



SPG LAND

盛高置地

SPG LAND (HOLDINGS) LIMITED

盛高置地（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 337)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the “Board”) of SPG Land (Holdings) Limited (the “Company”) would like to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	562,396	1,147,353
Cost of sales		<u>(388,928)</u>	<u>(813,009)</u>
Gross profit		173,468	334,344
Other operating income		8,044	9,194
Selling and marketing costs		(18,661)	(14,878)
Administrative expenses		(65,779)	(34,605)
Other operating expenses		<u>(5,347)</u>	<u>(107)</u>
Results from operating activities		<u>91,725</u>	<u>293,948</u>
Finance income		28,165	4,131
Finance expenses		(87,866)	(10,898)
Fair value changes on financial derivatives	9	<u>(18,264)</u>	<u>—</u>
Net finance (expenses)/income	4	<u>(77,965)</u>	<u>(6,767)</u>
Share of (loss)/profit of associates		<u>(4,089)</u>	<u>845</u>

		Six months ended 30 June	
		2007	2006
	Note	RMB'000	RMB'000
Results before revaluation gains on investment properties and income tax		9,671	288,026
Revaluation gains on investment properties		<u>110,300</u>	<u>4,953</u>
Profit before income tax		119,971	292,979
Income tax expenses	5	<u>(33,780)</u>	<u>(60,834)</u>
Profit for the period		<u>86,191</u>	<u>232,145</u>
Attributable to:			
Equity holders of the Company		84,442	231,194
Minority interests		<u>1,749</u>	<u>951</u>
Profit for the period		<u>86,191</u>	<u>232,145</u>
Earnings per share (RMB)			
— Basic	6	<u>0.081</u>	<u>0.308</u>
— Diluted	6	<u>0.081</u>	<u>0.308</u>

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007

		As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		219,468	226,856
Land use rights		73,537	74,280
Properties under development		1,010,292	758,434
Investment properties		444,000	333,700
Investment properties under development		50,178	40,907
Interests in associates		940,045	944,134
Financial derivatives	9	20,823	—
Deferred tax assets		74,799	64,148
Total non-current assets		2,833,142	2,442,459
Current assets			
Properties under development		990,453	505,290
Completed properties held for sale		217,952	387,533
Inventories		72	2,108
Investments		2,917	3,319
Trade and other receivables	8	349,418	647,901
Restricted cash		955,672	841,717
Cash and cash equivalents		1,597,279	818,974
Total current assets		4,113,763	3,206,842
Total assets		6,946,905	5,649,301
EQUITY			
Share capital		105,571	105,571
Share premium		2,084,437	2,084,437
Reserves		667,038	549,831
Retained earnings		18,600	(65,233)
Total equity attributable to equity holders of the Company		2,875,646	2,674,606
Minority interests		16,448	15,830
Total equity		2,892,094	2,690,436

		As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings		1,002,470	789,470
Convertible bonds	9	983,550	—
Financial derivatives	9	89,112	—
Deferred income tax liabilities		<u>63,514</u>	<u>24,045</u>
Total non-current liabilities		<u>2,138,646</u>	<u>813,515</u>
Current liabilities			
Interest bearing loans and borrowings		1,199,000	1,111,390
Trade and other payables	10	716,033	1,023,461
Tax payable		<u>1,132</u>	<u>10,499</u>
Total current liabilities		<u>1,916,165</u>	<u>2,145,350</u>
Total liabilities		<u>4,054,811</u>	<u>2,958,865</u>
Total equity and liabilities		<u>6,946,905</u>	<u>5,649,301</u>
Net current assets		<u>2,197,598</u>	<u>1,061,492</u>
Total assets less current liabilities		<u>5,030,740</u>	<u>3,503,951</u>

Notes:

1. BASIS OF PREPARATION

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements for the period from 1 January 2006 to 30 June 2006 have been prepared on the basis that the Company was the holding company of the Group for the period presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the six months ended 30 June 2006 include the results of the Company and its subsidiaries from 1 January 2006, or their respective dates of incorporation or the date that common control was established, if later, as if the current group structure had been in existence throughout the period. All material intra-group transactions and balances have been eliminated on combination. In the opinion of the directors, the consolidated financial statements for the period from 1 January 2006 to 30 June 2006 prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, “Interim financial reporting” promulgated by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 6 September 2007.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

These consolidated financial statements are presented in Renminbi (“RMB”), which is the Group’s functional currency. All financial information presented in Renminbi has been rounded to the nearest thousand.

