



# 碧桂園控股有限公司

COUNTRY GARDEN HOLDINGS COMPANY LIMITED

(於開曼群島註冊成立的有限公司)

(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code : 2007

# 2008

年報 Annual Report





Corporate profile	2
Chairman's Statement	3
Business overview	5
Management discussion and analysis	14
Biographical details of directors and senior management	19
Corporate governance report	23
Report of directors	28
Independent auditor's report	37
Consolidated balance sheet	38
Balance sheet	40
Consolidated income statement	41
Consolidated statements of changes in equity	42
Consolidated cash flow statement	43
Notes to the consolidated financial statements	44
Financial summary	107
Corporate information	108

# Corporate Profile

Country Garden Holdings Company Limited (“Country Garden” or the “Company”) together with its subsidiaries, (collectively, the “Group”) (stock code: 2007.HK) is one of China’s leading integrated property developers. The Group runs a centralized and standardized business model that comprises construction, fitting, project development, property management, as well as hotel development and management. Country Garden offers a broad range of products to cater for diversified market demands. Its various products include large-scale residential projects such as townhouses, apartment buildings, as well as car-parks and retail shops. The Group also develops and manages hotels within some of its projects to enhance the potential for property value appreciation. It also develops hotels which are independent of property developments. The Group’s brand was named by the People’s Republic of China (the “PRC”) State Administration for Industry and Commerce in 2006 as “China’s Well-known Trademarks”.

Country Garden was listed on the Main Board of the Hong Kong Stock Exchange on 20 April 2007. The listing not only provided the Group with additional funding to sustain healthy growth in the future, but it also assisted the Group to establish its foothold in the international capital market. Country Garden was well recognized by the market post listing. It was included in the MSCI Global Standard Index on 1 September 2007. It also became a constituent stock of the Hang Seng Composite Index, Hang Seng Mainland Composite Index and Hang Seng Mainland Freefloat Index on 10 September 2007, as well as the Hang Seng China 50 Index on 30 June 2008. All these symbolized the capital market’s recognition of Country Garden as a major component of the Hong Kong stock market and also strengthened the Group’s benchmarking position in the international capital market.

Since its inception in 1997, Country Garden has been benefiting from the flourishing economy of the PRC, particularly in Guangdong Province. As at 31 December 2008, Country Garden had operations in a number of strategically selected locations beyond Guangdong Province, including Hunan Province, Jiangsu Province, Hubei Province, Liaoning Province, Anhui Province, Heilongjiang Province, Inner Mongolia Autonomous Region and Chongqing Municipality. The associated strategic acquisitions further consolidated the Group’s leading position in Guangdong Province, while strengthening its developments in other provinces across the nation.

Looking ahead, Country Garden will continue to focus on developing high quality property projects in the suburban areas of first tier cities as well as second and third tier cities with promising economic growth potential. Leveraging on its unique competitive strengths, and under the direction and guidance of government’s macro policies, Country Garden will further replicate its successful business model into new high growth regions through strategic selection of project locations, a short project development schedule characterized by fast asset turnover and excellent execution ability, as well as innovative product offering close in line with market demand, all with a view to developing the Group into a leading large-scale residential property developer with a national presence and a well recognized brand name.



Dear Shareholders,

I am pleased to present the annual results of Country Garden Holdings Company Limited ("Country Garden" or the "Company", together with its subsidiaries, the "Group") for year ended 31 December 2008.

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 on 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 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 abroad, 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.

## APPRECIATION

The achievement that Country Garden has made today is attributable to the concerted efforts of the management and the entire staff. On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to the management and every member of staff of the Company for their excellent effort over the past years. We would also like to thank the local governments for their continued support in making possible the smooth progress of our various projects. We would also like to express our appreciation to our residents, shareholders and business partners for their strong support and confidence in the Group. The entire management and staff of Country Garden will continue to dedicate their professional knowledge with an excellent team spirit, working towards generating satisfactory returns for our shareholders.

### **YEUNG Kwok Keung**

*Chairman*

Hong Kong, the PRC, 21 April 2009



## PROPERTY DEVELOPMENT

As at 31 December 2008, the Group had fifty-four projects at various stages of development. Twenty-eight of the projects are located in Guangdong Province including eight in Guangzhou City, five in Foshan City, five in Jiangmen City, one in Yangjiang City, three in Shaoguan City, two in Zhaoqing City, one in Huizhou City, one in Shanwei City, one in Maoming City and one in Qingyuan City. Another Twenty-six projects are located in other provinces and regions including three in Changsha City and one in Yiyang City in Hunan Province, one in Wuhan City, two in Xianning City and one in Suizhou City in Hubei Province, one in Taizhou City in Jiangsu Province, three in Chaohu City, one in each of Anqing City, Chizhou City, Huangshan City and Wuhu City in Anhui Province, four in Shenyang City and one in Anshan City in Liaoning Province, one in each of Hulunbeier City, Xing'anmeng and Tongliao City in Inner Mongolia, one in Suihua City in Heilongjiang Province and one in Chongqing Municipality.

