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)

2008 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

Key financial results

- Revenue: RMB1,395 million.
- Net profit: RMB188 million.
- Profit attributable to equity holders of the Company: RMB151 million.
- Gross profit margin: 38.8%.
- Basic earnings per share: RMB0.146.

Summarized results

- Sold and delivered GFA 115,134 sq.m..
- Contracted sales amounted to RMB1,830 million.
- Acquired a project company in Haikou with GFA of approximately 252,759 sq.m..
- Current land bank of approximately 3.47 million sq.m..
- Contributed RMB61.1 million by disposal of 40% equity interest in Suzhou Project.

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 2008.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*2*	**1,394,993**	1,714,507
Cost of sales	*7*	**(853,196)**	(1,072,298)
Gross profit		**541,797**	642,209
Other income	*5*	**3,289**	9,237
Selling and marketing costs	*7*	**(69,484)**	(65,592)
Administrative expenses	*7*	**(157,982)**	(151,743)
Other operating expenses	*6*	**(7,129)**	(9,115)
Net gain on acquisition of subsidiaries	*3*	**48,216**	—
Net gain on disposal of equity interest in subsidiaries	*4*	**61,140**	193,112
Net gain on repurchase of convertible bonds	*15*	**58,252**	—
Results from operating activities		**478,099**	618,108
Finance income		**14,199**	46,359
Finance expenses		**(102,056)**	(152,729)
Fair value changes on financial derivatives	*15*	**(42,495)**	20,725
Net finance expenses	*8*	**(130,352)**	(85,645)
Share of loss of associates		**(12,717)**	(8,239)
Profit before revaluation gains on investment properties and income tax		**335,030**	524,224
Revaluation gains on investment properties		**25,000**	269,626
Profit before income tax		**360,030**	793,850
Income tax expense	*9*	**(172,025)**	(251,580)
Profit for the year		**188,005**	542,270

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated)
Attributable to:			
Equity holders of the Company		**151,499**	517,614
Minority interests		**36,506**	24,656
Profit for the year		**188,005**	542,270
Dividends payable to equity holders of the Company	*10*		
Dividends declared during the year		**149,549**	—
Dividends proposed after the balance sheet date		**51,185**	149,549
Earnings per share			
Basic earnings per share (RMB)	*11*	**0.146**	0.499
Diluted earnings per share (RMB)	*11*	**0.146**	0.462

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Assets			
Property, plant and equipment		**252,756**	246,039
Land use rights		**79,500**	64,173
Properties under development		**2,558,728**	2,356,458
Investment properties		**723,000**	698,000
Interests in associates		**923,177**	982,507
Financial derivatives	*15*	**3,382**	46,171
Deferred tax assets		**88,149**	73,728
Total non-current assets		**4,628,692**	4,467,076
Properties under development		**1,800,902**	642,593
Completed properties held for sale		**509,861**	253,976
Other investments		**856**	730
Trade, other receivables and advance deposits	*12*	**1,340,466**	1,079,564
Restricted cash		**539,771**	241,593
Cash and cash equivalents		**403,531**	863,237
Total current assets		**4,595,387**	3,081,693
Total assets		**9,224,079**	7,548,769
Equity			
Share capital		**104,818**	105,571
Share premium		**2,081,584**	2,084,437
Reserves		**689,460**	685,931
Retained earnings		**447,989**	451,772
Total equity attributable to equity holders of the Company		**3,323,851**	3,327,711
Minority interests		**524,409**	304,577
Total equity		**3,848,260**	3,632,288

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Liabilities			
Interest bearing loans		**580,000**	372,400
Trade, other payables and advance receipts	*13*	**1,895,128**	1,238,662
Tax payable		**323,556**	332,421
Long-term payable within one year	*14*	**6,000**	—
Total current liabilities		**2,804,684**	1,943,483
Interest bearing loans		**1,141,860**	678,810
Long-term payable	*14*	**49,013**	—
Convertible bonds	*15*	**1,029,227**	1,080,189
Deferred tax liabilities		**351,035**	213,999
Total non-current liabilities		**2,571,135**	1,972,998
Total liabilities		**5,375,819**	3,916,481
Total equity and liabilities		**9,224,079**	7,548,769
Net current assets		**1,790,703**	1,138,210
Total assets less current liabilities		**6,419,395**	5,605,286

Notes:

1. BASIS OF PREPARATION

The consolidated results of the Group for the years ended 31 December 2007 and 2008 include the results of the Company and its subsidiaries from 1 January 2007, or their respective dates of incorporation. The consolidated balance sheets at 31 December 2007 and 2008 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis except that derivative financial instruments, investment properties and investments are measured at fair value.

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

	Effective for accounting period beginning on or after (unless specified)
IFRIC 13, *Customer loyalty programmes*	1 July 2008
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
IFRIC 15, *Agreements for the construction of real estate*	1 January 2009
IFRIC 17, *Distributions on non-cash assets to owners*	1 July 2009
IFRIC 18, *Transfers of assets from customers*	Applies to transfers of assets from customers received on or after 1 July 2009
IFRS 8, *Operating segments*	1 January 2009
Revised IAS 1, *Presentation of financial statements*	1 January 2009
Revised IAS 23, *Borrowing costs*	1 January 2009
Amendments to IFRS 1, *First-time adoption of International Financial Standards, and IAS 27, Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Amendment to IFRS 2, *Share-based payment — Vesting conditions and cancellations*	1 January 2009
Amendments to IAS 32, *Financial instruments: Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Amendments to IFRIC 9, *Reassessment of embedded derivatives* and IAS 39, *Financial instruments: Recognition and measurement — Embedded derivatives*	The amendments are effective for annual periods ending or after 30 June 2009

	Effective for accounting period beginning on or after (unless specified)
Amendments to IFRS 7, *Financial instruments: Disclosures — Improving disclosures about financial instruments*	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*	1 July 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 the issuance of these financial statements, the Group believes that their adoption is unlikely to have a significant impact on the Group's results of operations and financial position.

