b>	<b>674.0</b>	<b>645.5</b>	<b>173.6</b>	<b>471.9</b>	<b>186.0</b>

- (1) In the case of Target Companies, DTZ asset valuation represents the valuation of the property interests held by each Target Company.
- (2) In the case of Target Companies, total asset value pursuant to the PRC valuation represents the value of the total assets of each Target Company (including property interests and other assets).

The Company agrees, subject to the necessary PRC approvals, to transfer its 100% equity interests in the Shaoxing Project Companies to Shanghai Shimao at a later date. The consideration for such transfer will be determined by reference to the net asset value of the Shaoxing Project Companies as at the Appraisal Date according to the PRC Valuation Reports which amounts to approximately RMB471.9 million, plus any changes in their net asset value in the interim. As and when such transfers take place, the Company will comply with the Listing Rules as applicable.

### Conditions to Completion

Completion is subject to the following Conditions:

#### (1) Conditions in relation to the Company

- Board approval for the Asset Transfer being obtained;
- Board approval for the New A Shares Placings being obtained;
- Board approval for the Capital Injection being obtained; and

- (d) Approval of the Independent Shareholders for the Proposed Transaction and the Company entering into the Share Subscription and Asset Transfer Agreement, the PRC Non-competition Agreement, the Deed of Release and the Amendment to the Hong Kong Non-competition Agreement.

**(2) Conditions in relation to the Subscribers**

- (a) Board approval by Peak Gain for the transfer of the Target Companies and subscription of the New A Shares by Peak Gain being obtained;
- (b) Board approval by Beijing Shimao for the transfer of the Target Asset and subscription of the New A Shares by Beijing Shimao being obtained; and
- (c) Shareholders approval by Shimao Enterprises for the Capital Injection and the Shimao Enterprises New A Share Subscription being obtained.

**(3) Conditions in relation to Shanghai Shimao**

- (a) Shareholders approval for the New A Shares Placings being obtained; and
- (b) Shareholders approval for the Asset Transfer being obtained.

**(4) General Conditions**

- (a) Approval by MOFCOM for the Proposed Transaction being obtained;
- (b) Approval by the Shanghai Foreign Investment Working Committee (上海市外國投資工作委員會) for the Capital Injection being obtained;
- (c) Approval by the CSRC for the Proposed Transaction being obtained;
- (d) Waiver by the CSRC of the general offer requirements applicable to Peak Gain, Beijing Shimao, Shimao Enterprises, the Company and Mr. Hui in relation to the New A Shares Placings being obtained; and
- (e) All other necessary government, regulatory and third party approval (including but not limited to approval from the Stock Exchange) in relation to the Proposed Transaction being obtained.

**Completion**

- (1) Completion of the Proposed Transaction shall take place upon:
  - (a) completion of examination of registered capital increase in connection with the New A Shares Placings and all relevant SAIC registration; and
  - (b) completion of all relevant registration in relation to the New A Shares Placings at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, such that Peak Gain, Beijing Shimao and Shimao Enterprises are duly registered as holders of the New A Shares.

(2) Upon Completion:

- (a) Shimao Enterprises will become a 50.9%-owned subsidiary of the Company, while Mr. Xu Shiyong and Ms. Wang Lili will own the remaining 49.1% of the enlarged issued shares of Shimao Enterprises<sup>1</sup>;
- (b) Shimao Enterprises will hold approximately 20.4% of the shares of Shanghai Shimao; and
- (c) Shanghai Shimao will become an approximately 64.2% indirectly-owned subsidiary of the Company.
  - (1) In respect of the remaining shareholding in Shimao Enterprises held by Mr. Xu Shiyong and Ms. Wang Lili, the Company intends to acquire them immediately after Completion.

**Governing law**

The Share Subscription and Asset Transfer Agreement shall be governed by PRC law.

**REASONS FOR THE PROPOSED TRANSACTION**

The Company is principally engaged in the development of large-scale integrated development projects in the PRC including residential, hotel and commercial properties. As at the date of this announcement, the Company possesses a land bank of approximately 21 million square metres across 19 cities in the PRC. Shanghai Shimao is principally engaged in the development of small scale property projects in Mainland China.