## 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 at 31 December 2008, the Group had approximately 16,051 staffs working for its 42 property management branches. The Group aims to continue to provide 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. For example, Guangdong Management Co. has been certified by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.

## HOTEL OPERATION

The Group has developed and currently 3 five-star hotels, 4 hotels which have been developed to the five-star rating standard under the "Star-Rating Standard for Tourist Hotels, as well as 1 four-star hotel". In addition, the Group has 10 hotels that are under construction in accordance with the five-star rating standard of the "Star-Rating Standard for Tourist Hotels".



The development status of the Group's hotel properties as at 31 December 2008 is as follow:

Name of Hotel	Location	Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Shunde Country Garden (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	152	Four-Star (in operation)
Guangzhou Country Garden Phoenix City Hotel (廣州碧桂園鳳凰城酒店)	Country Garden Phoenix City, Guangzhou, Guangdong Province	November 2003	573	Five-Star (in operation)
Qingyuan Country Garden Holiday Islands Hotel (清遠市碧桂園假日半島酒店)	Qingyuan Holiday Islands Country Garden, Qingyuan, Guangdong Province	December 2004	201	Five-Star (in operation)
Heshan Country Garden Phoenix Hotel (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen, Guangdong Province	July 2005	280	Five-Star (in operation)
Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店)	Wuyi Country Garden, Jiangmen, Guangdong Province	December 2005	95	According to five-star rating standard (in operation)
Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店)	Yangdong Country Garden, Yangjiang, Guangdong Province	May 2007	342	According to five-star rating standard (in operation)
Changsha Venice Palace Hotel (長沙威尼斯酒店)	Changsha Country Garden, Changsha, Hunan Province	October 2007	343	According to five-star rating standard (in operation)
Taishan Country Garden Phoenix Hotel (台山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen, Guangdong Province	November 2007	337	According to five-star rating standard (in operation)
Zhaoqing Country Garden Phoenix Hotel (肇慶碧桂園鳳凰酒店)	Zhaoqing Country Garden, Zhaoqing, Guangdong Province	February 2009	285	According to five-star rating standard (under construction)
Xinhui Country Garden Phoenix Hotel (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen, Guangdong Province	March 2009	374	According to five-star rating standard (under construction)
Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	September 2009 <sup>(2)</sup>	337	According to five-star rating standard (under construction)
Suizhou Country Garden Phoenix Hotel (隨州碧桂園鳳凰酒店)	Suizhou Country Garden, Suizhou, Hubei Province	November 2009	378	According to five-star rating standard (under construction)
Changshou Country Garden Phoenix Hotel (長壽碧桂園鳳凰酒店)	Changshou Country Garden, Chongqing, Chongqing Municipality	2010 <sup>(2)</sup>	336	According to five-star rating standard (under construction)

Name of Hotel	Location	Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Wuhan Country Garden Phoenix Hotel (武漢碧桂園鳳凰酒店)	Wuhan Country Garden, Wuhan, Hubei Province	2010 <sup>(2)</sup>	334	According to five-star rating standard (under construction)
Chaohu Country Garden La Phoenix Hotel (巢湖碧桂園鳳城酒店)	Country Garden-Lakeside City, Chaohu, Anhui Province	2010 <sup>(2)</sup>	337	According to five-star rating standard (under construction)
Chaohu Country Garden Le Phoenix Hotel (巢湖碧桂園鳳城酒店)	Chaohu Country Garden, Chaohu, Anhui Province	2010 <sup>(2)</sup>	336	According to five-star rating standard (under construction)
Huangshan Country Garden Phoenix Hotel (黃山碧桂園鳳凰酒店)	Huangshan Country Garden, Huangshan, Anhui Province	2010 <sup>(2)</sup>	376	According to five-star rating standard (under construction)
Wuhu Country Garden Phoenix Hotel (蕪湖碧桂園鳳凰酒店)	Wuhu Country Garden, Wuhu, Anhui Province	2010 <sup>(2)</sup>	602	According to five-star rating standard (under construction)

## Notes:

- (1) Hotels are only allowed to apply for star hotel certification after one year of operation  
(2) Expected opening date



The following map shows the location of the cities where the 54 projects are located.