New standards and interpretations

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB which are effective for annual accounting periods beginning on or after 1 January 2007. The adoption of the new IFRSs had no material effect on how the results for the current or prior year accounting periods were prepared and presented. Accordingly, no prior period adjustment was required.

Effective for annual accounting period beginning on or after

Amendment to IAS 1, Presentation of financial statements: capital disclosures	1 January 2007
IFRS 7, Financial instruments: disclosures	1 January 2007
IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	1 March 2006
IFRIC 8, Scope of IFRS 2 Share-based payment	1 May 2006
IFRIC 9, Reassessment of embedded derivatives	1 June 2006
IFRIC 10, Interim financial reporting and impairment	1 November 2006
Revised guidance on implementing IFRS 4 – Insurance contract	1 January 2007

Up to the date of issue of this interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2007 and which have not been adopted in this interim financial report:

Effective for annual accounting period beginning on or after

IFRS 8, Operating segments	1 January 2009
IFRIC 11, IFRS 2 — Group and treasury share transaction	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirement and their interaction	1 January 2008
Revised IAS 23 — Borrowing costs	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of this interim financial report, the Group believes that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

As at 30 June 2007, the Group is organised into four business segments:

- (1) Sales of property
- (2) Lease of property
- (3) Property management and other related services
- (4) Education

The segment results for the six months ended 30 June 2007 are as follows:

	Sales of property RMB'000	Lease of property RMB'000	Property management and related services RMB'000	Education RMB'000	Group RMB'000
Segment revenue	<u><u>514,428</u></u>	<u><u>15,214</u></u>	<u><u>13,438</u></u>	<u><u>19,316</u></u>	<u><u>562,396</u></u>
Segment result	<u><u>26,583</u></u>	<u><u>69,048</u></u>	<u><u>(1,108)</u></u>	<u><u>(8,332)</u></u>	<u><u>86,191</u></u>

The segment results for the six months ended 30 June 2006 are as follows:

	Sales of property RMB'000	Lease of property RMB'000	Property management and related services RMB'000	Education RMB'000	Group RMB'000
Segment revenue	<u><u>1,107,664</u></u>	<u><u>14,395</u></u>	<u><u>7,958</u></u>	<u><u>17,336</u></u>	<u><u>1,147,353</u></u>
Segment result	<u><u>226,848</u></u>	<u><u>14,588</u></u>	<u><u>(6,358)</u></u>	<u><u>(2,933)</u></u>	<u><u>232,145</u></u>

3. EXPENSES BY NATURE

Items included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	11,873	11,348
Amortisation of land use rights	743	743
Personnel expenses	40,330	18,399
Advertising costs	8,494	6,202
Cost of properties and land use rights sold		
Land use rights	112,600	173,036
Finance cost capitalised in cost of properties	12,405	18,810
Development cost	180,157	485,077
Other cost	2,654	8,097
Land appreciation tax	23,252	42,248
Cost of goods sold and rendering service	173	262
Cost of property management	4,831	4,094
Cost of education	7,150	6,647
Cost of leasing	1,491	4,168
Business taxes and other levies	28,764	58,428
Office expenses	7,130	4,653
Organization expense	1,877	232
Auditor's remuneration	935	93
Consulting expenses	7,906	6,113
Commission fee	6,908	5,313
Rental	3,916	3,558
Travelling and transportation expense	6,095	4,515
Others	3,684	456
	<u>473,368</u>	<u>862,492</u>

4. NET FINANCE EXPENSES/(INCOME)

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest expenses	57,953	41,280
Less: Amount capitalised in properties under development, properties under development for sale with capitalisation rate of 6.30% (2006: 5.66%)	(26,672)	(30,382)
Interest expense on financial liabilities measured at amortised cost	<u>9,385</u>	<u>—</u>
	40,666	10,898
Interest income	(21,094)	(1,345)
Net change in fair value of financial assets at fair value through profit or loss	(7,071)	(2,786)
Fair value changes on financial derivatives	18,264	—
Net foreign exchange loss	<u>47,200</u>	<u>—</u>
Total	<u>77,965</u>	<u>6,767</u>

5. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2007 (2006: Nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate ranges from 15% to 33% (2006: 15% to 33%).