The reasons for the Proposed Transaction are twofold:

**(1) Stand-alone fund raising capability for the Company's commercial properties business**

In light of the favourable long-term outlook of the PRC economy and the rapid increase in the disposable income of PRC consumers, the Company is strongly of the view that the development of retail and commercial properties and the subsequent retention of such properties for long term investment purposes are attractive business opportunities and represent an important part of the Company's long-term development strategy. However, the Company also recognizes that the successful pursuit of the commercial properties business also requires sufficient capital and professional management resources on an ongoing basis. The Proposed Transaction will enable the Company to own a stand-alone and professional commercial property company that not only focuses its resources on developing the commercial properties business, but also has an independent platform that enables it to raise capital more efficiently through the domestic A share market. Furthermore, provided that the A share market continues to trade at or near current levels, where the average 2007 price earning ratio of the companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange are approximately 47 and 53 times, respectively, the Company believes it will be able to raise funds at a lower cost of capital for its commercial properties business. The Proposed Transaction also enables the Company to concentrate and focus its financial and management resources on the residential and hotel development businesses in the PRC, which continue to experience rapid growth.

## **(2) Enhance corporate structure**

The Proposed Transaction rationalises the business structure within the Company by allowing different entities and management teams to specialize in different lines of business. After Completion, the Company will primarily engage in the Residential Properties and Hotel business, while Shanghai Shimao will primarily engage in the Commercial Properties business. Please see “Non-competition Arrangements” below for a more detailed discussion on the future business delineation arrangements between Shanghai Shimao and the Company.

The Directors believe that the terms of the Proposed Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **FINANCIAL IMPLICATIONS OF THE PROPOSED TRANSACTION**

Upon Completion, Shanghai Shimao will be accounted for as a consolidated subsidiary of the Company, and the Company’s interests in the Target Companies and Target Asset will be effectively reduced from 100% to approximately 64.2% which represents the Company’s interests in Shanghai Shimao upon Completion. The reduction of the interests in the Target Companies and Target Asset, approximately 35.8%, is regarded as a disposal. The Company will record a gain on the disposal calculated as the excess of the fair value of interests in the Target Companies and Target Asset given up over the corresponding carrying amounts at the Completion Date. The gain is estimated to be RMB1,212.6 million by reference to the fair value of the Target Companies and Target Asset according to the PRC Valuation Reports as at the Appraisal Date and related carrying amounts in the unaudited financial statements of the Company as at the same date, and assuming that the Proposed Transaction was completed on the Appraisal Date.

The actual gain resulting from the disposal will be determined at the Completion Date. Since the fair value of interests in the Target Companies and Target Asset as at the Completion Date may be substantially different from their fair value as at the Appraisal Date and their corresponding carrying amounts will also vary, the final amount of the gain will be different from that as shown above.

The Company has been informed by Shanghai Shimao that Shanghai Shimao will make disclosures regarding its profit forecast for the years 2007 and 2008 pro forma the effect of the Proposed Transaction. Such disclosure will be made in the PRC as at the date of this announcement in the Shanghai Securities News and on the official website of the Shanghai Stock Exchange. Neither the Company nor Mr. Hui has provided any assistance or information for the purpose of or participated in the preparation or compilation of the profit forecast to be issued by Shanghai Shimao. The Company has not independently verified such profit forecast and takes no responsibility and liability for the contents of the profit forecast and makes no representation as to its accuracy. Shareholders and potential investors in the Company are therefore advised to exercise caution when dealing in shares or other securities of the Company and in considering the contents of the profit forecast to be issued by Shanghai Shimao.

## Non-competition Arrangements

The Hong Kong Non-competition Agreement was entered into by the parties thereto on 19 February 2005 for the purposes of delineating the respective businesses of (1) the Group, (2) Mr. Hui, (3) Overseas Investment, (4) Shimao International, (5) Mr. Xu Shiyong, (6) Shimao Enterprises, and (7) Shanghai Shimao by geographic location and/or size of projects on the terms and conditions set out therein.

