



# 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)

ANNOUNCEMENT PURSUANT TO RULE 13.09 OF THE LISTING RULES

<p>The Board has been informed that Shanghai Shimao will publish an announcement on the website of the Shanghai Stock Exchange on 7 June 2007, regarding a possible transaction involving the Company. The Company is issuing this announcement pursuant to Rule 13.09 of the Listing Rules, in order to ensure timely and equal disclosure to the shareholders of the Company and public investors, of certain information pertaining to the Company.</p> <p>The Board announces that it has in principle approved the Proposed Transaction subject to the Conditions, including approval of certain principles for a proposed injection into Shanghai Shimao of a number of retail and commercial properties owned by certain of the Company’s subsidiaries, in consideration of which Shanghai Shimao will issue New A Shares to certain subsidiaries of the Company, resulting in Shanghai Shimao becoming an indirectly-owned subsidiary of the Company. The principles approved by the Board include, amongst other things, the scope of the Sale Properties to be injected in Shanghai Shimao, the issue price for the New A Shares, the maximum number of New A Shares to be issued, the lock-up period, and the Conditions to the Proposed Transaction. The Proposed Transaction, if it proceeds, may constitute a discloseable and connected transaction, within the meaning of the Listing Rules, of the Company.</p> <p>The principles approved by the Board reflect the outcome of recent confidential discussions by the Company and Shanghai Shimao, and set out the basis upon which further discussions regarding the Proposed Transaction may take place. The principles set out the basis upon which the Proposed Transaction, if it proceeds, is likely to proceed. The Board wishes to stress that no binding agreements have been entered into with Shanghai Shimao or any other party in respect of the Proposed Transaction. Discussions with Shanghai Shimao are continuing.</p> <p><b>Shareholders of the Company and public investors should note that there is no assurance as to whether or when the Proposed Transaction will proceed, or whether it will be completed successfully.</b></p> <p><b>As the Proposed Transaction may or may not proceed, shareholders of the Company and public investors are advised to exercise caution when dealing in the securities of the Company.</b></p> <p>Further announcements will be made to update shareholders of the Company and public investors as and when appropriate.</p>
--

The board of directors (the **Board**) of Shimao Property Holdings Limited (the **Company**) has been informed that Shanghai Shimao Co. Ltd. (**Shanghai Shimao**), a company established under the laws of the People’s Republic of China (**PRC**), the shares of which are listed on the Shanghai Stock Exchange, will publish an announcement on the website of the Shanghai Stock Exchange on 7 June 2007, regarding a possible transaction involving the Company. The Company is issuing this announcement pursuant to Rule 13.09 of The Rules Governing the Listing of Securities (the **Listing Rules**) on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**), in order to ensure timely and equal disclosure to the shareholders of the Company and public investors, of certain information pertaining to the Company.

The Board announces that it has in principle approved the Proposed Transaction (as defined below) subject to the Conditions (as defined below), including approval of certain principles for a proposed injection into Shanghai Shimao, of a number of retail and commercial properties owned by certain of the Company’s subsidiaries (the **Sale Properties**). In consideration of the injection of the Sale Properties, it is proposed that Shanghai Shimao will issue new Renminbi-denominated ordinary “A” shares with par value of RMB1.00 (the **New A Shares**) to certain subsidiaries of the Company, resulting in Shanghai Shimao becoming an indirectly-owned subsidiary of the Company, (the proposed injection of Sale Properties, the proposed issue of New A Shares by Shanghai Shimao to certain subsidiaries of the Company, and other related matters being, the **Proposed Transaction**). The principles approved by the Board include, amongst other things, the scope of the Sale Properties to be injected in Shanghai Shimao, the issue price for the New A Shares, the maximum number of New A Shares to be issued, the lock-up period and the Conditions (as defined below) to the Proposed Transaction. The Proposed Transaction, if it proceeds, may constitute a discloseable and connected transaction, within the meaning of the Listing Rules, of the Company.