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
PRC income tax		
Current income tax	4,962	7,842
Deferred tax		
Origination and reversal of temporary differences	11,727	53,867
Benefit of tax losses recognised	(5,451)	(2,718)
Revaluation of investment properties	17,257	1,843
Effect of change in future enactive tax rate	<u>5,285</u>	<u>—</u>
	<u>33,780</u>	<u>60,834</u>

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Group's subsidiaries in the PRC will be changed to 25% from 1 January 2008. The new income tax rates were used to measure the Group's deferred tax assets and deferred tax liabilities as at 30 June 2007. The Group's deferred tax assets and deferred tax liabilities have increased by RMB16,927,000 and RMB22,212,000 respectively as at 30 June 2007.

PRC land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all property development expenditures. Land appreciation tax of RMB23,252,000 is included in cost of sales in the income statement for the six months ended 30 June 2007 (2006: RMB42,248,000).

6. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	84,442	231,194
Weighted average number of shares in issue (thousands) (basic)	1,037,500	750,000
Earnings per share (basic) (RMB)	<u>0.081</u>	<u>0.308</u>
Weighted average number of shares in issue (thousands) (diluted)	1,039,678	750,000
Earnings per share (diluted) (RMB)	<u>0.081</u>	<u>0.308</u>

7. DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Dividends	<u>—</u>	<u>90,056</u>

Pursuant to a resolution passed at the board of directors' meeting held by the Company on 6 September 2007, it was resolved that no interim dividend was declared for the six months ended 30 June 2007.

Amounts paid during the six months ended 30 June 2006 represented the dividends which were declared and paid by the subsidiaries of the Group to their then shareholders.

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Receivables due from related parties	15,272	18,636
Trade receivables due from third parties	4,942	2,373
Advance payments to contractors	5,044	4,542
Deposits for acquisition of land use rights	130,765	498,853
Non-trade receivables	159,221	93,104
Tax prepayments	34,174	30,393
Total	<u>349,418</u>	<u>647,901</u>

Trade receivables are mainly arisen from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sales and purchase agreements or lease agreements. The ageing analysis of trade receivables is as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Within three months	3,518	1,141
Over three months and within half a year	—	—
Over half a year and within one year	554	399
Over one year	870	833
	<u>4,942</u>	<u>2,373</u>

9 CONVERTIBLE BONDS

On 27 April 2007, the Company issued USD Settled Zero Coupon Convertible Bonds due 2012 in the aggregate principal amount of RMB1,158,000,000 (the “Convertible Bonds” or the “Bonds”). The subscription amount payable in respect of each RMB100,000 principal amount of Bonds is approximately US\$12,952. The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

The principal terms of the Convertible Bonds are as follows:

(i) Optional conversion

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 7 June 2007 up to the close of business on the 14th day prior to 27 April 2012 into fully paid ordinary shares with a par value of HK\$0.10 each of the Company (the “Shares”) at an initial conversion price of HK\$8.1165 per Share with a fixed exchange rate of HK\$1.00 to RMB0.98887. The conversion price is subject to adjustment under certain prescribed circumstances. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed on 27 April 2012 at an amount equal to the US Dollar equivalent of their RMB principal amount multiplied by 111.837 per cent.

(ii) Redemption

Redemption at the option of the Company

At any time after 27 April 2010 and prior to 27 April 2012, the Company may redeem all or some only of the Bonds for the time being outstanding at a redemption price equal to the US Dollar equivalent of their Early Redemption Amount (as defined below) as at the date fixed for redemption on the redemption date if the closing price of the Shares translated into RMB at the exchange rates quoted by People’s Bank of China applicable to the relevant Trading Day for each of 20 consecutive Trading Days, where the last day of such period occurs not more than 30 days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the Early Redemption Amount divided by the conversion ratio (which is equal to the RMB principal amount of each Bond divided by the conversion price).