## Completed property developments

Project	City (District)	Aggregate GFA for entire project (sq.m)	Interest attributable to the Company (%)	Completed GFA <sup>(1)</sup> (sq.m)	Total completed saleable GFA <sup>(1)</sup> (sq.m)	Total saleable GFA sold and delivered <sup>(1)</sup> (sq.m)	Total saleable GFA pre-sold pending delivery <sup>(1)</sup> (sq.m)	Completion Date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100	240,550	238,860	227,511	0	29/Jun/2002
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	277,562	100	121,297	121,047	108,123	3,697	25/Dec/2008
Huanan Country Garden – Phases One to Five and Phase Seven (華南碧桂園一—至五期及七期)	Guangzhou (Panyu)	1,010,230	100	909,938	853,275	844,485	5,629	19/Nov/2008
Huanan Country Garden – Phase Six (華南碧桂園一六期)	Guangzhou (Panyu)	423,467	50	408,391	407,612	407,552	0	20/Dec/2007
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	525,011	100	473,201	450,576	440,846	135	20/Dec/2008
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,831,757	100	2,363,189	2,241,373	2,017,675	86,074	31/Dec/2008
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	509,411	100	250,225	231,128	221,633	0	31/Dec/2008
Holiday Islands – Huadu (假日半島—花都)	Guangzhou (Huadu)	576,960	100	154,338	153,343	134,875	0	27/Oct/2007
Shunde Country Garden – including Country Garden West Court (順德碧桂園(含碧桂園西苑))	Foshan (Shunde)	2,425,923	100	2,117,554	1,979,443	1,889,364	378	28/Dec/2008
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	260,570	90	223,593	213,246	202,526	882	16/Oct/2008
Peninsula Country Garden (半島碧桂園)	Foshan (Shunde)	294,330	100	294,330	287,323	286,021	0	16/Apr/2008
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,057,611	100	441,741	435,351	220,937	70,451	25/Dec/2008
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,446	100	418,159	411,671	405,985	0	29/Dec/2008
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,085,277	100	626,116	611,545	554,426	13,601	30/Dec/2008
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	689,519	100	663,358	631,534	544,514	39,556	30/Dec/2008
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,478	100	182,615	180,352	123,896	52,095	31/Dec/2008
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,673,803	100	234,704	233,694	161,948	8,221	15/Dec/2008
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	391,129	100	374,704	353,055	231,103	51,345	30/Dec/2008
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	1,293,439	100	496,084	452,664	381,310	1,755	28/Sep/2008
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	186,144	100	136,933	15,235	863	213	17/Nov/2008
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	370,455	51	275,180	263,895	157,069	36,055	30/Dec/2008
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	2,685,890	100	322,572	310,823	172,631	56,602	19/Dec/2008
Country Garden • Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	2,212,586	100	31,472	31,472	0	5,757	30/Dec/2008
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	366,652	100	52,623	47,405	17,786	7,176	16/Dec/2008
Country Garden • Lakeside City (碧桂園•濱湖城)	Chaohu (Zhongmiao)	933,163	100	15,872	15,872	0	15,621	25/Dec/2008
<b>Total:</b>		<b>26,503,035</b>		<b>11,828,739</b>	<b>11,171,794</b>	<b>9,753,079</b>	<b>455,243</b>	

Note:

- (1) “Completed GFA”, “Total completed saleable GFA”, “Total saleable GFA sold and delivered” and “Total saleable GFA pre-sold pending delivery” for completed property developments are based on the surveying reports relevant government departments.