The following table summarizes how the businesses among the parties to the Hong Kong Non-competition Agreement are delineated:

	<b>The Group</b>	<b>Overseas Investment</b>	<b>Mr. Hui</b>	<b>Mr. Xu Shiyong</b>
Shareholding Interests		Shimao International and the voting rights attributable to Gemfair's shareholding interests in the Company <sup>(1)</sup>	Companies under the Private Group	Shimao Enterprises and Shanghai Shimao
Principal Business	Large scale property development of projects in Mainland China exceeding 200,000 sqm in GFA	Property development outside Mainland China	Continue to hold a number of property development projects in Mainland China undertaken by the Private Group prior to the Hong Kong Non-competition Agreement, details of which are disclosed in the Company's prospectus dated 22 June 2006	Smaller scale property development of projects in Mainland China up to 200,000 sqm in GFA to be undertaken only through Shanghai Shimao
Delineation with the Group		Geographical delineation	No new competing business with the Group and Shimao International	Delineation by size of projects in Mainland China
Carve-outs		Shimao International's existing projects in Mainland China, details of which are disclosed in the Company's prospectus dated 22 June 2006	Private Group's existing projects in Mainland China and certain personal interests	Shimao Enterprises' existing projects in Mainland China and Shanghai Shimao's existing projects in Mainland China, details of which are disclosed in the Company's prospectus dated 22 June 2006 as well as certain personal interests

- (1) Pursuant to a deed dated 12 June 2006 between Gemfair Investments Limited (“**Gemfair**”), a company incorporated under the laws of the British Virgin Islands which is wholly owned by Mr. Hui and Overseas Investment, Overseas Investment was assigned the right to vote on behalf of Gemfair as a shareholder at general meetings of the Company.

Upon Completion, the relationship among the parties to the Hong Kong Non-competition Agreement will be changed to the following:

- (i) Shanghai Shimaο will become an approximately 64.2% indirectly-owned subsidiary of the Company;
- (ii) Shimaο Enterprises will become an approximately 50.9% owned subsidiary of the Company; and
- (iii) Mr. Xu Shiyong will no longer be a controlling shareholder of Shimaο Enterprises.

Further, Shimaο International was delisted from the Stock Exchange since 27 July 2007 and had become a member of the Private Group. In order to reflect the new commercial circumstances, the relevant parties entered into the following agreements on 22 October 2007 to modify the existing non-competition arrangements under the Hong Kong Non-competition Agreement:

<b>Agreement</b>	<b>Subject Matter</b>	<b>Governing Law</b>	<b>Effective Date</b>	<b>Reasons</b>
(i) Each of the Company, Mr. Hui and Shanghai Shimaο entered into the PRC Non-competition Agreement	Non-competition undertakings previously given by the Company and Shanghai Shimaο to each other will be substituted with the arrangements contemplated under the PRC Non-competition Agreement (details as described below)	PRC law	Upon Completion and subject to approval by the Independent Shareholders	After Completion, the Company will primarily engage in the Residential Properties and Hotel business, whereas Shanghai Shimaο will primarily engage in the Commercial Properties (only in the PRC)



<b>Agreement</b>	<b>Subject Matter</b>	<b>Governing Law</b>	<b>Effective Date</b>	<b>Reasons</b>
(ii) The Company entered into the Deed of Release	The Company grants in favour of Mr. Xu Shiyong and Shimao Enterprises a unilateral release of their undertakings under the Hong Kong Non-competition Agreement	Hong Kong law	Upon Completion and subject to approval by the Independent Shareholders	Interests of the Company and Shimao Enterprises as one of its subsidiaries are aligned and any benefits arising from the use of the “Shimao” brand by Shimao Enterprises will be attributable to the Group. Further, Mr. Xu Shiyong’s previous undertaking to the Company is only relevant as a result of his capacity as the controlling shareholder of Shimao Enterprises. In view of the fact that Mr. Xu Shiyong will no longer be a controlling shareholder of Shimao Enterprise, Mr. Xu Shiyong’s undertaking under the Hong Kong Non-competition Agreement will no longer be relevant
(iii) Shimao International entered into the Shimao International Deed of Release	Shimao International grants to the Company, Overseas Investment and Mr. Hui, a unilateral release of their undertakings to Shimao International under the Hong Kong Non-competition Agreement	Hong Kong law	Upon signing	Shimao International was delisted from the Stock Exchange since 27 July 2007 and had become a member of the Private Group. Accordingly, any concerns Shimao International’s shareholders have regarding any competition from Mr. Hui’s Private Group, Overseas Investment and the Company are no longer relevant