Changes in accounting policies

The IASB has issued the following new interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- IFRIC 11, IFRS 2 — *Group and treasury share transactions*
- IFRIC 12, *Service concession arrangements*
- IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement,* and IFRS 7, *Financial instruments: Disclosures — Reclassification of financial assets*

These IFRSs developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. REVENUE AND SEGMENT INFORMATION

As at 31 December 2008, the Group was 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 2008 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	**1,269,102**	**26,920**	**38,499**	**60,472**	**1,394,993**
Segment result	**286,728**	**11,551**	**844**	**11,368**	**310,491**
Net gain on acquisition of subsidiaries	**48,216**	**—**	**—**	**—**	**48,216**
Net gain on disposal of equity interest in subsidiaries	**61,140**	**—**	**—**	**—**	**61,140**
Net gain on repurchase of convertible bonds	**58,252**	**—**	**—**	**—**	**58,252**
Net finance expenses	**(120,993)**	**(3,449)**	**852**	**(6,762)**	**(130,352)**
Share of loss of associates	**(12,717)**	**—**	**—**	**—**	**(12,717)**
Revaluation gains on investment properties	**—**	**25,000**	**—**	**—**	**25,000**
Profit before tax	**320,626**	**33,102**	**1,696**	**4,606**	**360,030**
Income tax expense	**(162,220)**	**(8,566)**	**(1,223)**	**(16)**	**(172,025)**
Profit for the year	**158,406**	**24,536**	**473**	**4,590**	**188,005**

The segment results (restated) for the year ended 31 December 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*
Revenue	1,606,718	29,585	27,243	50,961	1,714,507
Segment result	397,775	21,230	930	5,061	424,996
Net gain on disposal of equity interest in subsidiaries	193,112	—	—	—	193,112
Net finance expenses	(82,720)	(611)	1,954	(4,268)	(85,645)
Share of loss of associates	(8,239)	—	—	—	(8,239)
Revaluation gains on investment properties	—	269,626	—	—	269,626
Profit before tax	499,928	290,245	2,884	793	793,850
Income tax expense	(150,972)	(98,889)	(1,719)	—	(251,580)
Profit for the year	348,956	191,356	1,165	793	542,270

3. ACQUISITION OF SUBSIDIARIES

Subsidiary acquired in 2008

(i) *Hainan Jianqiao Real Estate Co., Ltd. ("Hainan Jianqiao")*

On 4 January 2008, Shanghai Oriental Cambridge Property Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Newgench Enterprise Group Co., Ltd. (上海新建橋企業集團有限公司) ("Shanghai Newgench") to acquire from Shanghai Newgench the entire equity interest in Hainan Jianqiao at a total consideration of RMB405,150,000. On 28 November 2008, a supplementary agreement was signed to reduce the total consideration by RMB6,000,000. Transaction costs of RMB17,900,000 were incurred. The total consideration to acquire Hainan Jianqiao was determined as RMB417,050,000. Hainan Jianqiao is engaged in the development of a property project located in Hainan province, the PRC.

Hainan Jianqiao owns 100% of the equity interest in Hainan Jianqiao Property Management, which is engaged in providing property management service to the property project.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

In RMB'000	**Pre-acquisition carrying amounts**	**Fair value adjustments**	**Recognised value on acquisition**
Property, plant and equipment	1,135	—	1,135
Properties under development	243,128	496,872	740,000
Trade and other receivables	87,547	—	87,547
Cash and cash equivalents	70,220	—	70,220
Loans and borrowings	(122,000)	—	(122,000)
Trade and other payables	(186,075)	—	(186,075)
Tax payables	(1,343)	—	(1,343)
Deferred tax liabilities	—	(124,218)	(124,218)
Net identifiable assets and liabilities	92,612	372,654	465,266
Total consideration for acquisition			(417,050)
Excess of acquirer's interest at fair value over costs			48,216
Total consideration, satisfied by:			
— Cash paid			325,113
— Cash acquired			(70,220)
Net cash outflow			254,893
— Non-cash consideration			91,937
			346,830
Net cash outflow arising on acquisition			
— Cash paid during 2008			249,980
— Amount due to Shanghai Newgench as at 31 December 2008			4,913
			254,893

Non-cash consideration is composed of the following items:

(i) On 2 July 2008, Shanghai Oriental and Shanghai Newgench, Wenzhou Zhongda Qiaojia Muxiancao Co., Ltd. ("Wenzhou Zhongda"), a related party of Shanghai Newgench, entered into a tripartite agreement in which the latter two companies' liabilities due to Hainan Jianqiao of RMB63,718,000 were waived by Hainan Jianqiao as part of the non-cash settlement of the consideration for acquisition.

(ii) The Group settled part of the consideration for acquisition by transferring two units of villas developed by Shanghai Cambridge to Shanghai Newgench with a total fair value of RMB28,219,000.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. The consideration for the acquisition of the equity interest in Hainan Jianqiao by the Group was based on the net book value of Hainan Jianqiao as at the date of acquisition with fair value adjustments according to a property valuation report prepared by DTZ Debenham Tie Leung Limited ("DTZ"), an independent valuer.

The acquisition has been accounted for using the purchase method of accounting.

The losses attributable to Hainan Jianqiao amounted to RMB17,110,000 of the Group's profit for the period between the date of acquisition and 31 December 2008. If the acquisition had been completed on 1 January 2008, the Group's revenue would have remained unchanged and the impact on the Group's profit for the year ended 31 December 2008 is not material, as the acquisition date was close to 1 January 2008.

(ii) *Wuxi Guosheng Property Development Co., Ltd. ("Wuxi Guosheng") and Wuxi Shenglian Property Development Co., Ltd. ("Wuxi Shenglian")*

Wuxi Guosheng and Wuxi Shenglian were joint venture companies established on 2 November 2007 for the purpose of acquiring land from Wuxi Guolian Development Co., Ltd. (無錫國聯發展有限公司) ("Wuxi Guolian"). The two joint venture companies were 49% and 51% owned by the Group and Wuxi Guolian respectively as at 31 December 2007.

