COUNTRY GARDEN 碧桂園

COUNTRY GARDEN HOLDINGS COMPANY LIMITED
碧桂園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2007)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- Total revenue for the year ended 31 December 2008 amounted to RMB15,713 million, a decrease of approximately 11.4% compared with the year 2007.

- Profit attributable to equity owners amounted to RMB1,378 million (inclusive of RMB1,242 million fair value loss on equity swap), a decrease of 66.7% compared with the year 2007. Excluding the fair value loss on equity swap, adjusted profit attributable to equity owners would be RMB2,620 million for the year 2008, a decrease of approximately 36.7% compared with the year 2007.

- Earnings per share amounted to RMB8.45 cents.

- Proposed final dividend per share was RMB3.00 cents.

The Board of Directors (the "Board") of Country Garden Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW AND OUTLOOK

In 2008, the economic situation and property market in China faced stiff challenges by the international economic environment. The Chinese government reacted promptly through appropriate relaxation of its austerity measures. This has effectively enabled a stable development of Chinese economy during this transition period. We also took note of a series of policies and packages introduced to stabilize the property market. These austerity measures and packages have provided a cooperative policy environment for the healthy and orderly development of the Chinese property market.

The year 2008 is another remarkable year for the Group since its listing, a year of acceleration in its business expansion outside Guangdong Province. The Group launched 23 brand new projects during 2008, 20 of which are located outside Guangdong Province. Most of these new projects were launched between May and November. The intensive launch of new projects, especially in new markets outside Guangdong Province, demonstrated Country Garden's strong project execution capability and effective management structure. The accumulation of valuable experience has set a solid foundation for Country Garden's further strategic growth. The Group has already established its presence outside Guangdong Province such as Hunan Province, Hubei Province, Jiangsu Province, Anhui Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region and Chongqing Municipality. The Group's project launch outside Guangdong Province, with especially the successful sales of its Shenyang projects is further proof of the Group's ability to replicate its successful business model outside Guangdong Province.

As at 31 December 2008, there were 54 projects at different stages of development, 26 of which are located outside Guangdong. The attributable gross floor area (GFA) with land use right certificates was approximately 44.39 million sq.m. Among them, the attributable GFA under development was around 14.30 million sq.m. This has provided the Group sufficient development and land reserves for its future growth.

Alongside the continuous expansion in property development and sales, the Group continues to expand its hotel business to broaden its recurring income stream from non-residential developments, thus diversifying the Group's property income portfolio. As at 31 December 2008, the Group operates 3 five-star hotels, 4 five-star standard hotels, as well as 1 four-star hotel, with a total of 2,323 guest rooms. Most of the Group's hotels are located in the Group's property development projects. Although the contribution from the hotel business is only a small portion of the Group's total revenue, the existence of five-star standard hotels in the property development projects benefits positively the sales and raises the ancillary value of the property projects.

Amid the challenging macro-economic environment, and particularly against the scene of the Group's first-ever large-scale business expansion outside Guangdong Province during the year under review, the Group's total revenue and gross profit reached RMB15,713 million and RMB7,026 million. Profit attributable to equity owners reached RMB1,378 million; which included the fair value loss on equity swap of RMB1,242 million. The adjusted profit attributable to equity owners would have been RMB2,620 million should the aforesaid fair value loss be excluded. The Board of Directors recommended the payment of a final dividend of RMB3.00 cents per share for the year ended 31 December 2008.

Based on the Group's assessment of the future direction of Chinese property market, especially amid the current economic challenges at home and aboard, Country Garden has developed its short-term and long-term growth strategies. First, based on its existing competitive strength in terms of its pricing flexibility due to its unique development model, the Group has adjusted its product offering according to market changes. It has also redesigned its property products and offerings with even more attractive value-to-price ratio. This measure, led by the new design philosophy, helps Country Garden maintain its competitive edge in terms of speedy cashflow generation while maintaining a reasonable margin. Second, the Group also revised its project operations and management with gradual decentralisation of project management responsibilities, that helps improving management efficiencies and effective speeding up of development cycle, and also improves the Group's ability to respond swiftly to local market changes and helps provide sensitise direction in the strategic selection of appropriate project locations as well as allocation of respective product mix. Third, the Group has also adopted various measures to reduce its operational costs. With regard to the financial management, the Group will continue to seek various funding possibilities, wherever appropriate, in addition to bank financing.