<b>Agreement</b>	<b>Subject Matter</b>	<b>Governing Law</b>	<b>Effective Date</b>	<b>Reasons</b>
(iv) Parties to the Hong Kong Non-competition Agreement entered into the Amendment to the Hong Kong Non-competition Agreement	To reflect the effect of (i), (ii) and (iii) above, and the Company also grants to Mr. Hui a right to undertake any particular Property Business outside of Mainland China after the Company had decided that it is not in the Company's best interests to undertake any such businesses (the "Grant")	Hong Kong law	Upon Completion for the purpose of reflecting changes as a result of (i), (ii) and (iii) above and upon approval by the Independent Shareholders for the purpose of the Grant under (iv)	The effect of the Shimao International Deed of Release is that the Company will be able to undertake property development outside Mainland China. However, in the event the Company decides that it is not in its best interests to undertake any particular Property Business outside Mainland China, then subject only to the approval of the INEDs, the Company would be able to grant to Mr. Hui (for arm's length consideration), the right to enter into such business

## **The PRC Non-competition Agreement**

**Date:** 22 October 2007

**Parties:** (1) Shanghai Shimao;  
(2) The Company; and  
(3) Mr. Hui

**Terms:**

### ***(A) General Principles***

Upon Completion:

- (i) Shanghai Shimao shall primarily engage in Commercial Property investment, development and operation (including but not limited to sales, leasing and property management) in the PRC; and
- (ii) The Company shall primarily engage in Residential Property and Hotel investment, development and operation in the PRC.

### ***(B) Existing Projects***

- (1) For completed Existing Projects, the Company, its subsidiaries, Mr. Hui and Mr. Hui's Associates shall be entitled to transfer the Commercial Properties of such projects, provided that Shanghai Shimao shall have a right of priority to acquire the same. The Company, its subsidiaries, Mr. Hui and Mr. Hui's Associates shall not operate (whether by sale, leasing or otherwise) any Commercial Property of completed Existing Projects,

and shall appoint Shanghai Shimao in priority to third parties (provided that equal terms are offered by Shanghai Shimao and such third parties) as agent to conduct such operation and pay Shanghai Shimao relevant agency fees. In the event that a third party agent has already been appointed to operate any Commercial Property of the completed Existing Projects, Shanghai Shimao shall be appointed in priority to third parties (provided that equal terms are offered by Shanghai Shimao and such third parties) as agent upon expiry of the relevant agency agreement.

- (2) For Existing Projects which are under or pending development, the Commercial Properties of such projects shall continue to be developed by the existing project company(ies). Upon completion of development, the Company, its subsidiaries, Mr. Hui and Mr. Hui's Associates shall be entitled to transfer the Commercial Properties of such projects, provided that Shanghai Shimao shall have a right of priority to acquire the same. The Company, its subsidiaries, Mr. Hui and Mr. Hui's Associates shall not operate (whether by sale, leasing or otherwise) any Commercial Property of such projects, and shall appoint Shanghai Shimao in priority to third parties (provided that equal terms are offered by Shanghai Shimao and such third parties) as agent to conduct such operation and pay Shanghai Shimao relevant agency fees.
- (3) All necessary third party consent required for undertaking the measures set out in (1) and (2) above shall be duly obtained.

The Company will comply with the Listing Rules as applicable, in respect of any future agency and buy/sale arrangements in respect of any Existing Project.

### ***(C) Future Projects***

Each party to the PRC Non-competition Agreement shall undertake the following measures to avoid competition after Completion:

- (1) Shanghai Shimao undertakes not to engage in the investment, development and operation of Residential Property and Hotel projects. The Company, Mr. Hui and Mr. Hui's Associates undertake not to engage in the investment, development and operation of Commercial Property projects.
- (2) For Separable Multiple-Use Projects, the Company and Shanghai Shimao shall bid for or acquire (as applicable) such projects on a joint basis (for which each party shall bear their own expenses). Upon successful bidding or acquisition, Shanghai Shimao shall be responsible for the investment, development and operation of the Commercial Properties component, and the Company shall be responsible for the investment, development and operation of the Residential Properties and Hotels, of such projects.
- (3) For Non-separable Multiple-Use Projects:
  - (A) if the relevant project comprise mainly of Commercial Property development (meaning that the area to be used for Commercial Property constitutes more than 50% of the total area), Shanghai Shimao shall bid for or acquire (as applicable), and develop such project. Upon completion of development, Shanghai Shimao shall not operate (whether by sale, leasing or otherwise) any Residential Property or Hotel of

such project and shall appoint the Company in priority to third parties (provided that equal terms are offered by the Company and such third parties) as agent to conduct any sale or leasing or other operations, and pay the Company the relevant agency fees.