Properties under development

Project	City (District)	Aggregate GFA for entire project (sq.m)	Interest attributable to the Company (%)	GFA under development <sup>(1)</sup> (sq.m)	Total Saleable GFA under development <sup>(2)</sup> (sq.m)	Actual/Estimated commencement date	Total saleable GFA pre-sold (sq.m)	Actual/Estimated pre-sale commencement date	Estimated Completion Date
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	277,562	100	156,265	151,236	25/Jul/2007	113,053	17/Jan/2008	4th Quarter 2009
Huanan Country Garden – Phases One to Five and Phase Seven (華南碧桂園 – 一至五期及七期)	Guangzhou (Panyu)	1,010,230	100	66,092	31,127	27/May/2005	4,565	26/Apr/2006	2nd Quarter 2010
Huanan Country Garden – Phase Six (華南碧桂園 – 六期)	Guangzhou (Panyu)	423,467	50	1,076	0	15/Oct/2004	0	–	1st Quarter 2009
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	525,011	100	51,810	51,810	12/Oct/2007	43,087	19/Jun/2008	2nd Quarter 2009
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,831,757	100	546,758	538,571	29/Apr/2007	238,188	27/Apr/2008	4th Quarter 2010
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	509,411	100	259,186	255,421	29/Jan/2007	152,922	22/Nov/2007	4th Quarter 2009
Holiday Islands – Huadu (假日半島 – 花都)	Guangzhou (Huadu)	576,960	100	381,199	373,438	11/May/2006	17,227	25/Jul/2008	2nd Quarter 2012
Shunde Country Garden – including Country Garden West Court (順德碧桂園 – 含碧桂園西苑)	Foshan (Shunde)	2,425,923	100	301,265	163,866	10/Sep/2006	12,488	29/Nov/2006	4th Quarter 2010
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,057,611	100	527,761	522,128	31/May/2006	24,998	10/Jul/2008	2nd Quarter 2011
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,446	100	136,394	129,974	8/Mar/2006	39,308	24/Nov/2008	4th Quarter 2010
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,085,277	100	404,179	353,796	22/Mar/2007	58,900	13/Sep/2007	4th Quarter 2011
Wuji Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	689,519	100	26,161	22,582	29/Apr/2007	8,974	25/Dec/2007	4th Quarter 2009
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,478	100	99,995	99,225	18/Oct/2007	0	2nd Quarter 2009	2nd Quarter 2010
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,673,803	100	690,355	668,582	31/Mar/2006	13,643	9/Feb/2007	4th Quarter 2010
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	391,129	100	16,425	16,241	31/May/2006	6,424	17/Sep/2008	4th Quarter 2009
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	1,293,439	100	230,698	222,041	28/Dec/2006	7,199	15/Aug/2008	3rd Quarter 2010
Zhaoqing Larling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	186,144	100	49,211	5,033	30/Jan/2007	0	1st Quarter 2010	1st Quarter 2009
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	370,455	51	59,475	58,611	19/Sep/2006	1,194	20/Apr/2007	4th Quarter 2009
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	2,685,890	100	708,060	699,338	17/Jan/2007	0	29/Sep/2007	4th Quarter 2012
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	972,707	100	450,354	447,484	27/Jun/2007	124,279	28/Dec/2007	3rd Quarter 2010
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	914,554	90	797,171	787,776	22/Aug/2007	24,016	24/Sep/2008	4th Quarter 2011
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	3,384,294	100	376,041	371,190	23/Jul/2007	3,348	20/Sep/2008	4th Quarter 2011
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	427,761	100	126,210	126,210	23/Oct/2007	4,371	21/Oct/2008	4th Quarter 2011
Country Garden • Sun Palace (碧桂園 • 太陽城)	Shenyang (Daoyi)	939,463	100	600,123	593,856	21/Jul/2007	59,783	30/Jul/2008	4th Quarter 2011
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	522,199	100	291,234	288,331	21/Jul/2007	112,314	3/Jun/2008	4th Quarter 2010
Country Garden • Galaxy Palace (碧桂園 • 銀河城)	Shenyang (Yuhong)	2,212,586	100	581,808	577,483	19/Mar/2008	44,452	18/Jul/2008	4th Quarter 2013
Country Garden • Phoenix City (碧桂園 • 鳳凰城)	Shenyang (Suijiatun)	1,320,842	100	1,294,400	1,189,102	24/Sep/2007	117,099	19/Jul/2008	2nd Quarter 2013
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	366,652	100	153,603	152,030	13/Dec/2007	5,036	23/Apr/2008	4th Quarter 2010
Country Garden • Hill Lake Palace (碧桂園 • 山湖城)	Changsha (Ningxiang)	270,455	100	204,513	178,097	12/Nov/2007	42,154	14/Oct/2008	2nd Quarter 2010
Country Garden • Lakeside City (碧桂園 • 濱湖城)	Chaozhou (Zhongmiao)	933,163	100	441,842	371,638	13/Dec/2007	95,690	10/Jul/2008	4th Quarter 2010
Shanwei Country Garden (汕尾碧桂園)	Shanwei (Shanwei)	488,700	100	66,757	66,757	1/Sep/2008	0	3rd Quarter 2009	4th Quarter 2010
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	489,302	100	473,037	455,298	28/Dec/2007	79,704	4/Jun/2008	4th Quarter 2011
Shaoguan Country • Garden Sun Palace (韶關碧桂園 • 太陽城)	Shaoguan (Xilian)	3,831,295	100	96,204	91,486	10/Mar/2008	0	3rd Quarter 2009	4th Quarter 2010