Looking ahead, Country Garden will continue its development in line with the national development strategies and the macro-economic environment, and strategically select project locations. While maintaining and enhancing strong and sustainable development for projects in Guangdong Province, the Group will assess appropriate opportunities for expansion outside Guangdong. The Group believes that with the increasing maturity of the new project communities and associated property management facilities as well as the increasing recognition of the Company's brand name, the Group will continue to replicate its successful business model in other new high growth regions across China, dedicate its efforts in creating a better society, and generate satisfactory returns for our shareholders.

Consolidated Balance Sheet
(RMB'000)

	Note	As at 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment		**2,841,970**	1,621,654
Investment property		**148,865**	–
Intangible assets		**13,342**	4,083
Land use rights		**7,596,813**	8,196,080
Available-for-sale financial assets		**29,999**	20,000
Properties under development		**3,949,275**	3,690,575
Deferred income tax assets		**1,092,357**	556,112
		15,672,621	14,088,504
Current assets			
Land use rights		**6,042,427**	1,914,099
Properties under development		**14,992,197**	5,382,650
Completed properties held for sale		**3,205,398**	1,636,368
Inventories		**154,347**	102,787
Trade and other receivables	3	**3,338,589**	5,262,929
Prepaid taxes		**974,874**	749,743
Restricted cash		**2,728,115**	1,013,515
Cash and cash equivalents		**3,006,492**	8,483,420
		34,442,439	24,545,511
Total assets		**50,115,060**	38,634,015
EQUITY			
Capital and reserves attributable to the equity owners			
Share capital and premium		**14,686,574**	14,989,639
Reserves		**859,729**	278,785
Retained earnings			
– proposed final dividend		**490,800**	1,557,472
– others		**3,063,640**	2,332,356
		19,100,743	19,158,252
Minority interests		**279,926**	240,868
Total equity		**19,380,669**	19,399,120

	Note	As at 31 December 2008	2007
LIABILITIES			
Non-current liabilities			
Bank borrowings		**5,003,250**	4,227,400
Convertible bond	4	**4,018,482**	–
Derivative financial instruments	5	**1,241,530**	–
Deferred income tax liabilities		**339,196**	166,787
		10,602,458	4,394,187
Current liabilities			
Advanced proceeds received from customers		**9,113,623**	7,168,686
Trade and other payables	6	**5,485,674**	2,619,771
Income taxes payable		**2,709,572**	2,287,881
Bank borrowings		**2,823,064**	2,764,370
		20,131,933	14,840,708
Total liabilities		**30,734,391**	19,234,895
Total equity and liabilities		**50,115,060**	38,634,015
Net current assets		**14,310,506**	9,704,803
Total assets less current liabilities		**29,983,127**	23,793,307

Consolidated Income Statement
(RMB'000)

	Note	Year ended 31 December 2008	2007
Revenue	7	**15,712,790**	17,735,011
Cost of sales		**(8,687,206)**	(9,560,890)
Gross profit		**7,025,584**	8,174,121
Other gains – net	8	**51,254**	34,640
Selling and marketing costs		**(528,882)**	(310,833)
Administrative expenses		**(1,046,031)**	(933,236)
Operating profit		**5,501,925**	6,964,692
Finance income	9	**74,762**	425,418
Finance costs	9	**(1,073,832)**	(579,228)
Finance costs – net	9	**(999,070)**	(153,810)
Fair value changes on derivative financial instruments	5	**(1,241,530)**	–
Profit before income tax		**3,261,325**	6,810,882
Income tax expenses	10	**(1,846,310)**	(2,607,141)
Profit for the year		**1,415,015**	4,203,741
Attributable to:			
Equity owners		**1,378,207**	4,135,908
Minority interests		**36,808**	67,833
		1,415,015	4,203,741
Basis and diluted earnings per share, expressed in RMB cents per share	11	**8.45 cents**	26.63 cents
Dividends	12	**490,800**	2,070,026

Notes:

1. GENERAL INFORMATION

Country Garden Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (together, the "Group") is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in units of Renminbi ("RMB") thousand Yuan, unless otherwise stated and were approved for issue by the board of directors of the Company on 21 April 2009.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

(a) Standards, amendment and interpretations effective in 2008

The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC)-Int 11, 'HKFRS 2 – Group and treasury share transactions, 'provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(b) Interpretations effective in 2008 but not relevant to the Group's operation

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

HK(IFRIC)-Int 12, 'Service Concession Arrangements'

HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008, which amendments, new standards and interpretations have not been adopted in these financial statements.