The Early Redemption Amount, for each RMB100,000 principal amount of the Bonds, is determined so that it represents for the bondholder a gross yield of 2.25% per annum, calculated on a semi-annual basis. The Early Redemption Amount is set out in the table below, assuming that the date fixed for redemption is the Semi-annual Date:

Semi-annual Date	Early Redemption Amount RMB
27 October 2007	101,125.00
27 April 2008	102,262.66
27 October 2008	103,413.11
27 April 2009	104,576.51
27 October 2009	105,752.99
27 April 2010	106,942.72
27 October 2010	108,145.82
27 April 2011	109,362.46
27 October 2011	110,592.79

The Company may redeem all but not some only of the Bonds for the time being outstanding at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount as at the relevant date fixed for redemption provided that at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption at the option of the bondholder

The Company will, at the option of the bondholder, redeem all or some only of such Bonds on 27 April 2010 at the US dollar equivalent of their Early Redemption Amount as at the relevant date fixed for redemption upon the bondholder depositing a put notice. A put notice, once delivered, shall be irrevocable and may not be withdrawn without the Company's consent. No fewer than 30 nor more than 45 days' notice of the commencement of the period in which the put option can be exercised shall be given to the bondholders.

The bondholders will have the right at such bondholder's option, to require the Company to redeem all or some of the Bonds at the US dollar equivalent of their Early Redemption Amount, when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, an Alternative Stock Exchange, or when there is a change of control of the Company.

As the functional currency of the Group is RMB, the conversion of the Convertible Bonds denominated in RMB will result in settlement by exchange of a fixed amount of cash in RMB, the functional currency of the Group, for a fixed number of the Company's Shares. In accordance with the requirements of IAS 39 Financial Instruments — Recognition and Measurement, the bond contract must be separated into a liability component consisting of the straight debt element of the Bonds, a number of embedded financial derivatives consisting of redemption options and an equity component representing the conversion option of the bondholders to convert the Bonds into equity. The proceeds received from the issue of the Convertible Bonds have been split as below:

- (i) Liability component represents the present value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the period is calculated by applying an effective interest rate of 5.41% to the liability component since the Convertible Bonds were issued.

- (ii) Embedded derivatives comprise:

- The fair value of the call option of the Company to require the bondholders to redeem the Convertible Bonds; and
- The fair value of the put option of the bondholders to require the Company to redeem the Convertible Bonds.

- (iii) Equity component represents the option to convert the Convertible Bonds into the Shares, which is determined by deducting the fair value of the liability component and financial derivatives from the proceeds of issue of the compound financial instrument as a whole.

The fair value of the embedded derivatives of the Convertible Bonds was calculated using the valuation model with the major input used in the model as at 27 April 2007 and 30 June 2007 as follows:

	(a) Call option of the Company		(b) Put option of bondholders	
	27 April 2007	30 June 2007	27 April 2007	30 June 2007
Stock Price	HK\$5.67	HK5.15		
Exercise price	HK8.1165	HK8.1165	RMB106,943	RMB106,943
Risk-free rate	4.136%	4.634%	2.38%–3.24%	2.54%–3.96%
Expected life	60 months	58 months	3 years	3 years
Volatility	39.27%	37.34%	10.92% per annum	11.99% per annum

(a) The stock prices were as at 27 April 2007 and 30 June 2007 respectively. The risk free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields as extracted from Bloomberg. The expected lives were estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of the comparable companies under the same periods as the expected lives.

(b) The exercise prices were the Early Redemption Amount as at the expected maturity date of the option outlined in the terms of the Convertible Bonds. The risk free rates were determined with reference to the China Government Bond Yields as extracted from Bloomberg. The expected lives were estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical interest rate volatilities per annum as at 27 April 2007 and 30 June 2007 respectively.

Any changes in the major inputs into the model will result in changes in the fair value of the embedded derivatives. The variables and assumptions used in calculating the fair value of the embedded derivatives are based on the directors' best estimates.

