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)

2006 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

Key financial results

- Revenue up 61% to RMB1,887 million.
- Net profit up 53% to RMB399 million.
- Basic earnings per share up 37% to RMB0.48.
- Net gearing down to 9%.

Key developments

- Successfully listed on the main board of The Stock Exchange of Hong Kong Limited on 10 October 2006.
- Sold and delivered GFA up 84% to 309,598 sq.m..
- Post-IPO land bank replenishment of 832,000 sq.m..
- Construction for The Peninsula Shanghai begun and due to be completed by 2009.

"Fresh Thinking, Quality Living"

The Board of Directors (the "Board") of SPG Land (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2006 RMB'000	2005 RMB'000
Revenue	2	**1,887,458**	1,169,176
Cost of sales		**(1,330,889)**	(737,236)
Gross profit		**556,569**	431,940
Other operating income	3	**15,858**	14,512
Selling and marketing costs		**(28,281)**	(45,042)
Administrative expenses		**(81,546)**	(70,497)
Other operating expenses	3	**(213)**	(12,730)
Results from operating activities		**462,387**	318,183
Finance income		**23,092**	6,786
Finance expenses		**(36,640)**	(6,191)
Net finance (expenses)/income	5	**(13,548)**	595
Share of (loss)/profit of associates		**(318)**	1,047
Profit before revaluation gains on investment properties and income tax		**448,521**	319,825
Revaluation gains on investment properties		**39,882**	41,752
Profit before income tax		**488,403**	361,577
Income tax expenses	6	**(89,393)**	(100,081)
Profit for the year		**399,010**	261,496
Attributable to:			
Equity holders of the Company		**390,818**	262,201
Minority interests		**8,192**	(705)
Profit for the year		**399,010**	261,496
Dividends	8	**105,056**	361,043
Earnings per share (RMB)			
— Basic	7	**0.480**	0.350
— Diluted	7	**0.479**	0.350

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**226,856**	183,279
Land use rights		**74,280**	75,767
Properties under development		**758,434**	966,068
Investment properties		**333,700**	259,700
Investment properties under development		**40,907**	35,250
Interests in associates		**944,134**	63,774
Deferred tax assets		**64,148**	126,207
Total non-current assets		**2,442,459**	1,710,045
Current assets			
Properties under development		**505,290**	1,319,501
Completed properties held for sale		**387,533**	187,214
Inventories		**2,108**	1,657
Investments		**3,319**	6,386
Trade and other receivables	9	**647,901**	358,787
Restricted cash		**841,717**	55,083
Cash and cash equivalents		**818,974**	52,734
Total current assets		**3,206,842**	1,981,362
Total assets		**5,649,301**	3,691,407
EQUITY			
Share capital		**105,571**	455,474
Share premium		**2,084,437**	—
Reserves		**549,831**	76,974
Retained earnings		**(65,233)**	(365,065)
Total equity attributable to equity holders of the Company		**2,674,606**	167,383
Minority interests		**15,830**	22,638
Total equity		**2,690,436**	190,021
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings		**789,470**	397,000
Deferred income tax liabilities		**24,045**	12,991
Total non-current liabilities		**813,515**	409,991
Current liabilities			
Interest bearing loans and borrowings		**1,111,390**	727,339
Trade and other payables	10	**1,023,461**	2,363,670
Tax payable		**10,499**	386
Total current liabilities		**2,145,350**	3,091,395
Total liabilities		**2,958,865**	3,501,386
Total equity and liabilities		**5,649,301**	3,691,407
Net current assets/(liabilities)		**1,061,492**	(1,110,033)
Total assets less current liabilities		**3,503,951**	600,012

Notes:

1. **BASIS OF PREPARATION**

The Group is regarded as a continuing entity resulting from a reorganisation of the entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date of the reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2005 and 2006 include the results of the Company and its subsidiaries from 1 January 2005, or their respective dates of incorporation or at the date the common control was established, if later, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2005 and 2006 are a consolidation of the balance sheets of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

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 not yet adopted

Up to the date of issue of these financial statements, the International Accounting Standards Board has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ended 31 December 2006 and which have not been adopted in these financial statements:

	Effective for 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
IFRS 8, Operating Segments	1 January 2009
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
IFRIC 11, IFRS 2 — Group and treasury share transaction	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008

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 these financial statements, 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**