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 and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2008	2007
Trade receivables – third parties *(note)*	**300,519**	154,680
Other receivables	**340,826**	905,788
Amounts due from customers for contract work	**358,300**	61,301
Prepayments – third parties	**2,341,901**	4,144,117
Less: provision for impairment of receivables	**(2,957)**	(2,957)
	3,338,589	5,262,929

The carrying amount of trade and other receivables approximates their fair value.

Note:

Trade receivables are mainly arisen from rendering of construction services and sales of properties. Customers are generally granted credit terms of 1 to 3 months for construction business, and purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements.

The ageing analysis of trade receivables is as follows:

	As at 31 December	
	2008	2007
Within 90 days	**249,441**	136,547
Over 90 days and within 180 days	**20,163**	4,797
Over 180 days and within 365 days	**24,544**	9,400
Over 365 days	**6,371**	3,936
	300,519	154,680

4. CONVERTIBLE BOND

On 22 February 2008, the Company issued a RMB denominated USD settled 2.5% convertible bond (the "Bond") due 2013, of an initial principal amount of US$500 million (equivalent to approximately RMB3,595 million). On 3 March 2008, due to over-subscription of the Bond, the principal amount of the Bond was increased to US$600 million (equivalent to approximately RMB4,314.0 million). At the option of bond holders, the aggregate amount of RMB4,314.0 million will be convertible at contracted price into fully paid shares with a par value of HK$0.1 each of the Company. The value of the liability component RMB3,781.3 million and the equity conversion component RMB424.8 million, net of transaction cost of RMB107.9 million, were determined at issuance of the Bond.

Also, at the option of the bond holders, the Company will redeem some or all of the Bond on 22 February 2011 at the U.S. dollar equivalent of their principal amount in RMB multiplied by 111.997%, together with accrued but unpaid interest to the date of redemption.

The fair value of the liability component included in long-term liabilities was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The Bond recognised in the balance sheet is calculated as follows:

	2008
Face value of the Bond issued on 22 February 2008	**4,314,000**
Equity component	**(424,821)**
Transaction costs	**(107,850)**
Liability component on initial recognition at 22 February 2008	**3,781,329**
Interest expenses	**291,078**
Coupon paid	**(53,925)**
Liability component at 31 December 2008	**4,018,482**

Interest expenses on the liability component of the Bond are calculated using the effective interest rate method, applying the effective interest rate of 9.24% p.a. to the liability component.

The fair value of the liability component of the Bond at 31 December 2008 amounted to RMB2,027,580,000. The fair value is calculated using the market price for the Bond on the balance sheet day (or the nearest day of trading).

Up to 31 December 2008, there was no conversion or redemption of the Bond.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Upon the issue of the RMB denominated USD settled 2.5% convertible bond the Company entered into a cash settled equity swap transaction (the "Equity Swap") for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million) on 22 February 2008. Under the Equity Swap, the Company will either receive a payment from or settle a payment to Merrill Lynch International if the final price is higher or lower than the initial price upon termination of the Equity Swap. The initial price was determined in accordance with the formula as set out in the Equity Swap contract, and the final price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates upon termination of the Equity Swap. Besides, the termination date of the Equity Swap will be determined based on the earlier of 2013 or a date when certain condition as stipulated in the Equity Swap contract is fulfilled.

6. TRADE AND OTHER PAYABLES

	As at 31 December	
	2008	2007
Trade payables (note)	**3,851,857**	1,645,848
Other payables – third parties	**971,931**	339,931
Other taxes payables	**285,609**	282,600
Staff welfare benefit payable	**324,607**	238,701
Accrued expenses	**51,670**	112,691
	5,485,674	2,619,771

The carrying amount of trade and other payables approximates their fair value.