- (B) if the relevant project comprise mainly of Residential Property or Hotel development (meaning that the area to be used for Residential Property or Hotel constitutes more than 50% of the total area), the Company shall bid for or acquire (as applicable), and develop such project. Upon completion of development, the Company shall not operate (whether by sale, leasing or otherwise) any Commercial Property of such project and shall appoint Shanghai Shimao in priority to third parties (provided that equal terms are offered by Shanghai Shimao and such third parties) as agent to conduct any sale or leasing or other operations, and pay Shanghai Shimao the relevant agency fees.

All agency fees payable by the Company or Shanghai Shimao in relation to paragraphs B(1) and (2) and C(3)(A) and (B) above shall be determined according to prevailing market rates.

### **New Non-competition Arrangements upon Completion**

The new non-competition arrangements upon Completion are set out below:

	<b>The Group</b>	<b>Shanghai Shimao</b>	<b>Mr. Hui</b>
Shareholding Interests		Approximately 64.2% indirectly-owned by the Company	Companies under the Private Group, including Shimao International
Principal Business	Residential Property and Hotel projects	Commercial Property projects	Continue to hold a number of property development projects in Mainland China undertaken by the Private Group prior to the Hong Kong Non-competition Agreement
Delineation with the Group		Delineation by the nature of the development projects	No new competing business with the Group
Carve-outs		Shanghai Shimao's existing projects in Mainland China prior the PRC Non-competition Agreement	Private Group's existing projects in Mainland China and certain personal interests  Mr. Hui has the right to engage in Property Business outside Mainland China in the event that the Company decides not to pursue such business

## **MAJOR TRANSACTION**

While the percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the disposal of the Target Companies and Target Asset by the Company are less than 25%, the revenue ratio in respect of the acquisition of Shanghai Shimao by the Company is more than 25%. In the circumstances, the Proposed Transaction constitutes a major transaction by the Company for purposes of the Listing Rules, and is subject to Shareholders' approval.

## **CONNECTED PERSONS AND CONNECTED TRANSACTIONS**

Mr. Xu Shiyong is a nephew of Mr. Hui, the Chairman, an executive director and controlling shareholder of the Company. Accordingly, Mr. Xu Shiyong is a connected person of the Company by virtue of Rule 14A.11(4)(c) of the Listing Rules. As at the date of this announcement, Mr. Xu Shiyong is the controlling shareholder of Shimao Enterprises holding approximately 93.3% of its issued share capital. Shimao Enterprises in turn hold, as at the date of this announcement, approximately 37.0% in Shanghai Shimao. Mr. Xu Shiyong's acquisition of his interest in Shimao Enterprises was financed by Mr. Hui, and Mr. Xu Shiyong acts in accordance with Mr. Hui's instructions in exercising his rights as shareholder, director and authorised representative of Shimao Enterprises. Accordingly, Mr. Hui controls, through Mr. Xu Shiyong, the exercise of 100% and approximately 37.0% of the voting power of Shimao Enterprises and Shanghai Shimao respectively. Hence each of Shimao Enterprises and Shanghai Shimao constitute an associate of Mr. Hui under Rule 1.01(a)(v) of the Listing Rules and is a connected person of the Company.

The Proposed Transaction, which involves transactions between the Company and its subsidiaries, Peak Gain and Beijing Shimao, and Shanghai Shimao and Shimao Enterprises, is therefore subject to the approval of the Independent Shareholders in the EGM. Since each of relevant percentage ratios as defined in Rule 14A.10 of the Listing Rules is not less than 2.5%, the Proposed Transaction and matters contemplated thereunder are subject to Independent Shareholders' approval requirement pursuant to Rule 14A.35.

## **GENERAL**

The Independent Shareholders will be asked to consider and, if thought fit, approve by poll the Proposed Transaction, the Share Subscription and Asset Transfer Agreement, the PRC Non-competition Agreement, the Deed of Release and the Amendment to the Hong Kong Non-competition Agreement at the EGM. The Company has appointed DBS Asia Capital Limited as independent financial advisor to the Independent Board Committee.