On 25 June 2008, the Group injected additional capital of RMB66,966,000 (equivalent to HKD76,128,000) for each of Wuxi Guosheng and Wuxi Shenglian. As a result, the interests held by the Group in Wuxi Guosheng and Wuxi Shenglian increased from 49% to 79.78%. Therefore, the financial statements of Wuxi Guosheng and Wuxi Shenglian were consolidated by the Group from 25 June 2008. As at 31 December 2008, the Group holds 88.84% and 92.06% equity interest in Wuxi Guosheng and Wuxi Shenglian respectively.

Wuxi Guosheng and Wuxi Shenglian have not carried out any business and did not contribute any revenue to the Group for the period from 25 June 2008 to 31 December 2008.

4. DISPOSAL OF EQUITY INTEREST IN SUBSIDIARIES

Equity interests in subsidiaries disposed in 2008

On 28 May 2008, SPG Investment XIV (BVI) Limited ("SPG XIV"), which is wholly-owned by the Company, and HCP Suzhou Newton Co., Ltd. (the "Purchaser") entered into a share purchase agreement ("Purchase Agreement"). Pursuant to the Purchase Agreement, SPG XIV sold 40% of the entire issued share capital of SPG Investment XIII (BVI) Limited ("SPG XIII") to the Purchaser for RMB283,500,000. SPG XIII is an investment holding company and indirectly owns 100% of the equity interest in Suzhou Runjian Zhi Ye Company Limited (the "Project Company"). The Project Company is undertaking the development of a multi-purpose property complex in Suzhou.

The net assets of the subsidiaries as at 28 May 2008 were as follows:

Net assets disposed of:

	RMB'000
Property, plant and equipment	1,710
Properties under development	716,776
Trade and other receivables	35,167
Cash and cash equivalents	2,830
Deferred tax liabilities	(107,874)
Trade and other payables	(92,710)
	555,899
Disposal of 40% equity interest to the Purchaser	222,360
Gain on disposal of equity interest in subsidiaries	61,140
Total consideration, satisfied in cash	283,500
Net cash inflow arising on disposal — cash consideration received during 2008	283,500

5. OTHER INCOME

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Government grants	**2,422**	1,852
Gains on acquisition of interests in subsidiaries from minority interests	**—**	1,131
Compensations and forfeited deposits from contractors	**—**	5,784
Others	**867**	470
Total	**3,289**	9,237

6. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Donations	**4,560**	3,664
Compensation to contractors	**—**	5,087
Penalty costs	**1,896**	—
Others	**673**	364
Total	**7,129**	9,115

7. EXPENSES BY NATURE

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Depreciation	**25,898**	23,254
Amortisation of land use rights	**1,713**	1,440
Reversal of impairments of receivables	**(3,046)**	(200)
Personnel expenses	**115,524**	101,851
Advertising costs	**34,222**	31,307
Cost of properties and land use rights sold		
Land use rights	**163,254**	207,212
Finance cost capitalised in cost of properties	**40,587**	58,090
Development cost	**471,841**	621,467
Other cost	**29,741**	39,757
Cost of goods sold and rendering service	**4,042**	2,234
Cost of property management	**14,067**	13,728
Cost of education	**23,837**	25,739
Cost of leasing	**3,173**	3,845
Business taxes and other levies	**72,285**	87,789
Office expenses	**12,735**	9,623
Auditor's remuneration	**2,889**	2,916
Consulting expenses	**19,709**	12,798
Commission fee	**30,653**	28,808
Rental	**15,571**	9,699
Others	**1,967**	8,276
	1,080,662	1,289,633

8. NET FINANCE EXPENSES

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Interest income on bank deposits	**14,199**	37,674
Net change in fair value of other investments at fair value through profit or loss	**—**	8,685
Finance income	**14,199**	46,359
Interest expenses on bank loans	**(121,288)**	(102,171)
Less: interest capitalised	**87,041**	59,962
Net interest expenses	**(34,247)**	(42,209)
Interest expenses on financial liabilities measured at amortised cost	**(46,319)**	(30,553)
Interest expenses on long-term payable measured at amortised cost	**(1,289)**	—
Net change in fair value of other investments at fair value through profit or loss	**(828)**	—
Net foreign exchange loss	**(19,373)**	(79,967)
Finance expenses	**(102,056)**	(152,729)
Fair value changes on financial derivatives	**(42,495)**	20,725
Net finance expenses	**(130,352)**	(85,645)

9. INCOME TAX EXPENSE

(i) Income tax in the consolidated income statement represents:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax for the year	**71,290**	56,612
Provision for PRC land appreciation tax for the year	**12,888**	30,700
	84,178	87,312
Deferred tax		
Origination and reversal of temporary differences	**(11,711)**	(7,409)
Benefit of tax losses recognised	**(2,710)**	17,366
Recognition of withholding tax	**4,400**	—
Revaluation of investment properties	**7,880**	48,632
Fair value adjustments	**538**	—
Effect of change in future enactive tax rate	**—**	11,945
Deferred PRC land appreciation tax	**89,450**	93,734
	87,847	164,268
Total income tax expense in income statement	**172,025**	251,580

Enterprise income tax

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2008.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the Corporate Income Tax Law ("new tax law") of the PRC passed by Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007 and effective from 1 January 2008, subsidiaries of the Group in the PRC are subject to PRC income tax at 25% (2007:33%), except for Kunming SPG Land Property Development Co., Ltd. ("Kunming SPG Land").

Pursuant to the preferential tax policies issued by the PRC government in 2008 to encourage investment in the Western region of the PRC, Kunming SPG Land is subject to a concessionary income tax rate of 15%.

Withholding tax

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. As at 31 December 2008, deferred tax liabilities of RMB4,400,000 (2007: Nil) have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. Deferred tax liabilities of RMB6,082,000 have not been recognised, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Group's PRC subsidiaries for the year from 1 January 2008 to 31 December 2008 will not be distributed in the foreseeable future.