Note:

The ageing analysis of trade payables at the balance sheet dates is as follows:

	As at 31 December	
	2008	2007
Within 90 days	**3,733,858**	1,588,527
Over 90 days and within 180 days	**35,656**	32,547
Over 180 days and within 365 days	**34,849**	6,645
Over 365 days	**47,494**	18,129
	3,851,857	1,645,848

7. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation. As less than 10% of the Group's consolidated turnover and results are attributable to the market outside of the People's Republic of China (the "PRC") and less than 10% of the Group's consolidated assets are located outside of the PRC, no geographical segment data is presented.

Revenue consists of the following:

	For the year ended 31 December	
	2008	2007
Sales of properties	**14,736,509**	16,666,941
Rendering of construction services	**396,960**	597,516
Rendering of hotel services	**274,521**	215,305
Rendering of property management services	**293,295**	221,662
Rendering of decoration services	**11,505**	33,587
	15,712,790	17,735,011

The segment results for the year ended 31 December 2008 are as follows:

	Property development	**Construction, fitting and decoration**	**Property management**	**Hotel operation**	**Group**
Gross segment revenue	**14,736,509**	**10,617,889**	**304,270**	**283,173**	**25,941,841**
Inter-segment revenue	**–**	**(10,209,424)**	**(10,975)**	**(8,652)**	**(10,229,051)**
Revenue	**14,736,509**	**408,465**	**293,295**	**274,521**	**15,712,790**
Segment results	**5,500,401**	**81,693**	**21,773**	**(101,942)**	**5,501,925**
Fair value changes on derivative financial instruments					**(1,241,530)**
Finance costs – net					**(999,070)**
Profit before income tax					**3,261,325**
Income tax expense					**(1,846,310)**
Profit for the year					**1,415,015**

The segment results for the year ended 31 December 2007 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
Gross segment revenue	16,666,941	6,428,778	239,631	222,286	23,557,636
Inter-segment revenue	–	(5,797,675)	(17,969)	(6,981)	(5,822,625)
Revenue	16,666,941	631,103	221,662	215,305	17,735,011
Segment results	6,864,686	126,221	17,876	(44,091)	6,964,692
Finance costs – net					(153,810)
Profit before income tax					6,810,882
Income tax expenses					(2,607,141)
Profit for the year					4,203,741

Inter-segment transfers or transactions are entered into under the terms and conditions agreed by both parties.

Other segment items including in the consolidated income statement and capital expenditure are as follows:

	For the year ended 31 December 2008				
	Property development	**Construction, fitting and decoration**	**Property management**	**Hotel operation**	**Group**
Depreciation of property, plant and equipment and investment property	**52,978**	**26,844**	**7,766**	**80,256**	**167,844**
Amortisation of intangible assets and land use rights	**136,762**	**–**	**–**	**27,048**	**163,810**
Capital expenditure	**646,458**	**42,908**	**6,200**	**856,642**	**1,552,208**

	For the year ended 31 December 2007				
	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
Depreciation of property, plant and equipment	36,047	27,053	8,404	55,770	127,274
Amortisation of intangible assets and land use rights	78,994	477	–	6,111	85,582
Capital expenditure	270,515	44,056	11,078	485,359	811,008

The segment assets and segment liabilities as at 31 December 2008 are as follows:

	Property development	**Construction, fitting and decoration**	**Property management**	**Hotel operation**	**Group**
Segment assets	**42,572,650**	**1,248,218**	**210,914**	**3,282,272**	**47,314,054**
Unallocated					**2,801,006**
Total assets					**50,115,060**
Segment liabilities	**12,520,200**	**1,579,591**	**229,947**	**269,559**	**14,599,297**
Unallocated					**16,135,094**
Total liabilities					**30,734,391**

The segment assets and segment liabilities as at 31 December 2007 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
Segment assets	34,731,267	650,476	160,634	2,535,526	38,077,903
Unallocated					556,112
Total assets					38,634,015
Segment liabilities	8,982,300	605,145	67,325	133,687	9,788,457
Unallocated					9,446,438
Total liabilities					19,234,895

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment property, available-for-sale financial assets, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets and collateral for the Equity Swap.

