



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

- Sales for the six months ended 30 June 2007 amounted to RMB6,033.8 million, an increase of 48.0% compared with the corresponding period in 2006.
- Profit attributable to equity owners amounted to RMB1,421.0 million, representing a growth of 164.3% compared with the corresponding period in 2006.
- Gross margin for the period was 37.8%, an increase from 36.4% in the corresponding period in 2006.
- Net margin for the period was 23.5%, a significant increase from 13.2% in the corresponding period in 2006.
- Earnings per share amounted to RMB 9.7 cents, representing a growth of 142.5% compared with the corresponding period in 2006.

INTERIM RESULTS

The board of directors (the “Board”) of Country Garden Holdings Company Limited (the “Company”) is pleased to announce the unaudited consolidated income statement of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006, the unaudited consolidated balance sheet of the Group as at 30 June 2007 together with audited comparative figures as at 31 December 2006, as follows:

**Consolidated Balance Sheet
(RMB'000)**

	<i>Note</i>	Unaudited 30 June 2007	Audited 31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment		1,185,778	944,571
Intangible assets		224,799	—
Land use rights		2,465,159	2,171,614
Available-for-sale financial assets		20,000	20,000
Properties under development		577,611	212,573
Deferred income tax assets		471,819	555,566
		<u>4,945,166</u>	<u>3,904,324</u>
Current assets			
Land use rights		1,757,278	1,584,777
Properties under development		4,588,938	3,725,848
Completed properties held for sale		1,605,999	1,641,029
Inventories		104,996	89,955
Trade and other receivables	3	3,181,426	1,439,064
Prepaid taxes		1,145,683	942,012
Restricted cash		759,113	454,669
Cash and cash equivalents		16,111,518	1,529,689
		<u>29,254,951</u>	<u>11,407,043</u>
Total assets		<u><u>34,200,117</u></u>	<u><u>15,311,367</u></u>
EQUITY			
Capital and reserves attributable to the equity owners			
Share capital and premium	4	14,989,639	764,568
Reserves		32,705	32,705
Retained earnings		1,421,048	512,554
		<u>16,443,392</u>	<u>1,309,827</u>
Minority interests		190,160	165,535
Total equity		<u>16,633,552</u>	<u>1,475,362</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,335,910	2,858,200
Deferred income tax liabilities		186,990	130,957
		<u>3,522,900</u>	<u>2,989,157</u>
Current liabilities			
Advanced proceeds received from customers		10,322,425	7,481,986
Trade and other payables	5	2,151,918	1,848,859
Income tax payable		298,832	292,911
Borrowings		1,270,490	1,223,092
		<u>14,043,665</u>	<u>10,846,848</u>
Total liabilities		<u>17,566,565</u>	<u>13,836,005</u>
Total equity and liabilities		<u>34,200,117</u>	<u>15,311,367</u>
Net current assets		<u>15,211,286</u>	<u>560,195</u>
Total assets less current liabilities		<u>20,156,452</u>	<u>4,464,519</u>

**Consolidated Income Statement
(RMB'000)**

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2007	2006
Revenue	6	6,033,798	4,077,755
Cost of sales		<u>(3,754,734)</u>	<u>(2,591,493)</u>
Gross profit		2,279,064	1,486,262
Other gains/(losses) — net	7	207,851	(41,795)
Selling and marketing costs		(157,559)	(116,078)
Administrative expenses		(291,138)	(162,350)
Other expenses		<u>(10,518)</u>	<u>(37,346)</u>
Operating profit		2,027,700	1,128,693
Finance costs	8	<u>(148,723)</u>	<u>(138,810)</u>
Profit before income tax		1,878,977	989,883
Income tax expense	9	<u>(435,804)</u>	<u>(383,939)</u>
Profit for the period		<u>1,443,173</u>	<u>605,944</u>
Attributable to:			
Equity owners		1,421,048	537,673
Minority interests		<u>22,125</u>	<u>68,271</u>
		<u>1,443,173</u>	<u>605,944</u>
Basic and diluted earnings per share, expressed in RMB cents per share	10	<u>9.7 cents</u>	<u>4.0 cents</u>
Dividends	11	<u>512,554</u>	<u>376,343</u>

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 Group underwent the reorganisation (the “Reorganisation”) in preparation for the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Details of the Reorganisation were disclosed in the audited financial statements of the Group for the year ended 31 December 2006.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. During the period, the Company is engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, construction, fitting and decoration, property management and hotel operation and theme park businesses.