A circular containing, among other things, (i) details of the Proposed Transaction and the Share Subscription and Asset Transfer Agreement; (ii) details of the PRC Non-Competition Agreement; (iii) details of the Deed of Release; (iv) details of the Amendment to the Hong Kong Non-competition Agreement; (v) a letter from the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Independent Shareholders on the approval of the Proposed Transaction; (vi) the recommendation of the Independent Board Committee regarding the approval of the Proposed Transaction; and (vii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

**Shareholders and prospective investors of the Company should note that the Proposed Transaction, which is subject to the Conditions, may or may not proceed. Accordingly, Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- “Affiliate” : of any specified person means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, “control” when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing;
- “Amendment to the Hong Kong Non-competition Agreement” : An agreement entered into on 22 October 2007 pursuant to which the Hong Kong Non-competition Agreement is amended to reflect the effect of the Deed of Release, the Shimao International Deed of Release, the PRC Non-competition Agreement and certain other amendment to the Hong Kong Non-competition Agreement;
- “Appraisal Date” : 31 August 2007;
- “Asset Transfer” : the injections by Peak Gain of its 100% interests in each of the Target Companies and by Beijing Shimao of the Target Asset into Shanghai Shimao, respectively;
- “Beijing Shimao” : Beijing Shimao Investment and Development Co. Ltd. (北京世茂投資發展有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company;
- “Capital Injection” : a capital injection by the Company of RMB750.0 million in Shimao Enterprises, pursuant to which Shimao Enterprises will become a 50.9% subsidiary of the Company based on the net asset value of Shimao Enterprise determined by an independent valuation report prepared by 上海銀信匯業資產評估有限公司 as at 30 April 2007;

- “China Everbright Mortgage” : a mortgage of RMB437.5 million granted by Beijing Shimao to China Everbright Bank for the purposes of securing a loan by China Everbright Bank to Beijing Shimao and the rights and liabilities of such mortgage will be assigned to Shanghai Shimao upon Completion;
- “Commercial Property(ies)” : building(s) developed on construction land and used for commercial, financial and commercial services purposes (including but not limited to shops, shopping centres, wholesale and retail markets, commercial and other offices), and relevant ancillary facilities. For the purpose of this announcement, Commercial Property(ies) shall not include Hotels and Residential Property;
- “Company” : Shimao Property Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
- “Completion” : completion of the Proposed Transaction, further details of which are set out in the section headed “Completion”;
- “Completion Date” : the date of Completion;
- “Conditions” : the conditions to Completion;
- “CSRC” : the China Securities and Regulatory Commission of the PRC;
- “Deed of Release” : the deed of release entered into on 22 October 2007 by the Company pursuant to which the Company releases, subject to Independent Shareholders’ approval, Mr. Xu Shiyong and Shimao Enterprises’ undertakings under the Hong Kong Non-competition Agreement;
- “Directors” : the directors of the Company;
- “DTZ” : DTZ Debenham Tie Leung;
- “DTZ Valuation Reports” : (i) an independent valuation in respect of the value of the property interests held by the Target Companies and the Target Asset as at the Appraisal Date; and (ii) an independent valuation in respect of the value of the property interests held by the Shaoxing Project Companies as at the Appraisal Date, both prepared by DTZ;

“EGM”	:	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve the Proposed Transaction, the Share Subscription and Asset Transfer Agreement, the PRC Non-competition Agreement, the Deed of Release, and the Amendment to the Hong Kong Non-competition Agreement and the transactions contemplated thereunder;
“Existing Projects”	:	all existing property projects (whether completed, under or pending development) as held by (1) the Company and its subsidiaries, and (2) Mr. Hui and Mr. Hui’s Associates, as at the Completion Date and which comprise of Commercial Property, but excluding the Target Shares and the Target Asset;
“GFA”	:	gross floor area, a standard measurement used in the real estate development industry, which includes saleable GFA, non-saleable GFA and car parking spaces;
“Group”	:	the Company, its subsidiaries and associates;
“HKFRS”	:	Hong Kong Financial Reporting Standards;
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Non-competition Agreement”	:	the Non-competition Undertaking dated 19 February 2005 and entered into by the Company; Mr. Hui; Overseas Investment; Shimao International; Mr. Xu Shiyong; Shimao Enterprises and Shanghai Shimao;
“Hotel(s)”	:	hotels, motels, lodgings, vacation buildings and other similar construction developed on construction land, including relevant ancillary facilities;
“INED(s)”	:	independent non-executive director(s) of the Company;
“Independent Board Committee”	:	the independent board committee of the Company constituted for the purpose of the Proposed Transaction, comprising four INEDs;
“Independent Shareholders”	:	shareholders of the Company other than Mr. Hui and Mr. Hui’s Associates;
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange;
“MOFCOM”	:	the Ministry of Commerce of the PRC;
“Mr. Hui”	:	Mr. Hui Wing Mau, the chairman, an executive director and controlling shareholder of the Company;