At 31 December 2006, 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 year ended 31 December 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*
Revenue	**1,791,755**	**32,427**	**22,801**	**40,475**	**1,887,458**
Segment results	**450,329**	**52,203**	**(5,751)**	**5,488**	**502,269**
Net finance expense	**(8,356)**	**(442)**	**(188)**	**(4,562)**	**(13,548)**
Share of loss of associates	**(318)**	—	—	—	**(318)**
Profit/(loss) before income tax	**441,655**	**51,761**	**(5,939)**	**926**	**488,403**
Income tax expense	**(78,909)**	**(9,441)**	**(1,043)**	—	**(89,393)**
Profit/(loss) for the year	**362,746**	**42,320**	**(6,982)**	**926**	**399,010**

The segment results for the year ended 31 December 2005 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*
Revenue	1,100,205	17,594	30,993	20,384	1,169,176
Segment results	315,618	54,279	(1,049)	(8,913)	359,935
Net financing income/(expense)	3,207	18	112	(2,742)	595
Share of profit of associates	1,047	—	—	—	1,047
Profit/(loss) before income tax	319,872	54,297	(937)	(11,655)	361,577
Income tax expense	(98,390)	(1,111)	(580)	—	(100,081)
Profit/(loss) for the year	221,482	53,186	(1,517)	(11,655)	261,496

3. **OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES**

Other operating income

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Government grants	**12,703**	13,579
Gains on transfer of rights and obligations in a trust agreement	**2,385**	—
Others	**770**	933
Total	**15,858**	14,512

Other operating expenses

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Loss on disposal of property, plant and equipment	**106**	11,295
Donations	**30**	1,386
Others	**77**	49
Total	**213**	12,730

4. **EXPENSES BY NATURE**

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

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Depreciation	**23,801**	21,975
Amortisation of land use rights	**1,487**	1,417
(Reversal of)/provision for impairments of receivables	**(16,191)**	4,438
Personnel expenses	**61,164**	37,748
Advertising costs	**13,259**	19,862
Cost of properties and land use rights sold		
Land use rights	**291,424**	137,290
Finance cost capitalised in cost of properties	**30,951**	17,524
Development cost	**808,266**	392,940
Other cost	**12,884**	10,261
Land appreciation tax	**23,406**	55,581
Cost of goods sold and rendering service	**6,090**	17,508
Cost of property management	**12,162**	9,114
Cost of education	**22,155**	16,539
Cost of leasing	**11,029**	5,860
Business taxes and other levies	**96,326**	59,577
Office expenses	**7,150**	6,682
Auditor's remuneration	**1,600**	126
Consulting expenses	**12,742**	10,878
Commission fee	**7,426**	14,549
Rental	**6,806**	6,062
Others	**6,779**	6,844
	1,440,716	852,775

5. **NET FINANCE EXPENSES/(INCOME)**

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Interest expenses	**88,249**	60,080
Less: Amount capitalised in properties under development, properties under development for sale with capitalisation rate of 6.02% (2005: 5.50%)	**(60,000)**	(53,890)
	28,249	6,190
Interest income	**(19,916)**	(7,717)
Net change in fair value of financial assets at fair value through profit or loss	**(3,176)**	931
Net foreign exchange loss	**8,391**	1
Total	**13,548**	(595)

6. **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 year ended 31 December 2006 (2005: 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% (2005: 15% to 33%).

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
PRC income tax		
Current income tax	**16,280**	48,306
Deferred tax		
Origination and reversal of temporary differences	**77,419**	47,010
Benefit of tax losses recognised	**(15,360)**	(3,020)
Revaluation of investment properties	**11,054**	7,785
	89,393	100,081

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 RMB23,406,000 is included in cost of sales in the income statement for the year ended 31 December 2006 (2005: RMB55,581,000).

7. **EARNINGS PER SHARE (BASIC AND DILUTED)**

Basic 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 year.

	Year ended 31 December 2006	2005
Profit attributable to equity holders of the Company (RMB'000)	**390,818**	262,201
Weighted average number of shares in issue (thousands) (basic)	**814,658**	750,000
Earnings per share (basic) (RMB)	**0.480**	0.350
Weighted average number of shares in issue (thousands) (diluted)	**816,198**	750,000
Earnings per share (diluted) (RMB)	**0.479**	0.350

8. **DIVIDENDS**

Pursuant to the resolutions passed at the board of directors' meeting held by certain subsidiaries, the following dividends were declared to equity holders.