The movement of the liability component and embedded derivatives of the Convertible Bonds for the period is set out below:

	Liability component	Put option of bondholder	Call option of the Company	Equity component	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Convertible Bonds issued on 27 April 2007	995,142	75,472	(25,447)	112,833	1,158,000
Transaction costs	(20,977)	—	—	(2,210)	(23,187)
Interest charged during the period ended 30 June 2007 (note 4)	9,385	—	—	—	9,385
Changes in fair value (note 4)	—	13,640	4,624	—	18,264
As at 30 June 2007	<u>983,550</u>	<u>89,112</u>	<u>(20,823)</u>	<u>110,623</u>	<u>1,162,462</u>

No conversion of the Convertible Bonds has occurred up to 30 June 2007.

The changes in the fair value of the embedded derivatives from 27 April 2007 to 30 June 2007 resulted in a fair value loss of RMB18,264,000, which has been recorded as “Fair value changes on embedded financial derivatives” in the consolidated interim income statement for the period ended 30 June 2007.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2007 <i>RMB'000</i>	As at 31 December 2006 <i>RMB'000</i>
Trade payables	283,461	305,024
Advances from customers	129,433	366,424
Other taxes payable	189,351	183,370
Non-trade payables and accrued expenses	93,514	148,369
Non-trade payables due to related parties	<u>20,274</u>	<u>20,274</u>
Total	<u>716,033</u>	<u>1,023,461</u>

Other taxes payable include provisions for land appreciation tax totalling RMB185,615,000 as at 30 June 2007 (31 December 2006: RMB175,435,000).

The ageing analysis of trade payables is as follows:

	As at 30 June 2007 <i>RMB'000</i>	As at 31 December 2006 <i>RMB'000</i>
Within half a year	116,801	266,842
Over half a year and within one year	117,446	26,623
Over one year	<u>49,214</u>	<u>11,559</u>
	<u>283,461</u>	<u>305,024</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results and Dividends

During the 6 months ended 30 June 2007, the Group recorded total income of approximately RMB562,396,000 (1H 2006: RMB1,147,353,000). Net profit attributable to equity holders of the Company was approximately RMB84,442,000 (1H 2006: RMB231,194,000). Basic and diluted earnings per share attributable to equity holders of the Company amounted to RMB8.1 cents (1H 2006: RMB30.8 cents) for the six months ended 30 June 2007. The Board has resolved not to declare any interim dividend for the period.

Property Sales Results

The total area in terms of square metre sold and delivered for the period ended 30 June 2007 dropped 74% to 49,270 sq.m. from 190,385 sq.m. in the corresponding period last year. Revenue from property sales amounted to RMB514,428,000 (1H 2006: RMB1,107,664,000), reducing by 53.6% as compared with the corresponding period last year.

Both revenue and delivered areas have decreased as most of the properties under construction will be deliverable in the second half of the year. The Group has scheduled most of its sales launched in the second half of 2007 in view of the improving market conditions. The directors expect that more floor areas in Cambridge Forest Newtown (Phase VD & E), Cambridge Waters (Phase IIB) and Cambridge Watertown (villa and townhouse) can be delivered within the 2nd half of 2007.

During the first half of 2007, the total contracted sales area of the Group amounted to approximately 48,367 sq.m., representing a growth of 36% over approximately 35,605 sq.m. in the corresponding period last year. Total revenue booked rose significantly by 164% to RMB531,269,000 from RMB201,435,000.

Because of product quality and established brandname, the Group's projects have continued to enjoy considerable premium in pricing in addition to the benefits from the strong real estate market in Shanghai. Overall, the average selling prices of the Group's projects posted impressive growth in the first half of 2007 and such trends will be expected to persist into the second half of the year.

Land Bank Replenishment

It is the Group's strategy to maintain a portfolio of land that is sufficient to support the Group's development pipeline for four to five years' span. Up to the date of this report, the Group had a total GFA of approximately 3.2 million sq.m., of which approximately 85% of the land bank, will be used for the development of mid- to high-end residential projects, approximately 5% will be used for commercial property development, approximately 10% will be for hotel and recreational development.

During the six months ended 30 June 2007, the Group has acquired approximately 700,000 sq.m. of GFA in new development projects, augmenting its land bank portfolio from 1.5 million sq.m. as at the end of 2006 by 50%. Capital expenditure on land acquisition amounted to approximately RMB400 million.