Segment liabilities consist primarily of operating liabilities. They exclude deferred income tax liabilities, income taxes payable, derivative financial instruments and borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment property and intangible assets.

8. OTHER GAINS – NET

	For the year ended 31 December	
	2008	2007
Forfeiture income	**18,411**	20,738
(Loss)/gain on disposals of property, plant and equipment	**(660)**	208
Return on Equity Swap *(note)*	**27,006**	–
Others	**6,497**	13,694
	51,254	34,640

Note:

According to the Equity Swap entered into with Merrill Lynch International, Merrill Lynch International paid the Company an amount equal to the dividend that the Company is entitled to under the Equity Swap.

9. FINANCE COSTS — NET

	For the year ended 31 December	
	2008	2007
Interest expense:		
-bank borrowings and convertible bond wholly repayable within five years	**832,330**	283,598
Net foreign exchange loss on financing activities	**241,502**	295,630
Total finance costs	**1,073,832**	579,228
Less: bank interest income from bank deposits	**(74,762)**	(425,418)
Finance costs – net	**999,070**	153,810

10. INCOME TAX EXPENSES

	For the year ended 31 December	
	2008	2007
Current income tax		
– PRC enterprise income tax *(note a)*	**1,334,277**	1,472,675
– Hong Kong profits tax	**–**	–
– Land appreciation tax *(note b)*	**875,869**	1,155,382
Deferred income tax		
– PRC enterprise income tax	**(419,149)**	(20,916)
– Withholding tax on undistributed profits	**55,313**	–
	1,846,310	2,607,141

Notes:

(a) PRC enterprise income tax is provided at the rate of 25% (2007: 33%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, with effective from 1 January 2008. As a result, the enterprise income tax rate of all the subsidiaries of the Company incorporated in the PRC, except for the Giant Leap Construction Co., will change from 33% to 25% with effective from 1 January 2008.

Regarding Giant Leap Construction Co., as approved by the local tax authority in August 2006, its enterprise income tax rate was changed from 33% to 24% and started to enjoy a tax holiday of "two years exemption and followed by three years of a 50% tax reduction" from the year of 2006. The preferential tax rate adopted by Giant Leap Construction Co., will also be gradually transited to the unified tax rate of 25% over a five-year transitional period. In light of the clarification for the transition to the new tax rate issued by the State Administration of Taxation issued on 6 December 2007, the Group estimated that the preferential tax rate adopted by Giant Leap Construction Co. will be expired at the shorter of the existing preferential tax period and the five-year transitional period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the year ended 31 December 2008.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the PRC Enterprise Income Tax Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2007 and effective from 1 January 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

(b) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

11. EARNINGS PER SHARE

Earnings per share attributable to equity owners of the Company as follows:

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	For the year ended 31 December	
	2008	2007
	(RMB cents per share)	
Profit attributable to equity owners of the Company – Basic	**8.45**	26.63

(b) Diluted

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31 December 2008. The computation of diluted earnings per share for the year ended 31 December 2008 does not assume the conversion of the Company's outstanding Bond as at 31 December 2008 since their exercise would result in an increase in earnings per share.

12. DIVIDENDS

	For the year ended 31 December	
	2008	2007
Proposed dividend of RMB3.00 cents per share (2007: RMB9.52 cents) (note a)	**490,800**	1,557,472
Dividends paid to then equity owners (note b)	**–**	512,554
	490,800	2,070,026

Notes:

(a) The dividend paid in 2008 was RMB1,557,472,000 (RMB9.52 cents per ordinary share) related to 2007 final dividend. The Directors recommend the payment of a 2008 final dividend of RMB3.00 cents per ordinary share, totalling RMB490,800,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 4 June 2009. These financial statements do not reflect this dividend payable.

(b) The dividends were declared by the companies comprising the Group to their then equity owners prior to the group reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this announcement.