The Company’s shares were listed on the Stock Exchange on 20 April 2007.

This interim financial information is presented in units of Renminbi (“RMB”) thousand Yuan, unless otherwise stated and was approved by the board of directors of the Company for issue on 27 August 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This interim financial information has been prepared using the principles of merger accounting, as described in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial information included the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2006, or since their respective dates of incorporation/establishment. For companies acquired from (or disposed to) a third party during the period, they would be included in (or excluded from) the interim financial information of the Group from the date of that acquisition (disposal).

This interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim Financial Reporting’. The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2006.

2.2 Accounting policies

The accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The adoption of new/revised HKFRS

In 2007, the Group adopted the new standards, amendments and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) - Int 10	Interim Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosure

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in annual consolidated accounts.

Standards and interpretations that are not yet effective and have not been adopted by the Group

The following new/revised standards and interpretations have been published and are mandatory for the Group’s accounting periods beginning on or after 1 March 2007 or later periods.

HKFRS 8	Operating Segment
HKAS 23 (Revised)	Borrowing Costs
HK (IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK (IFRIC) - Int 12	Service Concession Arrangements

The Group has not yet early adopted any of the above standards or interpretations. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group’s results of operations and financial position.

3. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2007	31 December 2006
Trade receivables (<i>note</i>):	84,842	49,937
Related parties	11,762	—
Third parties	73,080	49,937
Other receivables:	700,954	818,499
Related parties	—	638,797
Third parties	703,911	182,659
Provision for impairment of receivables	(2,957)	(2,957)
Amounts due from customers for contract work	296,125	103,694
Prepayments - third parties	2,099,505	466,934
	<u>3,181,426</u>	<u>1,439,064</u>

As at 30 June 2007, the fair value of trade and other receivables approximated their carrying amounts.

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 no credit terms for property development business. The ageing analysis of trade receivables was as follows:

	As at	
	30 June 2007	31 December 2006
Within 90 days	67,981	32,918
Over 90 days and within 180 days	6,377	7,589
Over 180 days and within 365 days	3,902	3,277
Over 365 days	6,582	6,153
	<u>84,842</u>	<u>49,937</u>

4. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Authorised					
Ordinary share of HK\$0.10 each upon incorporation	3,800,000	380	384	—	384
Increase in authorised share capital	<u>99,996,200,000</u>	<u>9,999,620</u>	<u>9,904,624</u>	<u>—</u>	<u>9,904,624</u>
	<u>100,000,000,000</u>	<u>10,000,000</u>	<u>9,905,008</u>	<u>—</u>	<u>9,905,008</u>
Issue and fully paid					
At 10 November 2006 (date of incorporation)	1	—	—	—	—
Issue of ordinary shares of HK\$0.10	<u>99</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2006 and 1 January 2007	100	—	—	—	—
Issue of shares arising from Reorganisation	999,999,900	100,000	99,060	665,508	764,568
Capitalisation of share premium account	12,600,000,000	1,260,000	1,246,014	(1,246,014)	—
Issue of shares in connection with the listing	2,760,000,000	276,000	272,699	14,398,496	14,671,195
Listing expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>(446,124)</u>	<u>(446,124)</u>
At 30 June 2007	<u>16,360,000,000</u>	<u>1,636,000</u>	<u>1,617,773</u>	<u>13,371,866</u>	<u>14,989,639</u>

5. TRADE AND OTHER PAYABLES

	As at	
	30 June 2007	31 December 2006
Trade payables (<i>note</i>):	487,485	517,018
Related parties	30,730	37,567
Third parties	456,755	479,451
Other payables:		
Third parties	291,673	279,129
Staff welfare benefit payable	124,900	120,853
Accrued expenses	143,928	42,845
Other taxes payable	<u>1,103,932</u>	<u>889,014</u>
	<u>2,151,918</u>	<u>1,848,859</u>

Note:

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

	As at	
	30 June 2007	31 December 2006
Within 90 days	450,200	407,915
Over 90 days and within 180 days	9,440	35,967
Over 180 days and within 365 days	7,602	15,407
Over 365 days	<u>20,243</u>	<u>57,729</u>
	<u>487,485</u>	<u>517,018</u>

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation and theme park businesses. Other businesses of the Group mainly represent operation of schools as ancillary facilities to the property development business, which were disposed of in 2006. As less than 10% of the Group's consolidated turnover and results are attributable to the market outside the People's Republic of China (the "PRC") and less than 10% of the Group's consolidated assets are located outside the PRC, no geographical segment data is presented.