The principles approved by the Board reflect the outcome of recent confidential discussions by the Company and Shanghai Shimao, and set out the basis upon which further discussions regarding the Proposed Transaction may take place. The principles set out the basis upon which the Proposed Transaction, if it proceeds, is likely to proceed. Discussions with Shanghai Shimao are continuing and there can be no assurance that the Proposed Transaction will proceed at all, that all the Conditions to the Proposed Transaction will be met, or the Proposed Transaction will complete successfully on the principles set out below. The Board wishes to stress that no binding agreements have been entered into with Shanghai Shimao or any other party in respect of the Proposed Transaction. Further announcements will be made to update shareholders of the Company and public investors as and when appropriate.

AS THE PROPOSED TRANSACTION MAY OR MAY NOT PROCEED, SHAREHOLDERS OF THE COMPANY AND PUBLIC INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

Principles for the Proposed Transaction

Proposed Asset Injection

The Proposed Transaction involves the following asset injections:

- injection by Peak Gain International Limited (**Peak Gain**), a company established in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, into Shanghai Shimao of approximately 11 commercial properties located in Shanghai, Jiangsu, Zhejiang, Liaoning, Anhui and Beijing provinces in the PRC, with an aggregate planned construction area of approximately 4 million square metres;
- injection by Beijing Shimao Investment and Development Co. Ltd (**Beijing Shimao**), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, into Shanghai Shimao of the Beijing Huaping Plaza, with a construction area of approximately 72,149 square metres.

The valuation of the Sale Properties will be undertaken by qualified independent property valuers.

In consideration of the injection of the Sale Properties as described above, Shanghai Shimao will issue New A Shares to Peak Gain and Beijing Shimao as follows:

- Peak Gain – up to 558 million New A Shares; and
- Beijing Shimao – up to 72 million New A Shares.

In connection with the Proposed Transaction, Shanghai Shimao Enterprises Development Co. Ltd. (a company established under the laws of the PRC and currently holding approximately 37% of the shares of Shanghai Shimao) (**Shimao Enterprises**), will subscribe for up to 70 million New A Shares of Shanghai Shimao. Such subscription will be made in cash of an amount not expected to exceed RMB750 million. Please see the section headed “**Shimao Enterprises**” below for further information.

The aggregate value of the New A Shares to be issued is expected to be approximately RMB7.5 billion. The issue price of the New A Shares shall be RMB10.68 per A Share, which is not lower than 90% of the average closing price of the shares of Shanghai Shimao as quoted on the Shanghai Stock Exchange for the last 20 consecutive trading days prior to 7 June 2007, the date the Proposed Transaction was announced by Shanghai Shimao. If prior to the issue of the New A Shares, certain matters such as the issue of dividends, bonus shares and other matters occur, the issue price of the New A Shares may be adjusted accordingly.

The aggregate number of New A Shares to be issued under the Proposed Transaction shall not exceed 700,000,000. The New A Shares shall be placed to Peak Gain, Beijing Shimao and Shimao Enterprises within 6 months after the approval for such placing is granted by the China Securities Regulatory Commission (**CSRC**).

Peak Gain, Beijing Shimao and Shimao Enterprises may not dispose of the New A Shares issued to them for a period of 36 months after completion of the issue.

Shimao Enterprises

In connection with the Proposed Transaction, the Company will also subscribe for new shares in Shimao Enterprises for an amount of not more than RMB750 million (**Subscription in Shimao Enterprises**). It is intended that Shimao Enterprises will become at least a 51%-owned subsidiary of the Company after the Subscription in Shimao Enterprises. It is further intended that the proceeds from the Subscription in Shimao Enterprises will be used by Shimao Enterprises to subscribe for New A Shares in connection to the Proposed Transaction.

As at the date of this announcement, Shimao Enterprises is 93.33% owned by Mr. Xu Shiyong, the nephew of Mr. Hui Wing Mau, the Chairman, an executive director and controlling shareholder of the Company. Prior to the Subscription in Shimao Enterprises, neither the Company nor Mr. Hui Wing Mau owned any shares in Shimao Enterprises.

Conditions of the Proposed Transaction

If the Proposed Transaction proceeds, it is expected to be conditional upon certain conditions, including but not limited to the following events (the **Conditions**):

- the completion of an independent property valuation and other satisfactory due diligence by the Company on Shanghai Shimao;
- the execution of legally binding agreements between the parties concerned;
- the prior approval of the shareholders of Shanghai Shimao to the Proposed Transaction;
- the grant of all regulatory approvals necessary or desirable from the relevant authorities in the PRC;
- the grant by the relevant regulatory authorities in the PRC of a waiver from any requirements under PRC law for the Company to make a general offer for the shares of Shanghai Shimao;
- in relation to the Notes (as defined below), all consents, approvals or waivers (as appropriate) to the extent necessary to permit the Proposed Transaction to take place having been obtained; and
- the prior approval of the independent shareholders of the Company in general meeting of the Connected Transactions (as defined below).