- “Mr. Hui’s Associates” : any of Mr. Hui’s close family members, including (1) his spouse (2) his children aged 18 or above and their spouse (3) such other natural persons as may be deemed appropriate in the relevant circumstances (4) any company (whether directly or indirectly) controlled by any of the persons in (1), (2) or (3) above, or any company in which any of the persons in (1), (2) or (3) above is a director or senior management, but excluding the Company, Shanghai Shimao and their subsidiaries;
- “Multiple-Use Projects” : property projects comprising Commercial Property development, Hotel and/or Residential Property development;
- “New A Shares” : the new RMB-denominated ordinary “A” shares with par value of RMB1.00 each to be issued by Shanghai Shimao in connection with the New A Shares Placings;
- “New A Shares Placings” : the issue by Shanghai Shimao and the subscription by Peak Gain and Beijing Shimao, in consideration for the Asset Transfer, of 558,000,000 and 72,000,000 New A Shares at the New A Share Subscription Price to Peak Gain and Beijing Shimao, respectively, and the Shimao Enterprises New A Share Subscription;
- “New A Share Subscription Price” : RMB12.05 per New A Share;
- “Non-separable Hotel Projects” : two hotel projects ((1) Shanghai Shimao Wonderland (新體驗酒店) and (2) Beijing Sanlitun (北京三里屯酒店)) held by Target Company, Shanghai Shimao Wonderland Property Co., Ltd. (上海世茂新體驗置業有限公司);
- “Non-separable Multiple-Use Projects” : Multiple-Use Projects for which independent land use right cannot be obtained for Commercial Property in such projects, or where such land can only be developed by a single project company, owing to PRC legal, regulatory or policy prohibitions or restrictions;
- “Overseas Investment” : Overseas Investment Group International Limited (海外投資集團國際有限公司), a company incorporated under the laws of the British Virgin Islands on 26 July 2001 which is the trustee of the W.M. Hui Unit Trust. All the units of the unit trust are held by Trident Corporate Services (BVI) Limited as trustee of the W.M. Hui Family Trust, which is a discretionary trust established by Mr. Hui of which his wife and children are discretionary objects;

- “Peak Gain” : Peak Gain International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
- “PRC” : the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan);
- “PRC Non-competition Agreement” : the Non-competition Agreement (不競爭協議) dated 22 October 2007 entered into by the Company, Shanghai Shimao and Mr. Hui, the details of which are set out in the section headed “Non-Competition Arrangements” in this announcement;
- “PRC Valuation Reports” : (1) an independent valuation report in respect of the net asset value of the Target Companies and the value of the Target Asset as at the Appraisal Date, (2) an independent valuation consultation report in respect of the value of the Non-separable Hotel Projects as at the Appraisal Date, and (3) an independent valuation report in respect of the net asset value of the Shaoxing Project Companies as at the Appraisal Date, all prepared by the PRC Valuer;
- “PRC Valuer” : Shanghai Certified Asset Valuation Limited (上海上會資產評估有限公司);
- “Preliminary Announcement” : the announcement issued by the Company on 6 June 2007;
- “Private Group” : the private companies (not including the Group) either wholly-owned by Mr. Hui or owned jointly by Mr. Hui and/or his spouse and children;