Project	City (District)	Aggregate GFA for entire project (sq.m)	Interest attributable to the Company (%)	GFA under development <sup>(1)</sup> (sq.m)	Total saleable GFA under development <sup>(2)</sup> (sq.m)	Actual/Estimated commencement date	Total saleable GFA pre-sold (sq.m)	Actual/Estimated pre-sale commencement date	Estimated Completion Date
Haicheng Country Garden (海城碧桂園)	Anshan (Haicheng)	586,473	100	586,473	582,374	25/Oct/2007	0	3rd Quarter 2009	4th Quarter 2011
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqiang)	960,505	100	501,264	424,895	20/Sep/2007	5,700	23/Aug/2008	4th Quarter 2012
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	516,604	100	207,710	194,697	27/Jun/2008	10,027	28/Sep/2008	2nd Quarter 2010
Country Garden • Hill Lake City (碧桂園 • 如山湖城)	Chaozhou (Hexian)	2,081,969	100	322,904	318,852	9/May/2008	0	3rd Quarter 2009	4th Quarter 2010
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	1,222,418	100	308,108	285,319	15/Jan/2008	44,972	24/Jun/2008	2nd Quarter 2011
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,351,284	100	289,682	286,467	21/May/2008	33,116	12/Jul/2007	2nd Quarter 2011
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	462,775	100	386,530	366,945	5/Nov/2007	62,445	25/Apr/2008	2nd Quarter 2010
Tongliao Country Garden (遼遼碧桂園)	Tongliao (ke'erqin)	1,247,991	100	587,237	562,048	3/Nov/2007	8,744	20/Aug/2008	4th Quarter 2013
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	393,870	100	198,656	191,705	6/Jan/2008	23,728	29/Aug/2008	4th Quarter 2011
Anqing Country Garden (安慶碧桂園)	Anqing (Anqing)	1,538,366	100	174,746	171,770	19/Jun/2008	43,551	30/Oct/2008	2nd Quarter 2010
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,862,828	100	556,773	554,641	6/Jun/2008	34,661	20/Sep/2008	2nd Quarter 2012
Chaozhou Country Garden (巢湖碧桂園)	Chaozhou (Nan'an)	619,505	100	118,609	115,127	23/Apr/2008	18,667	15/Nov/2008	3rd Quarter 2010
Yangshan Country Garden (provisional name) (陽山碧桂園(暫定名))	Qingyuan (Yangshan)	281,169	100	22,724	21,825	1/Dec/2008	0	3rd Quarter 2009	2nd Quarter 2010
Suihua Country Garden (綏化碧桂園)	Suihua (Bailin)	271,600	100	271,600	271,007	25/Sep/2008	5,298	28/Sep/2008	4th Quarter 2011
Total:		53,637,842		15,198,678	14,407,440		1,745,325		

## Note:

- (1) "GFA under development" is based in the actual measurements by the housing management department of the Group.
- (2) "Total saleable GFA under development" is derived from the Commodity Properties Pre-sale Permit.



Properties for further development – with land use rights certificates

Project	City (District)	Aggregate GFA for entire project (sq.m)	Interest attributable to the Company (%)	GFA for future development <sup>(1)</sup> (sq.m)	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completed Date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100	28,672	3rd Quarter 2009	3rd Quarter 2010	2nd Quarter 2011
Huanan Country Garden – Phases One to Five and Phase Seven (華南碧桂園 – 一至五期及七期)	Guangzhou (Panyu)	1,010,230	100	34,200	1st Quarter 2010	–	4th Quarter 2010
Huanan Country Garden – Phase Six (華南碧桂園 – 六期)	Guangzhou (Panyu)	423,467	50	14,000	1st Quarter 2010	–	4th Quarter 2010
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,831,757	100	921,810	1st Quarter 2009	3rd Quarter 2009	4th Quarter 2013
Holiday Islands – Huadu (假日半島 – 花都)	Guangzhou (Huadu)	576,960	100	41,423	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2013
Shunde Country Garden – including Country Garden West Court (順德碧桂園 – 含碧桂園西苑)	Foshan (Shunde)	2,425,923	100	7,104	1st Quarter 2010	–	4th Quarter 2010
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	260,570	90	36,977	1st Quarter 2009	3rd Quarter 2009	4th Quarter 2011
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,057,611	100	88,109	1st Quarter 2010	2nd Quarter 2010	2nd Quarter 2012
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,446	100	16,893	1st Quarter 2009	3rd Quarter 2009	4th Quarter 2010
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,085,277	100	1,054,982	1st Quarter 2010	2nd Quarter 2010	1st Quarter 2013
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,478	100	298,868	1st Quarter 2009	4th Quarter 2009	2nd Quarter 2011
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,673,803	100	1,748,744	1st Quarter 2009	3rd Quarter 2009	1st Quarter 2015
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	1,293,439	100	566,657	1st Quarter 2009	2nd Quarter 2010	4th Quarter 2011
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	370,455	51	35,800	3rd Quarter 2009	4th Quarter 2009	4th Quarter 2010
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	2,685,890	100	1,655,258	2nd Quarter 2009	4th Quarter 2009	4th Quarter 2019
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	972,707	100	522,353	1st Quarter 2010	2nd Quarter 2010	2nd Quarter 2014
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	914,554	90	117,383	2nd Quarter 2009	1st Quarter 2010	4th Quarter 2011
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	3,384,294	100	3,008,253	2nd Quarter 2010	2nd Quarter 2011	4th Quarter 2024
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	427,761	100	301,551	3rd Quarter 2009	4th Quarter 2010	4th Quarter 2014
Country Garden • Sun Palace (碧桂園 • 太陽城)	Shenyang (Daoyi)	939,463	100	339,340	2nd Quarter 2009	2nd Quarter 2010	4th Quarter 2013
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	522,199	100	230,965	2nd Quarter 2009	2nd Quarter 2010	4th Quarter 2012
Country Garden • Galaxy Palace (碧桂園 • 銀河城)	Shenyang (Yuhong)	2,212,586	100	1,599,306	2nd Quarter 2010	2nd Quarter 2011	4th Quarter 2015
Country Garden • Phoenix City (碧桂園 • 鳳凰城)	Shenyang (Suijiatun)	1,320,842	100	26,442	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2012
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	366,652	100	160,426	4th Quarter 2009	3rd Quarter 2010	4th Quarter 2011
Country Garden • Hill Lake Palace (碧桂園 • 山湖城)	Changsha (Ningxiang)	270,455	100	65,942	1st Quarter 2009	4th Quarter 2009	2nd Quarter 2011
Country Garden • Lakeside City (碧桂園 • 濱湖城)	Chaozhou (Zhongmiao)	933,163	100	475,449	2nd Quarter 2009	4th Quarter 2009	4th Quarter 2012
Shanwei Country Garden (汕尾碧桂園)	Shanwei (Shanwei)	488,700	100	421,943	1st Quarter 2009	4th Quarter 2009	4th Quarter 2012
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	489,302	100	16,265	2nd Quarter 2009	–	4th Quarter 2011
Shaoguan Country Garden • Sun Palace (韶關碧桂園 • 太陽城)	Shaoguan (Xilian)	3,831,295	100	3,735,091	1st Quarter 2009	2nd Quarter 2010	4th Quarter 2024
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqianq)	960,505	100	459,241	3rd Quarter 2010	2nd Quarter 2011	4th Quarter 2016
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	516,604	100	308,894	1st Quarter 2009	4th Quarter 2009	2nd Quarter 2012
Country Garden • Hill Lake City (碧桂園 • 如山湖城)	Chaozhou (Hexian)	2,081,969	100	1,759,065	1st Quarter 2009	2nd Quarter 2009	4th Quarter 2016
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	1,222,418	100	914,310	3rd Quarter 2009	2nd Quarter 2010	4th Quarter 2014