Revenue consists of the following:

	Six months ended 30 June	
	2007	2006
Sales of properties	5,447,687	3,501,729
Rendering of construction services	369,067	329,450
Rendering of hotel services	99,802	95,799
Rendering of property management services	105,449	75,795
Rendering of school services	—	59,100
Rendering of decoration services	<u>11,793</u>	<u>15,882</u>
	<u><u>6,033,798</u></u>	<u><u>4,077,755</u></u>

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

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Gross segment revenue	5,447,687	2,561,220	114,108	102,790	—	—	8,225,805
Inter-segment revenue	<u>—</u>	<u>(2,180,360)</u>	<u>(8,659)</u>	<u>(2,988)</u>	<u>—</u>	<u>—</u>	<u>(2,192,007)</u>
Revenue	5,447,687	380,860	105,449	99,802	—	—	6,033,798
Segment results	1,735,664	574,650	9,329	8,943	—	(300,886)	2,027,700
Finance costs							<u>(148,723)</u>
Profit before income tax							1,878,977
Income tax expense							<u>(435,804)</u>
Profit for the period							<u><u>1,443,173</u></u>

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

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Gross segment revenue	3,501,729	1,755,004	86,924	99,521	59,100	—	5,502,278
Inter-segment revenue	—	(1,409,672)	(11,129)	(3,722)	—	—	(1,424,523)
Revenue	3,501,729	345,332	75,795	95,799	59,100	—	4,077,755
Segment results	848,398	379,827	10,061	2,972	8,107	(86,463)	1,162,902
Losses on disposals of subsidiaries and businesses							(34,209)
Finance costs							(138,810)
Profit before income tax							989,883
Income tax expense							(383,939)
Profit for the period							<u>605,944</u>

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:

Six months ended 30 June 2007

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Depreciation	12,459	12,166	3,989	27,462	—	(3,426)	52,650
Land use right amortisation	23,766	477	—	1,108	—	—	25,351
Capital expenditure	133,964	22,325	5,823	168,172	—	(35,944)	294,340

Six months ended 30 June 2006

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Depreciation	13,906	11,892	3,392	24,293	5,642	(2,816)	56,309
Land use right amortisation	18,111	1,073	—	1,270	—	—	20,454
Impairment of property, plant and equipment	—	—	—	4,018	155	—	4,173
Capital expenditure	18,463	1,518	3,646	111,963	—	(34,192)	101,398

The segment assets and liabilities at 30 June 2007 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Segment assets	<u>40,449,959</u>	<u>6,550,867</u>	<u>164,260</u>	<u>2,062,309</u>	—	(15,499,096)	33,728,299
Unallocated							<u>471,818</u>
Total assets							<u>34,200,117</u>
Segment liabilities	<u>21,646,114</u>	<u>4,759,098</u>	<u>124,705</u>	<u>461,313</u>	—	(14,516,888)	12,474,342
Unallocated							<u>5,092,223</u>
Total liabilities							<u>17,566,565</u>

The segment assets and liabilities at 31 December 2006 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation and theme park	Others	Elimination	Group
Segment assets	<u>20,227,493</u>	<u>4,367,792</u>	<u>119,137</u>	<u>986,482</u>	—	(10,945,103)	14,755,801
Unallocated							<u>555,566</u>
Total assets							<u>15,311,367</u>
Segment liabilities	<u>15,662,588</u>	<u>2,559,287</u>	<u>83,899</u>	<u>966,359</u>	—	(9,941,288)	9,330,845
Unallocated							<u>4,505,160</u>
Total liabilities							<u>13,836,005</u>

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets.

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

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through business combinations.

7. OTHER GAINS/(LOSSES) - NET

	Six months ended 30 June	
	2007	2006
Forfeiture income	1,472	4,254
Interest income	355,250	8,248
Gains/(losses) on disposals of property, plant and equipment	1,362	(3,624)
Losses on disposals of subsidiaries and businesses	—	(34,209)
Exchange losses, net	(167,027)	—
Others	<u>16,794</u>	<u>(16,464)</u>
	<u>207,851</u>	<u>(41,795)</u>

Interest income for the six months ended 30 June 2007 was mainly derived from subscription monies received during the Global Offering.

8. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
Interest expense:		
- bank borrowings	148,723	120,990
- borrowings from related parties	<u>—</u>	<u>17,820</u>
	<u>148,723</u>	<u>138,810</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
Current income tax		
- PRC enterprise income tax	352,223	304,982
- Hong Kong profits tax	<u>—</u>	<u>—</u>
Deferred income tax	<u>83,581</u>	<u>78,957</u>
	<u>435,804</u>	<u>383,939</u>

PRC enterprise income tax is provided at the rate of 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.

No Hong Kong profits tax was provided for the six months ended 30 June 2007 as the Group did not have any assessable profit (six months ended 30 June 2006: Nil).

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%, which will be 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 effect from 1 January 2008. Regarding Giant Leap Construction Co., as approved by the local tax authority in August 2006, its enterprise income tax rate has 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 transitioned to the unified tax rate of 25% over a five-year transitional period. The detailed instruction for the transition to the new tax rate is yet to be issued, the Group however 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 six months ended 30 June 2007.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007	2006
Profit attributable to equity owners of the Company (RMB thousands)	1,421,048	537,673
Weighted average number of ordinary shares in issue (thousands)	14,683,978	13,600,000
Earnings per share (RMB cents per share)	9.7	4.0

The weighted average of 14,683,978,000 (2006: 13,600,000,000) ordinary shares in issue during the period is derived after taking into consideration of: (i) the 999,999,900 shares issued arising from the Reorganisation; and (ii) the capitalisation issue of 12,600,000,000 ordinary shares, and deemed to have been in issue throughout the accounting periods presented.

The basic and diluted earnings per shares are the same since there are no dilutive shares.

11. DIVIDENDS

Dividends were paid by the subsidiaries of the Group to their then shareholders prior to the Reorganisation. No dividends have been declared by the Company after the Reorganisation.

The dividend rates and number of share ranking for the dividend are not presented as such information is not considered meaningful.

12. COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURES

	As at	
	30 June 2007	31 December 2006
Contracted but not provided for		
Property, plant and equipment	7,182	32,265
Property development expenditure	<u>3,105,367</u>	<u>678,423</u>
	<u>3,112,549</u>	<u>710,688</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Property Development

As of 30 June 2007, the Group had 28 projects at various stages of development. 23 of the projects are located in Guangdong Province including eight in Guangzhou, five in Foshan, four in Jiangmen, one in Yangjiang, two in Shaoguan, two in Zhaoqing and one in Huizhou. Another five projects are located in other provinces including one in Changsha in Hunan Province, one in Manzhouli in Inner Mongolia Autonomous Region, one in Taizhou in Jiangsu Province and two in Shenyang in Liaoning Province.

Property Management

Through a wholly-owned property management subsidiary of the Company, Guangdong Country Garden Property Management Co. Ltd. (“Guangdong Management Co.”), the Group provides post-sales property management and services to the residents of each of the projects developed.

As of 30 June 2007, the Group had approximately 11,551 staff members working for its 24 property management branches. The Group aims to continue to provide to purchasers of our properties comprehensive and high quality post-sales property management and services, including public security and assisting the management of public order, maintenance of public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. The Group has established a market reputation for the quality of these services. Guangdong Management Co. was certified in 2005 by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.

Hotels Development and Operation

The hotels that the Group have developed and currently operates include two five-star hotels and one four-star hotel, as well as three hotels which have been developed to the five-star rating standard under the “Star-Rating Standard for Tourist Hotels”. In addition, the Group has another five hotels under construction in accordance with the five-star rating standard of the “Star-Rating Standard for Tourist Hotels”.

Financial Review

Revenue

Revenue of the Group comprises primarily the proceeds from the sale 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 increased by 48.0% to approximately RMB6,033.8 million in the first half of 2007 from approximately RMB4,077.8 million for the corresponding period in 2006, primarily attributable to the increase in sales of property. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB5,447.7 million, RMB380.9 million, RMB105.4 million and RMB99.8 million respectively.

Property development

Revenue generated from property development increased by 55.6% to approximately RMB 5,447.7 million for the six months ended 30 June 2007 from approximately RMB3,501.7 million for the corresponding period in 2006, primarily attributable to an 44.2% increase in total gross floor area (“GFA”) sold to 935,342 sq.m. in the first half of 2007 from 648,614 sq.m. for the corresponding period in 2006. The recognised average selling price of property increased to RMB5,824 per sq.m. in the first half of 2007 from RMB5,371 per sq.m. for the corresponding period in 2006.