The Group has successfully expanded its land bank through numerous acquisitions during the interim period:

- Xishan District Kunming, Yunan Province

Acquired in March 2007 through listing-for-sale, the land on Southeast Second Ring Road in Xishan areas, Kunming, will be developed in conjunction with the previously acquired site in the same area. The two adjoining projects will span across an aggregate 171,000 sq.m., with a total planned gross floor area of approximately 598,000 sq.m.

The Group has acquired the site in line with its successful strategy in developing sub-urban, large-scale and multi-phased residential projects, targeting the middle to upper-middle tier users' market. Apart from residential properties, this second piece of land will also include retail component and service-apartment units.

- Huangshan City, Anhui Province

In February and June 2007 through listing-for-sale, the Group acquired two additional pieces of land in the northern part of Huangshan District, Huangshan City in Anhui Province near the legendary scenic Taiping Lake. The acquired land, being the second and third additions to the Group's multi-phase Huangshan project, have increased the aggregate site area of the project to approximately 1.74 million sq.m. with an aggregate floor area reaching 871,919 sq.m.

Subsequent to 30 June 2007, the Group has further secured the following land bank:

- Wuxi, Jiangsu

Located in the heart of the city and in close proximity to the central commercial and business districts, the acquired site in Wuxi has a site area of 239,200 sq.m. and a total GFA of 598,000 sq.m. The Group has acquired the site through tender-by-invitation. The site will be developed into a high-quality comprehensive project with both commercial and residential components which is in line with the Group's large-scale and multi-phase development approach.

- Changshu, Jiangsu

The acquired site in Changshu, a part of Suzhou, is located in the desirable residential area of the city, and was acquired through listing-for-sale. The site is situated at the fringe of Yi Mountain (虞山), facing the national park and next to completed amenities and infrastructures. The project has a site area of 119,769 sq.m. and a total GFA of 119,769 sq.m. The Group intends to develop a prestigious project in the area consisting of town houses, duplexes and low-rise apartments.

Also, in August 2007, the Group added to its land bank another quality piece by acquiring a second site in Changshu. The project has a site area of 107,391 sq.m. and a total GFA of 128,800 sq.m. The Group acquired the site through listing-for-sale. The project is adjoining to the scenic Shang Lake (尚湖) to the north along with impressive mountain views. The Group intends to develop a high-quality residential project consisting of contemporary designed low-density townhouses and apartments, while adhering to the Group's top-notch quality and standards.

Hotel Development

With a view to generating long-term recurrent income, the Group has made substantial investment in hotel properties in the PRC. Currently, the Groups' hotel projects includes the ultra-luxurious Peninsula Hotel on the Bund, a crown jewel site in Shanghai; the Holiday Inn Hotel complex project in Pudong/Nanhui area and the Crowne Plaza Hotel project at the world-renowned scenic area of Taipinghu, Huangshan along with the Huangshan Taipinghu Resort. All three hotel development projects of the Group are under construction stage and are expected to commence operations in 2009 to early 2010.

The Peninsula Shanghai

Construction of the project commenced in October 2006 and has been progressing smoothly with the anticipated completion by end of 2009.

Crowne Plaza Hotel in Huangshan

Construction works of the project commenced in October 2006 and has also been progressing smoothly. The hotel is anticipated to be completed by end 2009.

Holiday Inn Hotel Complex

Preliminary planning for the project was completed and preliminary site works have already commenced onsite. The target completion date is early 2010.

Investment Properties and Ancillary Services

As at 30 June 2007, the Group leased out an aggregate GFA of approximately 78,500 sq.m.. Additionally the Group also operates a post-secondary college (上海思博職業技術學院 Shanghai Sipo Polytechnic) and a training centre (上海思博職業技術培訓中心 Shanghai Sipo Vocational Technical Training Centre). Such ancillary educational business constitutes a minor but stable operation of the Group, representing 3.4% of the Group's total revenue for the six months ended 30 June 2007.