	Year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Dividends	**105,056**	361,043

The above dividends were distributed prior to the listing of the Company's shares. These dividends are not indicative of the Group's future dividend policy.

Pursuant to a resolution passed at the board of directors' meeting held by the Company on 12 April 2007, it was resolved that no final dividend was declared for the year ended 31 December 2006.

9. **TRADE AND OTHER RECEIVABLES**

	As at 31 December 2006 *RMB'000*	2005 *RMB'000*
Receivables due from related parties:		
— Chairman of the board	—	13,961
— Other related parties	**18,636**	4,013
	18,636	17,974
Trade receivables due from third parties	**2,373**	2,763
Advance payments to contractors	**4,542**	58,309
Deposits for acquisition of land use rights	**498,853**	48,000
Non-trade receivables	**93,104**	143,887
Tax prepayments	**30,393**	87,854
Total	**647,901**	358,787

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 31 December 2006 *RMB'000*	2005 *RMB'000*
Within three months	**1,141**	1,810
Over three months and within half a year	—	120
Over half a year and within one year	**399**	833
Over one year	**833**	—
	2,373	2,763

10. **TRADE AND OTHER PAYABLES**

	As at 31 December 2006 *RMB'000*	2005 *RMB'000*
Trade payables	**305,024**	763,787
Advances from customers	**366,424**	1,356,608
Other taxes payable	**183,370**	166,292
Non-trade payables and accrued expenses	**148,369**	60,765
Non-trade payables due to related parties	**20,274**	16,218
Total	**1,023,461**	2,363,670

Other taxes payable include provisions for land appreciation tax totalling RMB175,435,000 as at 31 December 2006 (2005: RMB164,653,000).

The ageing analysis of trade payables is as follows.

	As at 31 December 2006 *RMB'000*	2005 *RMB'000*
Within half a year	**266.842**	264,155
Over half a year and within one year	**26,623**	365,173
Over one year	**11,559**	134,459
	305,024	763,787

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environments

With China's rapid pace of economic growth, accelerated urbanisation rate and continued rise in disposable income, the Group see abundant opportunities in China's property market. From the successive issues of regulatory policies, we are aware of central government's intention to further regulate the property sector and to avoid an overheated market environment, which is beneficial to the healthy growth of the industry.

The Group is well-prepared for recent changes in policy measures imposed by the government. As for the PRC government's announcement of the enforcement of the Land Appreciation Tax ("LAT") while the implementation details are still being considered by individual municipal and provincial governments, the management of the Company would like to reiterate that the Group has made full provision in our projects and hence, the collection of LAT for our past projects would not have any significant impact on the Group's earnings. We will continue to adhere to a prudent approach in investment strategy to control vulnerability of business operations in response to such policy changes.

Having witnessed the government's efforts to better regulate the property industry in recent years, we are of the view that repercussions from the previous rounds of macroeconomic policies will lead to consolidation amongst smaller and less-capitalised developers. More opportunities will emerge along with such market adjustments. With our sound financial position, the Group will be able to capitalise on opportunities presented and review the possibility to acquire quality projects from smaller or less-capitalised developers.

Business Review

In 2006, we sold and delivered 251,588 sq.m. in Phase VC of Cambridge Forest Newtown, 46,364 sq.m. in Phase 1 of Cambridge Waters and 11,646 sq.m. of Cambridge Watertown which altogether represented a 84% increase as compared to 2005. Amid the stabilised market in Shanghai, the Group continued to demonstrate its proven ability for the sales and marketing of the residential projects during the reporting period, which is a compelling testimony and endorsement of our strategy to focus on the solid middle to upper-middle market. Our rental properties also increased their contribution towards recurrent income for the Group. The new phases of three residential projects in Shanghai, namely, Phase VI of Cambridge Forest Newtown, Phase IIB & C of Cambridge Waters and Phase II of Cambridge Watertown, are all actively under development with satisfactory progress. The construction of The Peninsula Shanghai in Waitan commenced in October 2006 and is expected to be completed on schedule in the second half of 2009. Planning for the new Holiday Inn in Shanghai and Crowne Plaza resort hotel in Huangshan are in progress.