Construction and decoration

Revenue generated from the construction and decoration increased by 10.3% to approximately RMB380.9 million for the six months ended 30 June 2007 from approximately RMB345.3 million for the corresponding period in 2006, primarily attributable to an increase 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 39.1% to approximately RMB105.4 million for the six months ended 30 June 2007 from approximately RMB75.8 million for the corresponding period in 2006, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Nanhai Country Garden, Nansha Country Garden and Country Garden Phoenix City.

Hotel operation

Revenue generated from the hotel operation increased by 4.2% to approximately RMB99.8 million for the six months ended 30 June 2007 from approximately RMB95.8 million for the corresponding period in 2006, primarily attributable to the steady increase in revenues of Heshan Country Garden Phoenix Hotel and Jiangmen Country Garden Phoenix Hotel, the award of Qingyuan Country Garden Holiday Islands Hotel as five-star rating standard on 14 May 2007 and the opening of Yangjiang Phoenix Hotel which is operated according to five-star rating standard.

Cost of sales

Cost of sales of the Group represents primarily the costs we incur directly for our property development activities which include construction, decoration and design costs, land use rights cost, business taxes, and land appreciation tax. Property developments require substantial capital investment for land acquisition and construction and may take several months or years before generating positive cash flows.

Cost of sales increased by 44.9% to approximately RMB3,754.7 million for the six months ended 30 June 2007 from approximately RMB2,591.5 million for the corresponding period in 2006. The increase in construction, decoration and design costs was in line with the increase in total sales of the properties.

Gross profit

Gross profit of the Group increased by 53.3% to approximately RMB2,279.1 million for the six months ended 30 June 2007 from approximately RMB1,486.3 million for the corresponding period in 2006, primarily attributable to the significant increase in the total GFA of the properties sold. The gross margin for the first half of 2007 increased to 37.8% from 36.4% for the corresponding period in 2006, primarily attributable to the increase in the average selling price to RMB5,824 per sq.m. for the six months ended 30 June 2007 from RMB5,371 per sq.m. for the corresponding period in 2006.

Other gains/(losses)-net

Other gains/(losses)-net of the Group increased by 597.4% to approximately RMB207.9 million of gain for the six months ended 30 June 2007 from approximately RMB41.8 million of loss for the corresponding period in 2006. It is mainly due to the substantial interest income earned on application monies of approximately RMB270.0 million for shares subscription upon the Group's initial public offering ("IPO") in April 2007 and the interest income on other bank deposits of RMB85.2 million. This increase in other gains was offset by exchange losses, net, of approximately RMB167.0 million mainly arising from the Hong Kong Dollar proceeds received upon the IPO pending conversion into Reminbi during the period.

Selling and marketing costs

Selling and marketing costs of the Group increased by 35.7% to approximately RMB157.6 million for the six months ended 30 June 2007 from approximately RMB116.1 million for the corresponding period in 2006, which is primarily attributable to heavy publicity of the Group prior to its listing in April 2007. Therefore, large amount of advertisement were put into the market and resulted in the increase in advertisement expenses by 49.3% to approximately RMB87.8 million for the six months ended 30 June 2007 from approximately RMB58.8 million for the corresponding period in 2006. In addition, pre-sale of new property (eg. Zengcheng Country Garden, Huanan Country Garden and Heshan Country Garden) in the first half of 2007 also gave rise to the higher selling and marketing costs for the period.

Administrative expenses

Administrative expenses of the Group increased by 79.2% to approximately RMB291.1 million for the six months ended 30 June 2007 from approximately RMB162.4 million for the corresponding period in 2006, primarily attributable to the recruitment of a large number of staff, which was to satisfy the requirement of rapid development of the Group during its listing and afterwards. Consequently, the salary increased substantially by 47.9% to approximately RMB131.0 million for the six months ended 30 June 2007 from approximately RMB88.6 million for the corresponding period in 2006. The listing expense of approximately RMB32.7 million was charged one-off to the Group's income statement during the period under review.