Property management

During the period under review, Shanghai New Independence House, a subsidiary of the Group providing property management in respect of the projects developed by the Group generated property management fee income, after intra-group elimination, amounting to RMB13.438 million, representing an increase of 69% relative to the previous period. As at 30 June 2007, the Group was managing a total floor area of around 2 million sq.m.

FINANCIAL PERFORMANCE

Revenue

<i>(RMB'000)</i>	1H 2007	1H 2006
Sales of property	514,428	1,107,664
Lease of property	15,214	14,395
Property management & related services	13,438	7,958
Education	<u>19,316</u>	<u>17,336</u>
 Group total	 <u><u>562,396</u></u>	 <u><u>1,147,353</u></u>

Total group revenue decreased to RMB562,396,000 or by 51% for the period ended 30 June 2007 due to planned completion schedule of production falling in 2H 2007. Sales of property remain the Group's core business activity representing 91.5% of the total revenue while the growths in other business segments were reasonable.

Revenue from property sales amounted to RMB514,428,000 (1H 2006: RMB1,107,664,000), reducing by 53.6% as compared with the corresponding period last year. The leasing business grew 5.7% to RMB15,214,000 for the six months ended 30 June 2007 while property management income reached RMB13,438,000 from RMB7,958,000. Revenue for education was RMB19,316,000 (1H 2006: RMB17,336,000), representing an increase of 11.4% over the same period of 2006.

Cost of sales

The cost of sales mainly comprised land costs, construction costs, capitalized finance costs, sales tax and land appreciation tax. Costs of sales dropped by 52.2% to RMB388,928,000, being in line with the decrease in total revenue.

Gross profit and margin

Gross profit reduced to RMB173,468,000 from RMB334,344,000 or by 48%, while gross profit margin increased from 29% to 31%, which was mainly attributable to the high gross profit margin generated from Trinity Village.

Other operating income

Other operating income mainly represented grants from Shanghai Municipal government, gains on acquisition of interests in subsidiaries from minority interests, and compensations and forfeited deposits from contractors amounting to RMB8,044,000 in the 6 months.

Operating expenses

Administrative expenses increased to RMB65,779,000 in 1H 2007 from RMB34,605,000 in 1H 2006 due to the increases in both our scale of operations, traveling expenses and the number of supporting staff recruited for property development projects outside of Shanghai city since late 2006. Selling and marketing costs also experienced a rise because of more promotional campaigns of our corporate image and brand awareness in these project locations.

Net finance expenses

The significant increase in net finance expenses, amounting to RMB77,965,000 or 10 times over prior period, was mainly attributable to the exchange losses of foreign currency assets and the decline in fair value of financial derivatives attached to the convertible bonds of the Company.

Share of (loss)/profit of associates

The Group continued to suffer a net loss from share of operating results of associates in 1H 2007 since late 2006. The loss of RMB4,089,000 was mainly arisen from the Peninsula Waitan project.

Revaluation gains on investment properties

The Group recorded revaluation gains of approximately RMB110,300,000 in 1H 2007, as compared with RMB4,953,000 in the corresponding period last year. The increase was mainly due to the general market price pick-up at the beginning of year 2007.

Profit attributable to equity holders of the Company

The Group achieved a profit attributable to equity holders of RMB84,442,000 (1H 2006: RMB231,194,000), down RMB146,752,000 or 63%. Basic and diluted earnings per share declined to RMB8.1 cents or by 74% for the period.

Net profit margin reduced from 20% in 1H 2006 to 15% in 1H 2007. The reason was mainly that expenses were significantly surged as there was increased number of new property development projects at their initial stages as above mentioned, and increased finance expenses.

Financial position

Shareholders' fund attributable to equity holders of the Company reached RMB2,875,646,000 as at 30 June 2007 (31 December 2006: RMB2,674,606,000). The increase was mainly of 2 factors: (1) derived equity portion of the convertible bonds of the Company under capital reserve, and (2) net profit retained.

Total assets amounted to RMB6,946,905,000 (31 December 2006: RMB5,649,301,000) and total liabilities equaled RMB4,054,811,000 (31 December 2006: RMB2,958,865,000). The growths in both sides of the financial statements were mainly due to the issuance of the convertible bonds in late April 2007.