Reasons for the Proposed Transaction

The Company is currently engaged in the development of large scale integrated development projects in the PRC (excluding Hong Kong, Macau and Taiwan) (**Mainland China**) including residential, hotel and commercial properties. As at the date of this announcement, the Company possesses a land bank of approximately 20.8 million square metres across 17 cities in Mainland China.

Given the favourable long-term outlook for economy of Mainland China and the rising disposal income of consumers in Mainland China, the Company believes that the development of retail and commercial properties and the subsequent retention of such properties for long term investment holding purposes (the **Commercial Properties Business**) is an attractive business and represents an important long-term strategy of the Company. However, the Company also recognises that the successful pursuit of the Commercial Properties Business also requires sufficient capital and professional management resources on an ongoing basis.

In this respect, the Company believes that by injecting its retail and commercial properties into Shanghai Shimao, the Company can own a stand-alone and professional commercial property company that not only focuses its resources fully on growing the Commercial Properties Business, but also has its own direct access to the equity and debt markets of Mainland China to fund the professional and continuous growth of the Commercial Properties Business.

After the completion of the Proposed Transaction, through the proposed majority shareholding interest in Shanghai Shimao, the Company would be an important participant in the growth of the Commercial Properties Business carried on by Shanghai Shimao. At the same time, the Company can better focus its financial and management resources on its residential and hotel development businesses in Mainland China, which are continuing to experience rapid growth.

Upon completion of the Proposed Transaction, the Company and Shanghai Shimao intend to bid for large scale integrated development projects in Mainland China on a joint basis. Upon winning a bid, the Company will focus on developing the residential and hotel portions of a given project, while Shanghai Shimao will develop and operate the commercial portion of those projects. The Company believes that such a partnership will provide a competitive advantage relative to its competitors in bidding for large scale integrated projects where breadth of professional property development skills and access to sufficient capital are key success factors. Joint bids and other transactions between the Company and Shanghai Shimao will be conducted in accordance with the requirements of the Listing Rules and the Shanghai Stock Exchange Share Listing Rules.

The US\$250 Million Floating Rate Notes Due 2011 And US\$350 Million 8% Senior Notes Due 2016 (the Notes)

On 21 November 2006, the Company, Morgan Stanley & Co. International Limited and Goldman Sachs (Asia) L.L.C., amongst others, entered into a purchase agreement dated 21 November 2006 in connection with the issue of the Notes. Details of the transaction are disclosed in the announcement of the Company dated 21 November 2006.

The Company intends to seek from holders of the Notes all consents, approvals or waivers (as appropriate) to the extent necessary to permit the Proposed Transaction to take place.

Connected Transaction

Shimao Enterprises is as at the date of this announcement 93.33% owned by Mr. Xu Shiyong, Mr. Hui Wing Mau’s nephew. Shimao Enterprises currently holds, as at the date of this announcement, an approximate 37% interest in Shanghai Shimao. Mr. Xu Shiyong, Shimao Enterprises and Shanghai Shimao are therefore connected persons of the Company under the Listing Rules. The Proposed Transaction, which will involve transactions between the Company and its subsidiaries, and Shanghai Shimao and Shimao Enterprises, (the **Connected Transactions**), is therefore subject to the prior approval of the independent shareholders of the Company in general meeting.

Competition

After completion of the Proposed Transaction, the Company and its subsidiaries (excluding Shanghai Shimao and its subsidiaries) intend to focus on the residential and hotel property development business in Mainland China. The Commercial Properties Business will be carried on through the Company’s subsidiary, Shanghai Shimao. The Company will consult with the relevant regulators and authorities to the extent necessary to resolve any issues regarding competition between the Company and Shanghai Shimao, pursuant to which the Company will put in place appropriate arrangements and/or seek the approval of the independent shareholders of the Company in general meeting, where necessary.

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

Hong Kong, 6 June 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.