Project	City (District)	Aggregate GFA for entire project (sq.m)	Interest attributable to the Company (%)	GFA for future development <sup>(1)</sup> (sq.m)	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completed Date
Country Garden • Fountain Village (碧桂園 • 溫泉城)	Xianning (Xian'an)	333,158	100	333,158	1st Quarter 2009	4th Quarter 2009	4th Quarter 2013
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,351,284	100	1,061,602	1st Quarter 2009	1st Quarter 2010	4th Quarter 2018
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	462,775	100	76,245	1st Quarter 2009	3rd Quarter 2009	2nd Quarter 2011
Tongliao Country Garden (通遼碧桂園)	Tongliao (ke'erqin)	1,247,991	100	660,754	1st Quarter 2010	2nd Quarter 2011	4th Quarter 2016
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	393,870	100	195,214	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2013
Anqing Country Garden (安慶碧桂園)	Anqing (Anqing)	1,538,366	100	1,363,620	1st Quarter 2009	2nd Quarter 2009	4th Quarter 2014
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,862,828	100	2,306,055	1st Quarter 2010	1st Quarter 2011	4th Quarter 2024
Yiyang Country Garden (provisional name) (益陽碧桂園(暫定名))	Yiyang (Yiyang)	197,734	100	197,734	1st Quarter 2009	4th Quarter 2009	4th Quarter 2011
Chaohu Country Garden (巢湖碧桂園)	Chaohu (Nan'an)	619,505	100	500,896	2nd Quarter 2009	3rd Quarter 2009	4th Quarter 2014
Liuyang Country Garden (provisional name) (瀏陽碧桂園(暫定名))	Changsha (Liuyang)	467,307	100	467,307	1st Quarter 2009	3rd Quarter 2009	3rd Quarter 2012
Maoming Country Garden (provisional name) (茂名碧桂園(暫定名))	Maoming (Maonan)	329,842	100	329,842	2nd Quarter 2009	4th Quarter 2009	2nd Quarter 2012
Yangshan Country Garden (provisional name) (陽山碧桂園(暫定名))	Qingyuan (Yangshan)	281,169	100	258,445	1st Quarter 2009	4th Quarter 2009	4th Quarter 2013
Total:		52,058,826		28,762,588			

## Note:

(1) "GFA held for future development" for each project is the GFA expected to be built



# Management Discussion and Analysis

## 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.

The table below shows the revenue brought by each projects and the percentage of revenue in year 2008 and 2007 respectively.