Land appreciation tax

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 RMB102,338,000 has been included in the income statement for the year ended 31 December 2008 (2007: RMB124,434,000).

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax. However, the implementation of these taxes varies amongst various districts and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the cost of sales and provisions of land appreciation taxes in the period in which such determination is made.

10. DIVIDENDS

		2008	2007
		RMB'000	*RMB'000*
(i)	Dividends declared during the year	**149,549**	—
(ii)	Dividends proposed after the balance sheet date	**51,185**	149,549

(i) The Company's Board of Directors proposed a final dividend of RMB14.4 cents per ordinary share for the year ended 31 December 2007 at the meeting held on 26 March 2008, which was approved by the Annual General Meeting on 23 May 2008 and paid on 27 May 2008, and has been reflected as an appropriation of retained earnings for the year ended 31 December 2008.

(ii) The Board of Directors has resolved to propose dividends of RMB51,185,000 (RMB4.97 cents per ordinary share) in respect of the year ended 31 December 2008. The dividends proposed after the balance sheet date have not been recognized as a liability at the balance sheet date.

11. 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	
	2008	2007
		(Restated)
Profit attributable to equity holders of the Company (basic) *(RMB'000)*	**151,499**	517,614
Weighted average number of shares in issue (thousands) (basic)	**1,036,606**	1,037,500
Earnings per share (basic) *(RMB)*	**0.146**	0.499
Profit attributable to equity holders of the Company (diluted) *(RMB'000)*	**151,499**	527,442
Weighted average number of shares in issue (thousands) (diluted)	**1,036,606**	1,141,541
Earnings per share (diluted) *(RMB)*	**0.146**	0.462

12. TRADE, OTHER RECEIVABLES AND ADVANCE DEPOSITS

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Receivables due from related parties:		
— Chairman of the Board	**—**	270
— Other related parties	**1,006**	14,988
	1,006	15,258
Trade receivables due from third parties	**5,967**	3,517
Advance payments to contractors	**53,359**	29,184
Advance deposits for acquisition of land use rights	**1,087,303**	847,429
Receivable related to disposal of equity interest in subsidiaries	**—**	65,568
Non-trade receivables	**66,705**	53,055
Tax prepayments	**126,126**	65,553
Total	**1,340,466**	1,079,564

The receivables due from related parties are unsecured, non-interest bearing and repayable on demand.

Non-trade receivable balances, deposits and advances to third parties are expected to be settled or recovered within one year.

Tax prepayments mainly represent prepayment of business tax during the pre-sale stage of certain properties under development.

The ageing analysis of trade receivables at each balance sheet date is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**5,236**	1,417
Over 90 days and within 180 days	**335**	499
Over 180 days and within 365 days	**369**	732
Over 365 days	**27**	869
	5,967	3,517

13. TRADE, OTHER PAYABLES AND ADVANCE RECEIPTS

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Payables due to related parties:		
Trade related	**11,920**	15,952
Non-trade related:		
— Dividends payable	**9,173**	9,173
— Other related parties	**10,601**	11,101
	31,694	36,226
Trade payables	**652,355**	390,497
Advance receipts from customers	**1,036,776**	445,378
Other taxes payable	**13,026**	36,778
Dividend payable	**77**	—
Non-trade payables and accrued expenses	**161,200**	329,783
Total	**1,895,128**	1,238,662

The payables due to related parties are unsecured, non-interest bearing and repayable on demand.

The ageing analysis of trade payables at each balance sheet date is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**384,815**	136,259
Over 90 days and within 180 days	**116,754**	86,792
Over 180 days and within 365 days	**92,707**	89,768
Over 365 days and within 3 years	**69,999**	93,630
	664,275	406,449

14. LONG-TERM PAYABLE

			As at 31 December	
	Term	**Initial Cost**	**2008**	2007
		RMB'000	***RMB'000***	*RMB'000*
Long-term payable	15 years	58,453	**55,013**	—
Less: Long-term payable due within 1 year			**(6,000)**	—
Long-term payable due after 1 year			**49,013**	—

The amount is repayable as follows:

Within one year	**6,000**	—
Over one year and within two years	**5,592**	—
Over two years and within five years	**14,594**	—
After five years	**28,827**	—
	55,013	—

Long-term payable represents construction cost payable to a contractor. The amount is non-interest bearing and repayable in 15 annual instalments of RMB6,000,000 each, starting from 1 September 2008.

15. CONVERTIBLE BONDS (RESTATED)

On 27 April 2007, the Company issued USD Settled Zero Coupon Convertible Bonds due in April 2012 in the aggregate principal amount of RMB1,158,000,000. The subscription amount payable in respect of each unit of the Convertible Bonds is RMB100,000 (approximately USD12,952). The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited. The details of the principal terms of the Convertible Bonds are set out in the Company's 2007 annual report. Prior year adjustments relating to the Convertible Bonds are detailed in note 16.

On 29 December 2008, the Company repurchased 1,000 units of Convertible Bonds with a total principal amount of RMB100,000,000. The bonds were repurchased with a total consideration of USD5,858,946, equivalent to RMB40,000,000. These bonds were cancelled upon repurchase.

The fair value of the embedded derivative of the Convertible Bonds was calculated using certain valuation models. The major inputs used in the models as at 31 December 2008 and 31 December 2007 were as follows:

	Redemption option of the Company	
	31 December 2008	31 December 2007
Stock price	**HKD0.99**	HKD6.98
Exercise price	**HKD7.77**	HKD8.1165
Risk-free rate	**0.871%**	2.989%
Expected life	**40 months**	52 months
Volatility	**82.85%**	52.60%

The stock prices were as at 31 December 2008 and 31 December 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 volatility of the Company.