Other expenses

Other expenses of the Group decreased by 71.9% to approximately RMB10.5 million for the six months ended 30 June 2007 from approximately RMB37.4 million for the corresponding period in 2006, primarily attributable to the absence of surcharge in relation to the late payment of enterprise income tax in 2002, 2003, and 2004 of approximately RMB33.4 million for the corresponding period in 2006. According to the relevant tax authority, such payment is final and conclusive and the issue was completely resolved.

Finance costs

Finance costs of the Group increased by 7.1% to approximately RMB148.7 million for the six months ended 30 June 2007 from approximately RMB138.8 million for the corresponding period in 2006, mainly reflecting the increase in the total interest expenses resulting from several lifting of bank loan interest rates during the intervening period between 1 January 2006 and 30 June 2007.

Profit attributable to the equity owners

Profit attributable to the equity owners for the six months ended 30 June 2007 of the Group increased by 164.3% to approximately RMB1,421.0 million from approximately RMB537.7 million for the corresponding period in 2006. Such net margin increased to 23.5% for the six months ended 30 June 2007 from 13.2% for the corresponding period in 2006, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

Since the Group had raised new shares issue proceeds, net, (including the portion of the over-allotment subscription) of approximately RMB14,671.2 million, the Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB16,870.6 million as at 30 June 2007 (31 December 2006: RMB1,984.4 million), representing a significant increase as compared to that as at 31 December 2006. As at 30 June 2007, 48.1% and 51.9% of the Group's cash and bank deposits were denominated in Renminbi, and other currencies (mainly Hong Kong dollars) respectively.

As at 30 June 2007, the carrying amount of the restricted cash was approximately RMB759.1 million (31 December 2006: RMB454.7 million). 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 interim construction payments and paying tax, with the prior approval of the relevant local authorities.

Net current assets and current ratio

The Group had net current assets of approximately RMB15,211.3 million as at 30 June 2007 (31 December 2006: RMB560.2 million). The current ratio being current assets over current liabilities, increased to approximately 2.1 as at 30 June 2007 from approximately 1.1 as at 31 December 2006.

Borrowings and charges on group assets

The Group had an aggregated borrowings as at 30 June 2007 of approximately RMB4,606.4 million, of which approximately RMB1,270.5 million will be repayable within 1 year, approximately RMB3,335.9 million will be repayable between 2 and 5 years. As at 30 June 2007, 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 borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total capital and reserves attributable to equity owners. As at 30 June 2007, the gearing ratio was -74.6%, i.e. the Group was in a net cash position (31 December 2006: 160.1%). As the ongoing new project development and the land replenishment will utilize the IPO proceeds and additional borrowings will be raised, if required, the gearing ratio is expected to be gradually increased to a reasonable level.

Interest rate risk

The weighted average interest rate of the Group's borrowing increased to 6.4% for the six months ended 30 June 2007 from 6.2% for the corresponding period in 2006. 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 People's Republic of China (the "PRC"), so most of its revenue and expenses are measured in Reminbi. In the first half of 2007, the exchange rates of Reminbi 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 Reminbi shortly after remittance, there was still an exchange losses of RMB167.0 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 Reminbi. The directors expect that any fluctuation of Reminbi's exchange rate will not have material adverse effect on the operation of the Group.

Land appreciation tax

The State Administration of Taxation ("SAT") of the PRC issued Guoshuifa 2004 No. 938 dated 2 August 2004, announcing its intention to strengthen the collection of land appreciation tax ("LAT") on property developers. The SAT of the PRC also issued Guoshuifa 2006 No. 187 dated 28 December 2006, which became effective from 1 February 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorizing the local tax bureau to issue detailed implementation rules and procedures appropriate to local environments. 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. After consultation with tax consultants and the tax bureau of certain relevant cities where the Group has property development, it is understood that the details of implementation have not yet been announced. For the six months ended 30 June 2007, the Group had LAT expenses of approximately RMB340 .3 million. As at 30 June 2007, the Group had LAT provision balance of RMB958.0 million. In the opinion of the directors, the Group had adequate resources to pay to the local tax bureau upon the collection of such LAT provision.

Contingent liability

As at 30 June 2007, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB6,918.6 million (31 December 2006: approximately RMB5,822.7 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 30 June 2007, approximately RMB662.3 million (31 December 2006: approximately RMB764.4 million) was to be discharged two years from the day the mortgaged loans become due; and approximately RMB6,256.3 million (31 December 2006: approximately RMB5,058.3 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.

Capital and property development commitments

As at 30 June 2007, the capital commitments in connection with the property development activities amounted to approximately RMB3,112.5 million (31 December 2006: approximately RMB710.7 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.