13. COMMITMENTS FOR CAPITAL, PROPERTY DEVELOPMENT EXPENDITURES AND LAND ACQUISITION

	As at 31 December	
	2008	2007
Contracted but not provided for		
Property, plant and equipment	**23,625**	1,627
Property development expenditure and land acquisition	**6,000,788**	3,889,372
	6,024,413	3,890,999

FINANCIAL REVIEW

Revenue

Revenue of the Group comprises primarily the proceeds from the sales of properties or provision of services after the elimination of transactions between the companies now comprising the Group. The revenue is primarily generated from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue decreased by 11.4% to approximately RMB15,712.8 million in 2008 from approximately RMB17,735.0 million in 2007, primarily attributable to the decrease in sales of property by 11.6% and revenue from construction and decoration by 35.3% compared to 2007. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB14,736.5 million, RMB408.5 million, RMB293.3 million and RMB274.5 million respectively.

Property development

Revenue generated from property development decreased by 11.6% to approximately RMB14,736.5 million in 2008 from approximately RMB16,666.9 million in 2007, primarily attributable to an 17.8% decrease in total gross floor area ("GFA") sold to 2,147,592 sq.m. in 2008 from 2,611,315 sq.m. in 2007. The recognised average selling price of property increased to RMB6,861 per sq.m. in 2008 from RMB6,359 per sq.m. in 2007.

Construction and decoration

Revenue generated from the construction and decoration decreased by 35.3% to approximately RMB408.5 million in 2008 from approximately RMB631.1 million in 2007, primarily attributable to a decrease in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd. (a related party of the Group).

Property management

Revenue generated from the property management increased by 32.3% to approximately RMB293.3 million in 2008 from approximately RMB221.7 million in 2007, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Changsha Country Garden, Country Garden Phoenix City and Shunde Country Garden.

Hotel operation

Revenue generated from the hotel operation increased by 27.5% to approximately RMB274.5 million in 2008 from approximately RMB215.3 million in 2007, primarily attributable to the steady increase in revenues of Yangjiang Country Garden Phoenix Hotel, Changsha Venice Hotel and Taishan Country Garden Phoenix Hotel opening respectively in May, October and December 2007.

Gross profit

Gross profit of the Group decreased by 14.1% to approximately RMB7,025.6 million in 2008 from approximately RMB8,174.1 million in 2007. The gross margin for 2008 decreased to 44.7% from 46.1% in 2007, primarily attributable to the decrease in the gross profit margin of construction and decoration and hotel operation both by 9.0 percentage points.

Other gains-net

Other gains-net of the Group increased by 48.0% to approximately RMB51.2 million of gain in 2008 from approximately RMB34.6 million of gain in 2007. It is mainly due to the income from the derivative financial instruments.

Selling and marketing costs

Selling and marketing costs of the Group increased by 70.2% to approximately RMB528.9 million in 2008 from approximately RMB310.8 million in 2007, which is primarily attributable to heavy publicity of 23 new properties for sale in 2008. Therefore, large amount of advertisement were put into the market and resulted in the increase in advertisement expenses by 51.6% to approximately RMB234.9 million in 2008 from approximately RMB154.9 million in 2007. In addition, pre-sale of new property (eg. Country Garden Phoenix City (Shenyang), Country Garden-Galaxy Palace and Shenyang Country Garden) in 2008 also gave rise to the higher selling and marketing costs for the year.

Administrative expenses

Administrative expenses of the Group increased by 12.1% to approximately RMB1,046.0 million in 2008 from approximately RMB933.2 million in 2007, primarily attributable to the recruitment of a large number of staff, which had been employed to satisfy the requirement of rapid development of the Group expanding outside Guangdong Province during the year. Consequently, the salary increased substantially by 28.5% to approximately RMB340.2 million in 2008 from approximately RMB264.8 million in 2007. The office expense and depreciation expense accordingly increased by 100.8% and 25.1% to RMB28.3 and RMB40.1 million respectively. In addition, the land use rights amortization expense increased by 89.1% to RMB160.4 million compared to 2007 resulting from the large amount of land bank of the Group. The donation to charities for Sichuan Earthquake Relief and others amounted to RMB81.3 million in 2008.

Finance costs – net

Finance costs – net of the Group increased by 549.6% to approximately RMB999.1 million in 2008 from approximately RMB153.8 million in 2007. Among the amount is interest income that was decreased to approximately RMB74.8 million in 2008 from approximately RMB425.4 million in 2007, which is mainly attributable to the interest income of approximately RMB270.0 million from the application monies of subscribing IPO shares of the Group in 2007, which was not recurrent in 2008.