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

The movement of the liability component, the embedded derivative and the equity component of the Convertible Bonds for the year is set out below:

	Liability component	**Redemption option of the Company**	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible Bonds issued on 27 April 2007	1,070,613	(25,446)	112,833	1,158,000
Transaction costs	(20,977)	—	(2,210)	(23,187)
Interests charged during the year ended 31 December 2007	30,553	—	—	30,553
Changes in fair value	—	(20,725)	—	(20,725)
As at 31 December 2007 (restated)	1,080,189	(46,171)	110,623	1,144,641
Interests charged during the year ended 31 December 2008	46,319	—	—	46,319
Changes in fair value	—	42,495	—	42,495
Derecognised due to redemption (i)	(97,281)	294	(1,459)	(98,446)
As at 31 December 2008	1,029,227	(3,382)	109,164	1,135,009

No conversion of the Convertible Bonds has occurred up to 31 December 2008.

The changes in the fair value of the embedded derivative from 31 December 2007 to 31 December 2008 resulted in a fair value loss of RMB42,495,000, which has been recorded as "Fair value changes on financial derivatives" in the consolidated income statement for the year ended 31 December 2008.

(i) The Company repurchased 1,000 units of Convertible Bonds on 29 December 2008 with a total consideration of RMB40,000,000 and transaction costs of RMB194,000. The allocation of consideration paid and transaction costs for the redemption and calculation of resulting gain or loss is as follows:

	Carrying value	**Fair value**	**Difference**
	RMB'000	*RMB'000*	*RMB'000*
Liability component	97,281	39,029	58,252
Issuer's redemption option	(294)	(294)	—
Equity component	9,553	1,459	8,094
Total	106,540	40,194	66,346

The gain in relation to the liability component of RMB58,252,000 was recognised in the consolidated income statement for the year ended 31 December 2008.

16. PRIOR YEAR ADJUSTMENTS

On 27 April 2007, the Company issued USD Settled Zero Coupon Convertible Bonds due in 2012 in the aggregate principal amount of RMB1,158,000,000. In addition to the equity conversion component, the convertible bonds contained a number of embedded derivatives which were separated from the host instrument and carried at fair value through profit and loss in accordance with International Accounting Standard (IAS) 39 "Financial instruments: recognition and measurement". The remainder of the financial instrument, being the bond liability, was carried at amortised cost in accordance with IAS 39.

During the preparation of the Group's 2008 annual financial statements, it was noted that IAS 39 did not in fact require one of these embedded derivatives, the redemption option held by the bondholders, to be separated from the host instrument as this redemption option had economic characteristics and risks closely related to those of the host instrument. Instead, in accordance with IAS 39, the amount attributable to this redemption option, which had been separately recorded as a derivative financial liability at initial recognition and thereafter carried at fair value through profit and loss, should have formed part of the amount initially recognised for the bond liability and should therefore have been carried at amortised cost after initial recognition.

This inadvertent error resulted in an understatement of the Group's net profit attributable to equity holders of the Company for the year ended 31 December 2007 by RMB 19 million, which represents 3.8% of the previously reported net profit attributable to equity holders of the Company of RMB 498 million. As correcting this error of RMB 19 million in the current period would overstate the net profit attributable to equity holders of the Company for the year ended 31 December 2008 by 13%, it is considered that this error should be corrected retrospectively. The financial effect of the restatement on the results of the Group for the year ended 31 December 2007, the total equity and the total non-current liabilities as of 31 December 2007 of the Group is as follows:

	Group	
		Previously
	Restated	**reported**
	2007	**2007**
	RMB'000	*RMB'000*
Consolidated Income Statement		
Finance expenses (i)	(152,729)	(155,560)
Fair value changes on financial derivatives (ii)	20,725	4,440
Profit attributable to equity holders of the Company (iii)	517,614	498,498
Basic earnings per share (RMB)	**0.499**	**0.481**
Diluted earnings per share (RMB)	**0.462**	**0.462**
Consolidated Balance Sheet		
Equity		
Retained earnings (iii)	451,772	432,656
Total equity attributable to equity holders of the Company (iii)	3,327,711	3,308,595
Total equity	**3,632,288**	**3,613,172**
Non-current liability		
Convertible bonds (iv)	1,080,189	1,007,549
Financial derivatives (iv)	—	91,756
Total non-current liabilities (iv)	**1,972,998**	**1,992,114**

Notes:

(i) Amortised interest on the bond liability of the convertible bonds is reduced by RMB2,831,000 as a result of the restatement.

(ii) The loss of RMB16,285,000 which arose on re-measuring the redemption option of the bondholders to fair value is reversed as a result of the restatement.

(iii) Profit attributable to equity holders of the Company (and consequently, the Group's retained earnings and the total equity attributable to equity holders of the Company) is increased by RMB19,116,000 compared to the amount previously reported, being the aggregate of adjustments identified in notes (i) and (ii) above. In the balance sheet this is reflected as a decrease in total non-current liabilities of RMB19,116,000 (see note (iv) below).

(iv) The amount attributable to the redemption option of the bondholders has been restated to form part of the amount initially recognised for the bond liability and is carried at amortised cost after initial recognition. This adjustment, together with the adjustments to amortised interest for the year and the reversal of the fair value movement on the redemption option of the bondholders (see notes (i) and (ii) above), has resulted in a net increase in the carrying value of the convertible bonds as at 31 December 2007 of RMB72,640,000 and a decrease in total non-current liabilities of RMB19,116,000 compared to the amounts previously reported.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results and Dividends

During the year under review, the Group recorded total revenue of approximately RMB1,394,993,000 (2007: RMB1,714,507,000), representing a decrease of 18.6%. Net profit dropped 65.3% to approximately RMB188,005,000 (2007 (restated): RMB542,270,000) and the portion attributable to equity holders of the Company was approximately RMB151,499,000 (2007 (restated): RMB517,614,000), representing a decline of 70.7%. Basic and diluted earnings per share attributable to equity holders of the Company amounted to RMB0.146 and RMB0.146 (2007 (restated): RMB0.499 and RMB0.462) respectively for the twelve months ended 31 December 2008. The Board has recommended the payment of a final dividend of RMB4.97 cents per share.