Since our listing in October, the Group has carried out its plan to replenish its landbank with the majority of the IPO proceeds. In November 2006, within one month after our listing, we acquired a prime site in the prestigious residential area of Kunming with a developable GFA of approximately 377,000 sq.m. In March 2007, we also successfully acquired another piece of land in Kunming which is adjoining the previously acquired site, adding a GFA of approximately 221,000 sq.m. and formed a combined development project with the total GFA amounting to 598,000 sq.m. We further enhanced our landbank in Huangshan in February 2007 by an additional 234,000 sq.m. With such new additions, our current landbank size has reached approximately 2,000,000 sq.m., which is about 71% above the pre-IPO landbank. Such new acquisitions have been in line with the Group's strategy to develop large-scale and multi-phase residential projects at sub-urban areas of the cities, targeting the middle to upper-middle income groups. We believe that such quality landbank will form a solid base for our sustainable business growth.

Future Outlook

With extensive experience and clear strategies for China's property industry, we are confident that our management team's profound knowledge and understanding of the property development and investment market will enable the Group to fully-capitalise opportunities arising from China's strong domestic demand that is supported by robust economic growth and rising GDP.

In 2007, the new phases of our three existing residential projects in Shanghai, namely, Phase VI of Cambridge Forest Newtown, Phase IIB & C of Cambridge Waters and Phase II of Cambridge Watertown, are due to be completed and delivered. Phase IIA of Cambridge Waters, Phase III of Cambridge Watertown, as well as the newly acquired Kunming project will also be under construction. Presale for such projects under development will be well-spanned throughout the year. The three hotel projects of the Group, namely, Peninsula Shanghai, Holiday Inn in Shanghai, and Crowne Plaza in Huangshan, will all be under construction. These hotel projects will be able to benefit from rising demand for hotel accommodation due to rapid development of China's tourism industry, as well as the much anticipated first Olympic Games in 2008 and the first World Expo to be held in 2010. Our understanding and insight into China's property market has led us into deciding that securing a stable source of recurrent income will enable us to expand the scale of our business while sustaining a healthy cash flow. The Group has hence adhered to a balanced portfolio strategy to our exposure in hotel and investment properties, while targeting a substantial growth in residential sales.

Our other focus is to strategically increase the size of our land bank. Our immediate target is to accumulate sufficient land bank to cover our project pipeline for the next four to five years, while maintaining an optimum asset turnover ratio. We will leverage our successful experience in Shanghai to strategically expand into other parts of China, targeting cities of regional importance, with developing infrastructure, reasonable land prices and good growth potential. We will continue to explore opportunities arising from high-growth cities in China and prudently adhere to our well thought-out land bank strategy by seeking to expand via various methods, including project partnerships or acquiring projects from other developers.

Our vision is to become one of the leading national developer that is managed by a highly professional team. We will continue to rely on our industry expertise and our experienced and quality team, with clear and focused strategies, applying the highest possible standard in delivering the finest results to our stakeholders and investors.

PROPERTY DEVELOPMENT

During the year under review, the Group completed three development projects with a total Gross Floor Area ("GFA") of 350,761 sq.m..

Project	Type	Development Projects Completed in FY2006 Approximate GFA Completed *(sq.m.)*
Cambridge Forest Newtown Phase VC	Apartment	269,711
Cambridge Waters Phase I	Apartment	47,531
Cambridge Watertown	Villa	22,892
Cambridge Watertown	Townhouse	10,627
Total		350,761

PROPERTY SALES PERFORMANCE

The following table shows the sales of major development projects of the Group during the year under review:

Project	Approximate area sold and delivered in 2006 *(sq.m.)*	Approximate sales recognised in 2006 *(RMB'000)*	Average selling price *(RMB/sq.m.)*
Cambridge Forest Newtown Phase VC	251,588	1,404,739	5,583
Cambridge Waters Phase I	46,364	294,893	6,360
Cambridge Watertown Villa	8,862	75,909	8,566
Cambridge Watertown Townhouse	2,784	16,214	5,824
Total	309,598	1,791,755	

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year 2006 was RMB1,887 million, being 61% above 2005 (RMB1,169 million). It was mainly attributable to the increase in sales of properties by 63% from RMB1,100 million in 2005 to RMB1,792 million in 2006. In terms of the overall unit selling price and volume of transactions, a table of analysis on the sales of properties is provided as follows:

	2006		2005	
	GFA delivered ***(sq.m.)***	**Average selling price** ***(RMB/sq.m.)***	GFA delivered *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Villa	**8,862**	**8,566**	43,106	7,363
Shops	—	—	285	7,943
Apartments and townhouses	**300,736**	**5,705**	125,039	6,243
	309,598	**5,787**	168,430	6,532

In 2006, the Group successfully completed the development and delivery of apartments in Phase VC of Cambridge Forest Newtown and Phase I of Cambridge Waters. Therefore, the total GFA delivered experienced a substantial growth and increased by 84% to 309,598 sq.m. (2005: 168,430 sq.m.). The decrease in average selling price was mainly because of the increase in sales of apartments units, of which each unit was normally sold at a lower price per sq.m. as compared to those of the villas. The change in average selling prices of apartments was mainly caused by delivery of completed units for different projects.

Rental income increased by 84% from RMB18 million to RMB32 million. The impressive growth was due to the increased rental income from Trinity Village, a completed villa project located in Cambridge Forest Newtown, which is leased out on a temporary basis.

Cost Of Sales

Cost of sales in 2006 increased by 81% from RMB737 million to RMB1,331 million, being in line with the significant growth in revenue. In Phase VC of Cambridge Forest Newtown, the construction costs of apartment units per sq.m. were normally higher than those of villas of the same GFA, which were delivered in 2005, resulting in higher construction cost per sq.m. in 2006. Cost of properties sold increased by 88% from RMB670 million to RMB1,259 million.

Gross Profit And Margin

Gross profit increased by 29% from RMB432 million in 2005 to RMB557 million in 2006. Gross profit margin for the full year dropped from 37% in 2005 to 29% in 2006. It was because the majority portion of the revenue in 2006 derived from apartment units in Phase VC of Cambridge Forest Newtown, which yielded lower profit margin as compared to villas.

Other Operating Income

Other operating income increased by 9% from RMB14.5 million in 2005 to RMB15.8 million in 2006. A major portion of the income was arisen from grants from Shanghai municipality government and a gain on transfer of rights and obligations in a trust agreement.

Operating Expenses

In 2006, a decrease of 37% as compared to the year 2005 was recorded in the selling and marketing costs from RMB45 million to RMB28 million. The reason behind was that fewer marketing campaigns were launched in year 2006, resulting in a decrease in advertisements and promotion expenses.

Administrative expenses increased from RMB70 million to RMB82 million, representing a modest rise of 16% over the year 2005. It was mainly attributable to the increases in the staff costs, traveling expenses and the share-based payments arising from the pre-IPO option scheme. Meanwhile, there was a write-back of provision for doubtful debts amounting to RMB16 million in 2006.

Other operating expenses was substantially reduced by 98% from RMB13 million in 2005 to RMB0.2 million in 2006 because of the write-off incurred in 2005 for the renovation costs of a property which was then operated as restaurant and leased out to a third party.

Net Finance (Expenses)/income

The net finance expenses ran up from an income of RMB0.6 million in 2005 to expenses of RMB14 million in 2006. The increase in total finance expenses was mainly due to project loan interests being expensed-off instead of capitalised as construction costs after completion of certain development projects such as Phase VC of Cambridge Forest Newtown and Phase I of Cambridge Waters. On the other hand, the Group also enjoyed increase in interest income derived from the proceeds of the Group's listing activities in 2006.

Share of (Loss)/Profit of Associates

The Group suffered a net loss from share of operating results of associates in 2006, amounting to RMB318,000 while in 2005 it shared a profit of RMB1,047,000 from the associates. In 2006, the share of loss of RMB1,731,000 from Peninsula Waitan outweighed the share of profit from Zhongxin amounting to RMB1,413,000.

Revaluation Gains on Investment Properties

The Group recorded a revaluation gain of RMB39.9 million for 2006. It mainly represented the capital appreciation in value of certain retail properties in Cambridge Forest Newtown and the community centre at Phase I of Cambridge Waters. The revaluation gain of RMB42 million in 2005 was recognized following the completion of the hypermarket building in Cambridge Forest Newtown.

Income Tax

Income tax decreased by 11% from RMB100 million in 2005 to RMB89 million in 2006. The effective tax rate also decreased from 28% in 2005 to 18% in 2006. The decreases in tax amount and effective rate were mainly arisen from the fact that a major portion of the Group's profit was contributed by Shanghai Cambridge which was subject to the income tax rate of 15% in 2006 whereas profit derived from Shanghai Oriental was charged at a higher income tax rate of 33% in 2005.