Besides, finance costs increased to approximately RMB1,073.8 million in 2008 from approximately RMB579.2 million reflecting the increase in the total interest expenses resulting from several lifting of bank loan interest rates during the intervening period between 1 January 2007 and 15 September 2008. Although the bank loan interest rate has decreased gradually since 16 September 2008, the weighted average bank loan interest rate is still very high. Moreover the Group issued a convertible bond of a principal amount of US$600.0 million (equivalent to approximately RMB4,314.0 million) in the first half of 2008, whose interest expenses are calculated using effective interest rate method. The effective annual interest rate of the liability component is 9.24% while the interest expenses for 2008 was RMB291.1 million.

Fair value changes on derivative financial instruments

On 15 February 2008, the Company entered into a cash settled equity swap transaction (the "Equity Swap") with Merrill Lynch International for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million). Under the Equity Swap, the Company receives a payment if the Final Price (as defined in the announcement dated 17 February 2008) is higher than the Initial Price (as defined in the announcement dated 17 February 2008) and the Equity Swap Counterparty receives a payment if the Final Price is lower than the Initial Price. The Initial Price will be determined in accordance with the formula sets out in the Equity Swap and the Final Price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates. Based on the market price on 31 December 2008, the fair value change on the Equity Swap reduced the profit for the period by approximately RMB1,241.5 million.

Profit attributable to the equity owners

Profit attributable to the equity owners in 2008 of the Group decreased by 66.7% to approximately RMB1,378.2 million from approximately RMB4,135.9 million in 2007. Such net margin reduced to 8.8% in 2008 from 23.3% in 2007, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB5,734.6 million as at 31 December 2008 (31 December 2007: RMB9,496.9 million), representing a significant decrease as compared to that as at 31 December 2007. As at 31 December 2008, 63.9% of the Group's cash and bank deposits were denominated in Renminbi, while the rest 36.1% in other currencies (mainly US and HK dollars).

As at 31 December 2008, the carrying amount of the restricted cash was approximately RMB2,728.1 million (31 December 2007: RMB1,013.5 million) which comprises the restricted cash for construction payment of RMB1,019.5 million (2007: RMB1,013.5 million) and collateral for Equity Swap of RMB1,708.6 million (2007: nil). Pursuant to relevant regulations, certain of the project companies are required to deposit a portion of proceeds from pre-sales of properties into special bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipments, making construction payments and paying tax, with the prior approval of the relevant local authorities. Besides, the Group has provided US$250.0 million (equivalent to approximately RMB1,708.6 million) as collateral for an equity swap transaction entered in February 2008 with Merrill Lynch International.

Net current assets and current ratio

The Group had net current assets of approximately RMB14,310.5 million as at 31 December 2008 (31 December 2007: RMB9,704.8 million). The current ratio being current assets over current liabilities is approximately 1.7 as at 31 December 2008 similar to that as at 31 December 2007.

Borrowings and Charges on Group Assets

The Group had an aggregated borrowings as at 31 December 2008 of approximately RMB7,826.3 million, of which approximately RMB2,823.1 million will be repayable within 1 year, approximately RMB5,003.2 million will be repayable between 2 and 5 years. As at 31 December 2008, the substantial part of the bank borrowings are secured by land use rights and properties of the Group and guaranteed by Group companies.

Gearing Ratio

The gearing ratio is measured by the net debt (aggregated borrowings plus liability component of convertible bond net of cash and cash equivalent and restricted cash excluding the collateral US$250.0 million (approximately RMB1,708.6 million) for the equity swap transaction with Merrill Lynch International) over the total capital and reserves attributable to equity owners. As at 31 December 2008, the gearing ratio was 40.9% (31 December 2007:-13.1%).