Revenue booked from property sales dropped 21% to RMB1,269,102,000 (2007: RMB1,606,718,000). The decline was mainly attributable to the dramatically shrinking transaction volume during the second half year given the difficult macro market condition. Net profit was further battered by the absence of an one-off revaluation gain as in 2007.

Property Development

During the year, while the Group generally adhered to its completion and delivery schedule as originally planned, it adjusted the development progress of some hotel projects to suit the market environment. Details of completed and delivered projects, aggregating a total GFA of 115,134 sq.m. (2007: 147,925 sq.m.) are highlighted in the following table:

	Projects Completed and Delivered in 2008	
Item	**Approximate GFA Completed**	**Approximate GFA Sold & Delivered**
Cambridge Forest Newtown — Phase IV	—	223
Cambridge Forest Newtown — Phase VC	—	1,394
Cambridge Forest Newtown — Phase VD	—	1,586
Cambridge Forest Newtown — Phase VE	—	2,583
Cambridge Forest Newtown — Phase VF	—	3,363
Cambridge Forest Newtown — The Hampton	4,805	—
Cambridge Waters — Phase I	—	126
Cambridge Waters — Phase II	17,740	24,976
Cambridge Watertown — Villas	49,850	13,884
Cambridge Watertown — Townhouses	19,751	35,942
Haikou Florea — Phase I-A	7,547	15,143
Haikou Florea — Phase I-B	5,935	15,914
Total	105,628	115,134

Property Sales Performance

With regard to the property sales results, the Group's sales was lower than that in the same period of 2007 as a result of deteriorating market environment. Amid uncertainties surrounding stock markets and the overall China economy in wake of the outbreak of the global financial tsunami originated from the US sub-prime mortgage crisis, Group's sales activities subdued greatly in the second half of the year. In particular, transaction volume reached a trough in the third quarter. For the year under review, the total contracted sales area of the Group amounted to approximately 187,099 sq.m. (2007: 169,043 sq.m.), while total contracted sales value amounted to RMB1,829,771,000 (2007: RMB2,079,330,000). Among the Group's projects available for sale during the year, the "Cambridge" series of suburban, large-scale and multi-phase projects achieved steady contracted sales. The projects of Metropolitan in Kunming and Florea in Haikou were successfully launched during the year under review. Whereas sales of Cambridge Waters, Cambridge Forest Newtown and Cambridge Watertown remained the major revenue contributors of the Group, contracted sales of projects from districts outside Shanghai contributed 33% of the total contracted sales.

Project	**Approximate area sold and delivered in 2008** *(sq.m.)*	**Approximate sales recognized in 2008** *(RMB'000)*	**Average selling price** *(RMB/sq.m.)*
Cambridge Forest Newtown — Phase IV	223	3,170	5,991
Cambridge Forest Newtown — Phase VC	1,394	10,983	7,879
Cambridge Forest Newtown — Phase VD	1,586	31,180	19,660
Cambridge Forest Newtown — Phase VE	2,583	56,929	22,040
Cambridge Forest Newtown — Phase VF	3,363	119,350	35,489
Cambridge Waters — Phase I	126	765	6,065
Cambridge Waters — Phase II	24,976	244,923	9,806
Cambridge Watertown — Villas	13,884	230,094	16,573
Cambridge Watertown — Townhouses	35,942	395,391	11,001
Haikou Florea — Phase I-A	15,143	81,459	5,379
Haikou Florea — Phase I-B	15,914	94,858	5,961
Total	115,134	1,269,102	11,023

Strategic Cooperation

In May 2008, the Group reached an agreement to cooperate with HCP Suzhou Newton Co. Ltd ("HCP"), a fund managed by Harvest Capital Partners Limited, by selling 40% of the entire issued share capital of a subsidiary of the Group for a consideration of RMB283.5 million, making HCP a co-investor of the Group's Suzhou project. The transaction contributed approximately a RMB61.1 million profit to the Group during the period under review and also strengthened the cash position of the Group.

Hotel Development

With a view to generating long-term recurrent income, the Group has invested in hotel properties and cooperated with reputable names in the industry, such as the Peninsula Group and the InterContinental Hotel Group.

Following topping-out in March 2008, construction of ultra-luxurious Peninsula Hotel on the Bund in Shanghai progressed smoothly. The hotel portion is tentatively scheduled for a soft opening in September 2009. Meanwhile, the serviced apartment portion is also ready for launching into the market in late 2009/early 2010.

As for the Holiday Inn Hotel complex in Pudong/Nanhui area, the project will proceed in strict adherence to the original blueprint but with the target completion date extended to suit market environment. The serviced apartment phase of this project will be available for pre-sale in 4Q2009.

In light of the rapidly changing market conditions, the development priority of the Huangshan project had been modified to the construction of ancillary recreational facilities and ultimately development of the hotel and residential apartments as the original blueprint prescribed.

In November the Group signed a memorandum of understanding to appoint Frasers Hospitality to manage its 49-storey upscale serviced apartments located in the premium CBD area in the Suzhou Industrial Park.

Investment Properties and Ancillary Services

To generate stable and recurrent income, the Group also holds some of its properties for lease. As of 31 December 2008, the Group leased an aggregate GFA of approximately 92,035 sq.m. (2007: 91,420 sq.m.). The Group operates a post-secondary college (Shanghai Sipo Polytechnic) and a training centre (Shanghai Sipo Vocational Technical Training Centre). The Group also operates one of the most prestigious kindergartens in Shanghai (The China Welfare Institute Kindergarten), supplementing the Group's developments with quality educational business. Such investment properties and ancillary educational business constitutes a minor but stable operation income of the Group, representing approximately 6% of the Group's total revenue for the year under review.