Profit Attributable To Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB390.8 million (2005: RMB262.2 million), up RMB128.6 million or 49% over the previous year. Earnings per share rose by 37% to RMB0.480 from RMB0.350 in 2005. The increase was mainly due to the growth of property development business.

Net profit margin for full year dropped slightly from 22% in 2005 to 21% in 2006, as compared to the 8% drop in gross profit margin as above mentioned. Up-holding the net profit margins in 2005 and 2006 was a reflection of the management's continued commitment in containing overall operating expenses to a reasonable level.

Segmental Information

For management purposes, the Group is currently organized into four operating divisions — sales of property, lease of property, property management and other related services, and education. An analysis of the Group's revenue is as follows:

	Year ended 31 December	
	2006 ***RMB'000***	2005 *RMB'000*
Sales of property	**1,791,755**	1,100,205
Lease of property	**32,427**	17,594
Property management & other related services	**22,801**	30,993
Education	**40,475**	20,384
	1,887,458	1,169,176

Sales of property remains the Group's core business activity representing 95% of the total revenue in 2006 while the growths in both the property investment (up 84% yoy) and education (up 99% yoy) segments were strong over 2005.

Financial Position

Shareholders' fund attributable to equity holders of the Company increased by 15 times from RMB167 million in 2005 to RMB2,675 million as at 31 December 2006. The increase was mainly due to (1) issue of share for acquisition of subsidiary; (2) the proceeds raised through our initial public offering ("IPO") in October 2006 and (3) the net profit retained by the Group for 2006.

Total assets amounted to RMB5,649 million as at 31 December 2006 (2005: RMB3,691 million) and total liabilities (including minority interests) equaled RMB2,975 million (2005: RMB3,524 million). The increase was mainly due to the cash proceeds received from the IPO as above mentioned.

Current ratio was substantially improved from 0.64 in 2005 to 1.49 in 2006.

Liquidity and Financial Resources

The Group derived its sources of fund primarily from income generated from business operations, bank borrowings, cash proceeds raised from the IPO, which were used to finance its business operations and investment in development projects.

Net gearing (total borrowings less cash and cash equivalents including restricted cash over total equity) substantially decreased from 535% in 2005 to 9% in 2006 due to stronger equity base. As at 31 December 2006, the Group had cash and cash equivalents of about RMB819 million, representing 15 times' increase over 2005, and total borrowings of about RMB1,901 million (2005: RMB1,124 million).

Financial guarantees

As at 31 December 2006, the Group provided guarantees to banks for:

	As at 31 December	
	2006 ***RMB'000***	2005 *RMB'000*
Mortgage facilities granted to purchasers of property units	**145,405**	548,055

Capital Commitment

	As at 31 December	
	2006 ***RMB'000***	2005 *RMB'000*
Property development activities:		
— Contracted but not provided for	**818,708**	403,385
— Authorised but not contracted for	**1,407,707**	1,818,415
Total	**2,226,415**	2,221,800

PLEDGE OF ASSETS

As at 31 December 2006, the Group pledged a portion of its land and properties with carrying amount of RMB1,809,081,000 (2005: RMB2,115,035,000) to secure bank loans.

USE OF PROCEEDS FROM THE IPO

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 10th October 2006, and the Group has raised net proceeds of approximately RMB1,322 million from the IPO. The Company had applied approximately RMB503 million 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 disclosed on page 173 of the Company's prospectus dated 26 September 2006. As at 31 December 2006, a balance of approximately RMB819 million remained as bank deposits.

FOREIGN CURRENCY RISK

Other than the IPO 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$ 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 ("SAFE") 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 31 December 2006, the Group employed a total of 502 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") since the date on which the Company's shares were listed on the main board of the Stock Exchange 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 the 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.

CLOSURE OF REGISTER OF MEMBERS

The 2007 annual general meeting of the Company will be held on 8 June 2007. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Wednesday, 6 June 2007 to Friday, 8 June 2007, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the 2007 annual general meeting of the Company to be held on 8 June 2007, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 5 June 2007.

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 since the date on which the Company's shares were listed on the main board of The Stock Exchange.

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 since the date on which the Company's shares were listed on the main board of The Stock Exchange.

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 annual results for the year ended 31 December 2006 with the management of the Company.

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 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, 12th April 2007