Interest Rate Risk

The weighted average annual interest rate of the Group's borrowing increased to 7.4% in 2008 from 6.8% in 2007. In addition, the Group issued a convertible bond in the first half of 2008, whose interest rate is calculated using effective interest rate method. The effective annual interest rate of the liability component is 9.24%. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Risk of Exchange Rate Fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. In the first half of 2008, the exchange rates of Renminbi to Hong Kong dollars kept on increasing. Though the Group had progressively remitted the Hong Kong dollars IPO proceeds to China and converted them into Renminbi shortly after remittance, there was still an exchange losses of RMB241.5 million. It was mainly due to the unexpected longer period for exchange process resulting from tightening foreign exchange policies in China. The Group is actively engaging in the process of converting Hong Kong dollars into Renminbi. The Directors expect that any fluctuation of Renminbi's exchange rate will not have any material adverse effect on the operation of the Group.

Land Appreciation Tax

According to the law and rules issued by the State Administration of Taxation of the PRC, in the past the Group has made full provision of LAT but paid provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau. As at 31 December 2008, the Group had LAT expenses of approximately RMB875.9 million. As at 31 December 2008, the Group had LAT provision balance of RMB1,870.0 million.

Contingent Liabilities

As at 31 December 2008, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB10,450.8 million (31 December 2007: approximately RMB9,637.3 million).

This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 31 December 2008, approximately RMB392.2 million (31 December 2007: approximately RMB537.2 million) was to be discharged two years from the day the mortgaged loans become due; and approximately RMB10,058.6 million (31 December 2007: approximately RMB9,100.1 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

Commitments for capital, property development expenditures and land acquisition

As at 31 December 2008, the capital commitments in connection with the property development activities amounted to approximately RMB6,024.4 million (31 December 2007: approximately RMB3,891.0 million). This amount is primarily arising from contracted construction fees or other capital commitments for future property developments. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

Employees and Remuneration Policy

As at 31 December 2008, the Group had approximately 29,068 full-time employees, which had increased by 1,229, or 4.4%, from 27,839 as at 31 December 2007.

The recruitment of a large number of new staff was to satisfy the requirement of rapid development of the Company after its listing. The remuneration package of the employees includes salary, bonus and other cash subsidies. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary increase, bonus and promotion. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates. The employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. The Group believes its relationship with the employees is good. As at the date of the report, no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the business occurred.

Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald. Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The annual results have been reviewed by the Audit Committee of the Company.

REMENURATION COMMMITTEE

The Remuneration Committee consists of five members, of whom two are executive Directors being Mr. YEUNG Kwok Keung and Mr. CUI Jianbo, and three are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald and is being chaired by Mr. YEUNG Kwok Keung.

The primary responsibility is to review and formulate policies in respect of remuneration structure for all Directors and senior management of the Company and make recommendations to the Board for its consideration.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance (the "Code") as set out in the 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out therein throughout the year ended 31 December 2008. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Company will review its dividend policy from time to time according to its business development and the global economic situation. For the year ended 31 December 2008, the Board recommended a final dividend for 2008 at RMB3.00 cents per share (2007: RMB9.52 cents) to the shareholders whose name appear on the register of members of the Company on 4 June 2009, subject to the approval of the declaration and payment of such proposed final dividend by shareholders of the Company at the forthcoming annual general meeting.

The proposed final dividend will be paid in cash. The Company will also propose that a scrip dividend option will be offered to shareholders to elect to receive such proposed final dividend all in new shares or partly in new shares and partly in cash (the "Scrip Dividend Scheme"). The proposed scrip dividend is conditional upon the approval of the Stock Exchange for the listing of, and permission to deal in, the new shares of the Company to be issued.

A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to the shareholders in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE ON THE STOCK EXCHANGE AND OF THE COMPANY

The results announcement is published on the Company's website (http://www.countrygarden.com.cn) and the Stock Exchange designed website (http://www.hkexnews.hk). The annual report will also be available at the Company's and the Stock Exchange's websites on/about 30 April 2009 and will be dispatched to the shareholders of the Company thereafter.

By Order of the Board
CUI Jianbo
President and Executive Director

Hong Kong, 21 April 2009

As at the date of this announcement, the executive directors of the Company are Mr. YEUNG Kwok Keung, Mr. CUI Jianbo, Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan, Mr. OU Xueming, Mr. YANG Zhicheng and Mr. YANG Yongchao. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald.

http://www.countrygarden.com.cn