	Year ended 31 December			
	2008		2007	
Property Development	Revenue RMB'000	Percentage of Revenue %	Revenue RMB'000	Percentage of Revenue %
Country Garden Phoenix City	<b>3,339,639</b>	<b>22.8</b>	2,687,226	16.2
Shunde Country Garden (including Country Garden West Court)	<b>1,461,520</b>	<b>9.9</b>	2,396,823	14.4
Wuyi Country Garden	<b>1,395,138</b>	<b>9.5</b>	856,653	5.1
Changsha Venice	<b>1,257,091</b>	<b>8.5</b>	1,151,384	6.9
Huanan Country Garden – Phase One to Five and Phase Seven	<b>913,483</b>	<b>6.2</b>	1,031,987	6.2
Heshan Country Garden	<b>757,528</b>	<b>5.1</b>	1,098,721	6.6
Jun'an Country Garden	<b>712,905</b>	<b>4.8</b>	193,679	1.2
Shaoguan Country Garden	<b>707,925</b>	<b>4.8</b>	-	0.0
Gaoyao Country Garden	<b>705,405</b>	<b>4.8</b>	167,072	1.0
Nansha Country Garden	<b>657,449</b>	<b>4.5</b>	641,528	3.8
Shawan Country Garden	<b>552,152</b>	<b>3.7</b>	944	0.0
Nanghai Country Garden	<b>519,634</b>	<b>3.5</b>	2,128,687	12.8
Gaoming Country Garden	<b>415,599</b>	<b>2.8</b>	58,484	0.4
Yangdong Country Garden	<b>395,479</b>	<b>2.7</b>	679,566	4.1
Taishan Country Garden	<b>263,705</b>	<b>1.8</b>	412,667	2.5
Licheng Country Garden	<b>206,119</b>	<b>1.4</b>	684,328	4.1
Xinhui Country Garden	<b>177,507</b>	<b>1.2</b>	555,888	3.3
Huanan Country Garden – Phase Six	<b>147,990</b>	<b>1.0</b>	604,081	3.6
Holiday Island – Huadu	<b>50,481</b>	<b>0.3</b>	674,535	4.0
Peninsula Country Garden	-	<b>0.0</b>	637,398	3.8
Others	<b>99,760</b>	<b>0.7</b>	5,290	0.0
<b>Total</b>	<b>14,736,509</b>	<b>100.0</b>	16,666,941	100.0

### 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 was 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.

An analysis of employees by function as the same date is as follows:

Administration and Human Resources Management	213
Marketing and Sales	1,762
Finance Management	559
Project Management	2,051
Construction and Decoration Management	5,227
Property Management	16,051
Hotel	3,205
Total	<hr/> 29,068 <hr/>

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.

### EMPLOYEE INCENTIVE SCHEME

The Company proposed to set up an employee incentive scheme ("Employee Incentive Scheme") for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. Up to 31 December 2008, for the purpose of the Employee Incentive Scheme, the Company had through its subsidiary purchased from the market a total of 57,607,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately RMB303,065,000.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**YEUNG Kwok Keung (楊國強)**, aged 54, is the Chairman and an executive Director of our Company. Mr. YEUNG graduated from the School of Economic Management of Jinan University (暨南大學). Mr. YEUNG is responsible for the formulation of development strategies, investment planning and overall project planning and ensuring the Board is functionally properly, with good corporate practice and procedures. From 1992 to 1997, he was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司). From 1986 to 1997, Mr. YEUNG served as the general manager of Shunde Beijiao Construction Company Limited (順德市北濠建築工程有限公司) and also served as the general manager of the Group from 1997 to 2003. He had been the Chairman of the Group from 2003 to 2005 and became Chairman of the Company after its formation in 2006. Mr. YEUNG has over 31 years of experience in construction and approximately 17 years of experience in property development. Mr. YEUNG was recognised as “Guangzhou Real Estate Excellent Contributor for 20 years” in 2005. Mr. YEUNG is currently a member of the Standing Committee of the People’s Political Consultative Conference of Guangdong Province (廣東省政協常務委員).

**CUI Jianbo (崔健波)**, aged 44, is the President and an executive Director of our Company. Mr. CUI graduated from the Beijing Institute of Technology (北京理工大學), majoring in accounting and is a qualified PRC accountant. He is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group in 2003 as the President, Mr. CUI was the deputy secretary of Shunde Local Taxation Bureau (順德市地方稅局) from 1995 to 2000 and the mayor of Beijiao Town Government (北濠鎮政府) from 2000 to 2003. Mr. CUI is also currently the deputy chairman of the Guangdong Real Estate Association (廣東省房地產協會).

**YANG Huiyan (楊惠妍)**, aged 27, is an executive Director of our Company. Ms. YANG graduated from Ohio State University with a degree in marketing and logistic. She joined the Group in 2005 and served as the manager of the procurement department. She is primarily responsible for the overall supervision on procurement, enterprise resources management and formulation of development strategies. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung.

**YANG Erzhu (楊貳珠)**, aged 57, is an executive Director of our Company. Mr. YANG graduated from the School of Economic Management of Jinan University. He is primarily responsible for managing the Tender Management Department of our property development projects and Finset Decoration Co., and also responsible for the coordination and management of the Procurement Department and Project Cost Management Department of the Group, and assisting the Chairman in investment planning. From 1994 to 1997, Mr. YANG served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. YANG served as a deputy general manager of Shunde Beijiao Construction Company Limited and has served as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Since 1999, he has been serving as a director and deputy general manager of Finest Decoration Co. in Shunde District, Foshan City. Mr. YANG has over 31 years of experience in construction and approximately 15 years of experience in property development.