Current ratio continued to improve to 2.15 as at 30 June 2007 from 1.49 as at 31 December 2006.

Liquidity and financial resources

Net gearing (total borrowings less cash and cash equivalents including restricted cash over total equity) stood at a healthy level of 21.9% as at 30 June 2007. The Group held a total of RMB2,552,951,000 in cash and cash equivalents (including restricted cash) and a total of borrowings of RMB3,185,020,000. All borrowings were Renminbi denominated.

During the period under review, an issue of convertible bonds was successfully completed by the Company in April 2007. A net proceed of approximately RMB1,134,000,000 was raised. Please refer to Note 9 of the financial statements for more details of the bonds.

The maturity of the total borrowings as at 30 June 2007 was as follows:

	<i>RMB'000</i>
Bank borrowing	
Within 1 year	1,199,000
Between 1 and 2 years	692,340
Between 2 and 5 years	175,000
Over 5 years	<u>135,130</u>
 Total	 2,201,470
 Convertible bonds due 2012	 <u>983,550</u>
	 <u><u>3,185,020</u></u>

Pledge of assets

As at 30 June 2007, the Group pledged properties and land use rights with carrying amount of RMB1,735,208,000 and cash equivalent to RMB922,000,000 to secure bank facilities granted to the Group. The total secured loan balance outstanding as at 30 June 2007 amounted to RMB2,191,470,000.

Financial guarantees

As at 30 June 2007, the Group provided guarantees to banks for:

	Unaudited As of 30 June 2007 RMB'000	Audited As of 31 December 2006 RMB'000
Mortgage facilities granted to purchasers of property units	<u>36,810</u>	<u>145,405</u>

Capital Commitment

	Unaudited As of 30 June 2007 RMB'000	Audited As of 31 December 2006 RMB'000
Property development activities:		
— Contracted but not provided for	718,752	818,708
— Authorised but not contracted for	<u>1,182,434</u>	<u>1,407,707</u>
Total	<u>1,901,186</u>	<u>2,226,415</u>

USE OF PROCEEDS FROM THE IPO AND THE ISSUANCE OF CONVERTIBLE BONDS

The Group has raised net proceeds of approximately RMB1,322,000,000 from the initial public offering and RMB1,134,000,000 from the issue of the Convertible Bonds. The Company had applied approximately RMB859,000,000 into the existing development projects, land acquisition as well as the repayment of borrowings, which is in compliance with the intended use of proceeds. As at 30 June 2007, a balance of approximately RMB1,597,000,000 remained as bank deposits.

FOREIGN CURRENCY RISK

Other than the IPO and the Convertible Bonds proceeds, the Group conducts its business almost exclusively in Renminbi (“RMB”) and does not have any other direct exposure to foreign exchange fluctuations. Should the value of RMB appreciate, the Group would be affected mainly by the level of HK\$ and US\$ cash and bank balances maintained.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the State of Administration on Foreign Exchange or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

HUMAN RESOURCES

As at 30 June 2007, the Group employed a total of 702 employees. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to contribute to the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the review period except for Code provision A.4.2 with respect to the election by shareholders of all directors appointed to fill a casual vacancy at the first general meeting after their appointment. Pursuant to the Company's Articles of Association, any person appointed as a Director by the Board shall stand for re-election at the next following Annual General Meeting of the Company. Such arrangement is considered appropriate in light of the requirement of paragraph 4(2) of Appendix 3 to the Listing Rules which requires that any person appointed by the directors to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the review period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the review period.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the four independent non-executive Directors of the Company.

The audit committee has reviewed the interim results for the six months ended 30 June 2007 with the management of the Company.

INTERIM REPORT

The 2007 interim report containing all the information required by the Listing Rules will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.spkland.com).

DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Weixian, Mr. Tse Sai Tung, Stones, Mr. Lai Kin, Jerome, Ms. Wang Xuling and the independent non-executive Directors are Mr. Cheong Ying Chew, Henry, Mr. Fong Wo, Felix, *JP*, Mr. Jiang Simon X. and Mr. Kwan Kai Cheong.

By order of the Board
SPG Land (Holdings) Limited
WANG WEIXIAN
Chairman

Hong Kong, 6 September 2007