

# Advances on diversification



**Due to a diversified portfolio and determination to deliver quality projects, share price of Shimao Property has more than doubled in half a year - since its listing in July 2006.**

**T**he Company's well balanced portfolio makes it one of the most competitive developers in the mainland.

Shimao Property strives to become a most competitive developer in the mainland through prudent expansion, effective management and cost control, plus a well-balanced diversification to residential projects, retail complexes, hotels and office towers.

"Investors are confident in our Company's prudent approach, and our vision to offer the highest quality products with competitive prices is what sets us apart from other property developers in the market," said Hui Wing-mau, Chairman of Shimao Property Holdings Limited.

Shimao Property has established an excellent corporate image and brand name by delivering value to customers. The Company will continue to promote the "Shimao" brand, both within mainland China and internationally, by focusing on the quality of and innovation in the Company's property projects.

As a result of Shimao Property's prudent approach and well-balanced property portfolio, the implementation of macro-economic control has not set back the Company's development.

"It is always our objective to maintain a low net debt-to-equity ratio of



**Hui Wing-mau, Chairman of Shimao Property Holdings Limited**

approximately 40 percent to ensure the financial well-being of our Company. The never-too-aggressive approach enabled us to withstand the market turbulence over the past years amid the low ebbs of the industry and the austerity measures imposed by the government," added Hui.

Hui believes the controls are a strategic move by the central government to consolidate and regulate the market to allow well run companies with transparent corporate governance to remain.

Currently it operates in 15 cities, with 21 projects at different stages of development.

For example, the Company's flagship

residential project, Shanghai Shimao Riviera Garden, had recorded the highest aggregate sales proceeds in Shanghai, for four consecutive years between 2001 and 2004, and the Company believes that this track record, together with the strong recognition of the Shimao brand, have well positioned the Company to further expand to other cities in China.

Hui believes that the Company's success lies in part on the Company's deep understanding of the socio-economic developments in the key cities in China as the Company has been able to identify relatively high growth markets such as Shanghai, Beijing, Nanjing, Wuhan,



Fuzhou, Kunshan and Changshu. The Company has entered these markets in a timely manner to tap the rapidly rising opportunities.

"This has, in turn, allowed us to obtain land in prime locations (or locations that the Company expects will soon become prime) at a reasonable cost," said Hui.

Shimao Property has recruited many professionals from all over the world. They possess solid experience and their collective expertise has put the Company in an advantageous position in developing and marketing properties that appeal to both domestic and international customers.

"Also, to speed up the urbanisation rate of the country is a fundamental policy of the central government. This, together with the rising income of city dwellers, has presented plenty of business potentials to our Company."

#### **Geographical expansion**

Shimao Property is proactively expanding to other major cities as well as fast-growing second tier cities, and the Bohai Bay area will be the Company's strategic advance to capitalising on the central government's plan to shore up the region in a bid to grow the economic momentum in the north eastern part of China to complement the two economic power houses in Yangtze River Delta and Pearl River Delta.

"Apart from weighing up our investment

in the Bohai Bay area, we are also exploring other inner cities in central and western part of China including Wuhan, Xi'an, Chengdu and Chongqing where the market remains relatively untapped and provides us with tremendous business opportunities," said Hui.

Looking ahead, Shimao Property will continue to create innovative products and develop market-leading projects of high quality within each of the residential, hotel, retail and office property sectors.

Shimao Property intends to continue expanding into the investment property sectors in mainland China to enable the Company to better withstand market volatility and to mitigate risks, according to Hui.

"We will increase our business proportion in the hotel, retail and office property sector to about 30 percent of our total profits by 2010, when we will have up to 10 hotels and 700,000 square metres of office and retail properties, in order to maintain a stable cash flow. We will also branch to other markets where the profit margin is higher, and deliver greater value to our shareholders and customers," said Hui.

The Company's hotel sector currently occupies 17 percent of the top end, five-star hotel market sector in Shanghai and its first-mover advantage in this niche market has well positioned Shimao Property as the most integrated property developer in the market.

Shimao's brand represents quality and the Company intends to continue leveraging

its brand name and strong financial track record to obtain attractive financing and refinancing opportunities. Shimao Property is a leading developer on the mainland with a huge land bank of 18.8 million square metres. The Company will expand its land bank in a disciplined manner to take advantage of economies of scale through developing large-scale projects.

#### **Company Overview**

Shimao Property (0813.HK) is a large-scale developer of high quality real estate projects in China, specialising in mid- to high-end property developments in prime locations. The Company has a track record of successfully bringing in real estate projects in Shanghai, Beijing, Fuzhou, Harbin, Nanjing, Wuhan and other fast growing cities in China. The Company's business portfolio comprises the development of residential properties, retail properties, offices and hotels.

For the first six months of 2006, the Company's turnover surged to RMB2,191.5 million, a sharp increase of 11.1 times compared to the same period in 2005. The adjusted gross profit margin and adjusted net profit margin reached 51% and 36.5%, respectively.

During the period, the profit attributable to shareholders grew by 130.1% to RMB703.6 million over the same period in 2005. As of 19 January 2007, Shimao Property's market capitalisation reached about HKD40 billion.