Material acquisition and disposal of subsidiaries

In May 2007, the Group acquired effectively 100% equity interest of a company engaged in property development in Shenyang, Liaoning Province for a total cash consideration of RMB550,000,000.

Employees and Remuneration Policy

As at 30 June 2007, the Group had approximately 21,292 full-time employees, which had increased by 3,324, on 18%, from 17,968 as at 31 December 2006. 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 believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

Business Venture and Prospect

As of 30 June 2007, the Group had 28 projects with an aggregate completed GFA of 6,799,103 sq.m., on which it had built 38,956 units to house an estimated 155,000 people, an aggregate GFA under development of 6,112,337 sq.m., and an aggregate GFA of 12,777,560 sq.m relating to properties held for future development. There was an aggregate site areas of approximately 6,164,679 sq.m., with an aggregate developable GFA of approximately 10,682,258 sq. m., for which the land grant contracts had been entered, but the relevant land use rights certificates had not yet obtained.

The Company is currently expanding further into other parts of the country. Apart from Guangdong Province, the Group has already had presence in Liaoning province, Anhui Province, Jiangsu Province, Hunan Province and Inner Mongolia Autonomous Region. Looking ahead, by leveraging on the strong capital base, wide brand recognition and unique business model, the Group will not only focus in Guangdong Province, but also further expand the business outside Guangdong Province. With the increase in land bank, the Group will continue to grow stably in its development going forward.

The Group actively cooperated with different level of government on preliminary land development since the Group's announcement dated 31 May 2007 regarding its first involvement in this activity. As of 30 June 2007, approximately 17.89 million sq.m. of land was involved in preliminary land development with an invested amount of approximately RMB430 million. The Company's participation in the preliminary land development provides additional sources of income from a related business. At the same time, early involvement in the planning of land parcels from the preliminary land development will also be beneficial to the Group's subsequent property development, with more targeted project planning in better meeting local customer demand. The participation in the preliminary land development fits in well with our unique business model of systematic and rapid large scale property development.

AUDIT COMMITTEE

The Audit Committee was established on 5 December 2006 and 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 interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the “Code”) as set out in the Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the period from 20 April 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 30 June 2007, except for the deviations from the code provisions (“Code Provisions”) A.1.7, A.2.1 and D.1.2 only. The following summarizes the requirements under the relevant Code Provisions, the reasons for such deviations and the steps the Company has taken in order to be able to comply with the relevant Code Provisions.

- (1) **Code Provision A.1.7** — There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer’s expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.

- (2) **Code Provision A.2.1** — The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

- (3) **Code Provision D.1.2** — An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.”

The Company has adopted the Code on 20 March 2007. Mr. Yeung Kwok Keung and Mr. Cui Jianbo have been holding the positions of the Chairman of the Board and the President, who are two clearly separate positions, and the functions of the President are similar to those normally taken by the chief executive officer of other listed companies, respectively since 4 December 2006. The Company has not complied with the relevant Code Provisions during the period from 20 April 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 30 June 2007 as the Company requires more time to consider and prepare proper procedures and guidelines which comply with the relevant Code Provisions and are applicable to the Company. On 3 August 2007, the directors of the Company passed a written resolution to approve and adopt a memorandum setting out in writing the procedure to enable directors to seek independent professional advice in appropriate circumstances at the Company's expenses, the division of responsibilities between the Chairman and the President and the functions of the Board and management. Therefore, the Company has since 3 August 2007 rectified all deviations from and complied fully with the Code.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Specific confirmation has been obtained from all directors to confirm compliance with the required standard set out in the Model Code during the period from 20 April 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 30 June 2007. No incident of material non-compliance was noted by the Company to date in 2007. 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 during the period from 20 April 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

Dividends were paid by the subsidiaries of the Group to their then shareholders as special dividend prior to the reorganisation undergone by the Company in contemplation of the listing of the shares of the Company on the Stock Exchange in April 2007. No dividends have been declared by the Company after such reorganisation.

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

The interim results announcement is published on the Company's website (<http://www.countrygarden.com.cn>) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report will also be available at the Company's and the Stock Exchange's websites on/about 5 September 2007 and will be dispatched to shareholders of the Company thereafter.

By Order of the Board
Yeung Kwok Keung
Chairman

Hong Kong, 27 August 2007

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.