Land Bank Replenishment

It is the Group's strategy to maintain a portfolio of land bank that is sufficient to support the Group's development pipeline for the next four to five years. The Group continues to develop large-scale and multi-phase residential projects in the Yangtze River Delta and in provincial capital cities with regional economic importance, targeting middle to upper-income customers.

Up to the date of this announcement, the Group had a quality land bank with a total GFA of approximately 3.47 million sq.m., of which approximately 88% of the land bank will be used for the development of mid to high end residential projects, approximately 5% for commercial property development, and the remaining 7% for hotel and recreational development. During the year under review, the Group has acquired approximately 487,000 sq.m. of GFA in new development projects, adding its land bank portfolio by 8% from 3.2 million sq.m. as at 31 December 2007 excluding those constructed and sold areas. Capital expenditures on land acquisitions amounted to approximately RMB560 million for the year under review.

The Group has strategically and prudently expanded its land bank through a couple of acquisitions during the first half of the year under review:

- *Haikou City, Hainan Province*

  In January 2008, the Group acquired the entire equity interest of a project company in Haikou at a consideration of RMB417 million. The acquired project has a site area of approximately 292,174 sq.m. and a GFA of approximately 252,759 sq.m., comprising residential and hotel developments. The acquisition has provided a great opportunity to the Group in Hainan's property market, one of the most popular resort destinations in China. This is also in line with the Group's strategy to develop projects in provincial capitals.

- *Huangshan City, Anhui Province*

  In June 2008, the Group acquired a site in the northern part of Huangshan District, close to the legendary scenic Tai Ping Lake, through listing-for-sale. The acquired land, a fourth successive addition to the Group's multi-phase Huangshan project, has increased the aggregate site area of the project to approximately 2.28 million sq.m. with an aggregate floor area reaching 1.14 million sq.m..

  Given the uncertain market environment, the Group adopted a cautious and prudent approach in land bank replenishment during the second half of 2008.

  In light of the unclear market outlook, the Group will continue exercise with extreme caution in regard to future land acquisitions and conduct more thorough research and analysis before pulling any trigger.

Property Management and Related Services

During the year under review, Shanghai New Independence House, a subsidiary of the Group providing property management services, generated property management and related services income, after intra-group elimination, amounted to approximately RMB23,528,000, representing an increase of 19% when compared to the previous year. As of 31 December 2008, the total floor area under Group's management was around 1.22 million sq.m.

Outlook

Looking ahead, while we are still sanguine about the long-term growth prospect of the property industry, we will adopt a more cautious stance in the near term in the light of the uncertainties surrounding the global economy, effectiveness of various government supportive measures and regain of confidence on consumption and investments.

We expect the market activities will return to the stabilized levels in the second half of 2009, as government policies in rescue of the sector and country's economy as a whole start to materialize. Until then we can introduce incremental increases in our sales programs to orchestrate a recovery path for the overall pricing trend.

Despite the weak market sentiment, sales of Tiffany (Cambridge Waters Phase III) was encouraging in the fourth quarter of 2008 . Such strong momentum continued in the first four months of our financial year 2009, which laid a solid foundation for more upbeat sales performance for 2009.

While the overall real estate market environment in China remains challenging throughout 2009, as the central government ploughs in an unprecedented amount of resources to avert the country from a recession, we continue to maintain a cautiously yet optimistic attitude toward the medium-to-long term prospects of the property market. With the Group's prudent land acquisition strategy, proven execution capabilities and professional management team, we will strive to generate satisfactory returns for our shareholders and develop more quality properties for our customers.

Financial Analysis

Revenue

The total revenue for the Group for the year 2008 was RMB1,394,993,000. 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:

	2008			2007	
Type	**GFA sold & delivered** ***(sq.m)***	**Average selling price** ***(RMB/sq.m)***	**Average selling price change %**	GFA sold & delivered *(sq.m)*	Average selling price *(RMB/sq.m)*
Villas	**20,282**	**20,283**	**19%**	49,613	17,033
Apartments and townhouses	**94,852**	**9,043**	**17%**	98,312	7,748
Total	**115,134**	**11,023**	**1%**	147,925	10,862

In 2008, the Group completed the development and delivered residential units in Phase IV and V of Cambridge Forest Newtown, Phase I and II of Cambridge Waters, Lots 2–6 of Cambridge Watertown and Phase I of Haikou Florea. Therefore, the total GFA delivered reached 115,134 sq.m. (2007: 147,925 sq.m.).

Segmental Information

The Group's business is currently categorized into four operating segments — sales of property, lease of property, property management and other related services, and education. An analysis of the Group's revenue is as follows:

Revenue Stream	Year ended 31 December 2008 *RMB'000*	2007 *RMB'000*	Change *RMB'000*
Sales of property	**1,269,102**	1,606,718	(337,616)
Rental income	**26,920**	29,585	(2,665)
Property management income & other related service	**38,499**	27,243	11,256
Education	**60,472**	50,961	9,511
Total	**1,394,993**	1,714,507	

Sales of property remains the Group's core business activity representing 91% of the total revenue in 2008 while the growths in both the property management and related services and education (up 27% yoy) segments were improved over 2007. Rental income decreased by 9% from approximately RMB29.6 million to approximately RMB26.9 million.

Cost of Sales

Total cost of sales in 2008 decreased significantly by 20% from RMB1,072 million to RMB853 million, in line with the decrease in revenue.

Gross Profit and Margin

Gross profit decreased by 15.6% from RMB642 million in 2007 to RMB542 million in 2008. Gross profit margin for the full year improved from 37% in 2007 to 38.8% in 2008, as a result of unit selling price increase over the year.

Other Operating Income

In 2008, other operating income decreased by 64% to RMB3.3 million.

Operating Expenses

In 2008, the selling and marketing costs increased to RMB69 million from RMB66 million in 2007. In order to improve the sales, substantial marketing campaigns were launched and professional property agents were appointed in 2008.

Administrative expenses increased from RMB152 million to RMB158 million, representing a rise of 4% over the year 2007, mainly because of more development projects were undertaken by the Group in 2008.