“Property Business”	: any of the following:
	(i) acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, land, real estate properties, or property-related investments;
	(ii) engaging, having a right or in any way having an economic interest in the promotion or development of or investment in land or real estate properties;
	(iii) acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in paragraphs (i) or (ii) above; or
	(iv) acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (i) to (iii) above;
“Proposed Transaction”	: the proposed transaction contemplated pursuant to the terms of the Share Subscription and Asset Transfer Agreement;
“RMB”	: Renminbi, the lawful currency of the PRC;
“Residential Property(ies)”	: buildings developed on construction land and used for residential purposes (but excluding Hotels (as defined above)), and relevant ancillary facilities;
“SAIC”	: the State Administration of Industry and Commerce;
“Separable Multiple-Use Projects”	: Multiple-Use Projects for which independent land use right can be obtained for independent development of Commercial Property, Hotels or Residential Property, and for which separate project companies can be set up for development of separate projects;
“Shanghai Shimao”	: Shanghai Shimao Co. Ltd. (上海世茂股份有限公司), a company established in the PRC, the shares of which are listed on the Shanghai Stock Exchange;
“Shaoxing Project Companies”	紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.) and 紹興世茂新世紀置業有限公司 (Shaoxing Shimao New Century Property Co., Ltd.), two companies established in the PRC;
“Shareholders”	: shareholders of the Company;

- “Share Subscription and Asset Transfer Agreement” : the Share Subscription and Asset Acquisition Agreement (發行股份購買資產協議) dated 22 October 2007 entered into by the Company, Shanghai Shimao, Peak Gain, Beijing Shimao and Shimao Enterprises, the details of which are set out in the section headed “The Share Subscription and Asset Transfer Agreement” in this announcement;
- “Shimao Enterprises” : Shanghai Shimao Enterprises Development Co. Ltd. (上海世茂企業發展有限公司), a company established in the PRC;
- “Shimao Enterprises New A Share Subscription” : the placing by Shanghai Shimao and the subscription by Shimao Enterprises of 62,240,000 New A Shares at the New A Share Subscription Price for an aggregate value of RMB749,992,000;
- “Shimao International” : Shimao International Holdings Limited (世茂國際控股有限公司), formerly known as Shimao China Holdings Limited (世茂中國控股有限公司), a company incorporated under the laws of Bermuda on 16 April 1998, the shares of which were previously listed on the Stock Exchange but which has since 27 July 2007 been delisted and is as at the date of this announcement a private company wholly-owned by Mr. Hui;
- “Shimao International Deed of Release” : the deed of release entered into on 22 October 2007, pursuant to which Shimao International releases the Company, Overseas Investment and Mr. Hui from their undertakings under the Hong Kong Non-competition Agreement;
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited;
- “Subscribers” : Peak Gain, Beijing Shimao and Shimao Enterprise;
- “Target Asset” : the commercial property described under the paragraph titled “The Share Subscription and Asset Transfer Agreement — The Asset Transfer — (1) Description of the Target Companies and Target Asset — Target Asset” above;
- “Target Asset Consideration” : (i) the issue by Shanghai Shimao to Beijing Shimao and the subscription by Beijing Shimao for, 72 million New A Shares (representing approximately 6.2% of the enlarged issued share capital of Shanghai Shimao) at the New A Share Subscription Price, the aggregate value of which is RMB867.6 million; and
- (ii) the payment by Shanghai Shimao to Beijing Shimao of RMB73.7 million in cash or cash equivalent;

- “Target Companies” : the nine indirectly wholly-owned subsidiaries of the Company, each established in the PRC, holding the ten commercial properties to be injected by Peak Gain into Shanghai Shimao, as described under the heading “The Share Subscription and Asset Transfer Agreement — The Asset Transfer — (1) Description of Target Companies and Target Asset — Target Companies” above and Target Company shall mean any one of the Target Companies;
- “Target Shares” : the entire shareholding interest of Peak Gain in the Target Companies; and
- “Target Shares Consideration” : 558 million New A Shares (representing approximately 47.7% of the enlarged issued share capital of Shanghai Shimao) to be issued by Shanghai Shimao to Peak Gain as consideration for the transfer of the shares in the Target Companies, at the New A Share Subscription Price, the aggregate value of which is RMB6,723.9 million.

On behalf of the Board  
**Shimao Property Holdings Limited**  
**Hui Wing Mau**  
*Chairman*

Hong Kong, 22 October 2007

*As at the date of this announcement, the executive directors are Mr. Hui Wing Mau, Mr. Hui Sai Tan, Jason, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Li and the independent non-executive directors are Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam.*