Other operating expenses decreased to RMB7.1 million from RMB9.1 million in 2007.

Net Finance Expenses

The net finance expenses of RMB130 million in 2008 compared to net finance expenses of RMB86 million in 2007 (restated). This significant increase over the previous year was mainly attributable to revaluation loss of convertible bonds.

Share of Loss of Associates

The Group continued to suffer a net loss from share of operating results of associates in 2008 that amounted to RMB12.7 million as compared to a net loss of RMB8.2 million in 2007 from the associates. This loss was mainly attributable to the loss arose from the Peninsula Waitan project which is currently under development.

Revaluation Gain on Investment Properties

The Group recorded a revaluation gain of RMB25 million for 2008, which was mainly due to the general appreciation of market value of the Group's investment properties such as Tian Runfa Hypermarket and British School during the year under review.

Income Tax

Income tax decreased by 32% from RMB252 million in 2007 to RMB172 million in 2008, while the effective income tax rate increased from 17% in 2007 to 25% in 2008. In 2008, most of the group subsidiaries such as Shanghai Cambridge, Shanghai Oriental and Shanghai Zhujia adopted the income tax rate of 25%. The reduction in tax amount was mainly attributable to lower sales volume.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB151 million (2007 (restated): RMB518 million), down RMB367 million over the previous year. Earnings per share declined by 71% to RMB0.146 from RMB0.499 in 2007 (restated).

Net profit margin for the year under review narrowed from 32% in 2007 (restated) to 13% in 2008, which was mainly attributable to the fact that in 2007, the Company obtained a gain on the disposal of equity interest in subsidiaries and investment revaluation.

Liquidity and Financial Resources

The Group derived its sources of fund primarily from income generated from business operations, bank borrowings and cash proceeds raised from the issuance of the convertible bonds in late April 2007, 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) stood at a level of 47% as at 31 December 2008. The Group had total cash and cash equivalents of RMB943 million, total borrowings of RMB2,751 million and the stronger equity base of RMB3,848 million as at 31 December 2008 (2007 (restated): RMB3,632 million).

Of the total, RMB580 million was repayable within one year while RMB2,171 million was repayable after more than one year. The effective interest rate for 2008 was 6.93% (2007: 6.93%).

Credit Policy

Trade receivables mainly arose 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.

Pledge of Assets

As at 31 December 2008, the Group pledged properties and land use rights with carrying amount of RMB2,941,693,000 to secure bank facilities granted to the Group. The total outstanding secured loan balance as at 31 December 2008 amounted to RMB1,516,860,000.

Financial Guarantees

As at 31 December 2008, the Group provided guarantees to banks for:

	As at 31 December 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Mortgage facilities granted to purchasers of property units	**298,117**	266,038

Capital Commitment

	2008	2007
	RMB'000	*RMB'000*
Property development activities:		
— Contracted but not provided for	**3,281,935**	3,872,228
— Authorized but not contracted for	**4,369,492**	3,618,948
Total	**7,651,427**	7,491,176

Management of Proceeds from the 2007 Convertible Bond Issuance

On 27 April 2007, the Company issued USD Settled Zero Coupon Convertible Bonds due in 2012 in the aggregate principal amount of RMB1,158,000,000. The Company had applied the proceeds in the existing as well as new development projects, land acquisitions as well as repayment of borrowings. The Convertible Bonds will mature and due for redemption in 2012.

On 29 December 2008, the Company repurchased 1,000 units of Convertible Bonds with total nominal value of RMB100,000,000. These bonds were cancelled upon repurchase. The bonds were repurchased at a total consideration of US$5,858,946, which is equivalent to RMB40,000,000. This transaction helped the Group to reduce its debt in favorable terms and brought a gain of approximately RMB58,252,000 to the Group's consolidated income statement of 2008.

Significant Acquisitions and Disposals

Save as disclosed in notes 3 and 4 of the consolidated financial statements, in 2008 the Group had not entered into other transactions involving substantial acquisitions or disposals of subsidiaries or associated companies.

Human Resources

As at 31 December 2008, the Group employed a total of 868 employees (2007: 731 employees). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are 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 year ended 31 December 2008 except for Code provision A.4.2 with respect to the re-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.

Closure of Register of Members

The annual general meeting of the Company will be held on 5 June 2009. 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, 3 June 2009 to Friday, 5 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to the proposed final dividend and to attend the annual general meeting of the Company to be held on 5 June 2009, 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, 2 June 2009.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2008, the Company repurchased 7,465,000 shares of HK$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	**Number of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate consideration (excluding expenses)** *(HK$)*
October	2,173,000	0.50	0.42	1,033,603.22
November	5,292,000	0.80	0.62	3,585,529.89

The issued share capital of the Company was reduced by the nominal value of the repurchased shares which had been cancelled. The premium paid for the repurchase of the shares totalling HK$3,872,633.11 was charged to the share premium account.

During the year ended 31 December 2008, the Company repurchased part of the US dollar settled zero coupon convertible bonds due 2012 issued by the Company on 27 April 2007 as follows:

Date of repurchase	Principal amount of bonds repurchased *(RMB)*	Method of purchase	Highest price paid per bond *(RMB)*	Lowest price paid per bond *(RMB)*	Aggregate consideration (excluding expenses)
29 December 2008	100,000,000	Off market exempt share repurchase	40,000	40,000	US$5,858,946.42 (equivalent to RMB40,000,000)

The bonds were issued at face value of RMB100,000 each and are listed on the Singapore Stock Exchange.

As at 31 December 2008, the aggregate principal amount of the convertible bonds outstanding was RMB1,058,000,000. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

Subsequent to 31 December 2008, the Company repurchased through over-the-counter market and cancelled the convertible bonds in the principal amount of RMB54,000,000 at an aggregate consideration (excluding expenses) of US$4,079,507.55 (equivalent to RMB27,864,000).

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 year ended 31 December 2008.

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 2008 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 and Ms. Wang Xuling, the non-executive Director is 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, 23 April 2009