**SU Rubo (蘇汝波)**, aged 54, is an executive Director of our Company. Mr. SU graduated from the School of Economic Management of Jinan University. He is primarily responsible for construction management, supervision and coordination of our property development projects in Shanyang Region, Anhui Region and Taizhou. From 1994 to 1997, Mr. SU served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. SU served as deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. SU has over 31 years of experience in construction and approximately 15 years of experience in property development and approximately 12 years of experience in procurement of construction materials.

**ZHANG Yaoyuan (張耀垣)**, aged 63, is an executive Director of our Company. He is primarily responsible for construction management, supervision and coordination of each of our property development projects in Guangdong Province. From 1994 to 1997, Mr. ZHANG served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. ZHANG served as manager and deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. ZHANG has over 41 years of experience in construction and approximately 15 years of experience in the management of property development.

**OU Xueming (區學銘)**, aged 59, is an executive Director of our Company. He is primarily responsible for construction management, supervision and coordination of our property development projects in Inner Mongolia Autonomous Region, Wuhan Region and Chongqing City. From 1994 to 1997, Mr. OU served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd.. From 1986 to 1997, Mr. OU served as deputy general manager of Shunde Beijiao Construction Company Limited and has been acting as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. OU has over 31 years of experience in construction and approximately 15 years of experience in the operation and management of property development.

**YANG Zhicheng (楊志成)**, aged 35, is an executive Director of our Company and the director and general manager of Changsha Venice Co. He is primarily responsible for the overall development and management of our property project in Changsha, Hunan Province. Prior to joining the Group in 1997, Mr. YANG had worked in Shunde Sanhe Property Development Co., Ltd. as project manager. He had also served as the general manager of Jun'an Country Garden Co. and project general manager of the Group. Mr. YANG has approximately 15 years of experience in project development. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung.

**YANG Yongchao (楊永潮)**, aged 34, is an executive Director of our Company and the general manager of our sales centre. He is primarily responsible for our overall sales management. He has been responsible for the management of the operation and sales centre of Shunde Country Garden Co. since 1997. Mr. YANG has approximately 12 years of experience in property sales management, market research, product planning proposal, pricing, marketing, sales and customer resource management. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**LAI Ming, Joseph (黎明)**, aged 64, is an independent non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of our Company. Mr. LAI is a fellow member of Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia and the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. He was the president of HKICPA in 1986 and the president of the Hong Kong Branch of CIMA in 1974 to 1975 and 1979 to 1980. Mr. LAI is an independent non-executive director and chairman of the audit committee of Dynasty Fine Wines Group Limited, Shinhint Acoustic Link Holdings Limited, Jolimark Holdings Limited and Guangzhou R&F Properties Co., Limited, all of which are companies whose shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. LAI also holds directorships in several private companies engaging in property development in Canada. Mr. LAI is also a director of the Hong Kong University of Science and Technology R & D Corporation Limited and an advisor to the corporate governance committee of the Hong Kong China Division of CPA Australia.

**SHEK Lai Him, Abraham** (石禮謙), SBS, JP, aged 63, is an independent non-executive Director, a member of the Audit Committee and Remuneration Committee of our Company. Mr. SHEK is a member of the Hong Kong Legislative Council representing the Real Estate and Construction Functional Constituency and was appointed a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2007. Mr. SHEK is an independent non-executive director of Midas International Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited and Chuang's Consortium International Limited, and is a Chairman of Chuang's China Investments Limited, all of which are companies whose shares are listed on the Stock Exchange. Mr. SHEK is currently an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust). Mr. SHEK also holds directorships in several property-related private companies. He is a director of The Hong Kong Mortgage Corporation Limited.

**TONG Wui Tung, Ronald** (唐滙棟), aged 59, is an independent non-executive Director, a member of the Audit Committee and Remuneration Committee of our Company. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. TONG is currently a non-executive director of Yip's Chemical Holdings Limited, a company listed on the Stock Exchange.

## CHIEF FINANCIAL OFFICER

**NG Yi Kum, Estella** (伍綺琴), aged 51, is the chief financial officer of the Company with effect from January 2008. From September 2005 to November 2007, Ms. NG was an executive director of Hang Lung Properties Limited, a company listed on the Hong Kong Stock Exchange. Prior to her joining Hang Lung Properties in 2003, she was employed by the Hong Kong Stock Exchange in a number of senior positions, most recently as Senior Vice President of its Listing Division. Prior to that she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. NG is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administration and a Fellow of the Association of Chartered Certified Accountants, the HKICPA and a member of the American Institute of Certified Public Accountants. She has also contributed her time to various public service appointments including being a co-opted member of the Audit Committee of the Hospital Authority, and Corporate Advisor to the Business School of Hong Kong University of Science and Technology.

## COMPANY SECRETARY

**HUEN Po Wah** (禰寶華), aged 60, is our company secretary. Mr. HUEN joined the Group in March 2007. Mr. HUEN is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators. Mr. HUEN is also a director of Fair Wind Secretarial Services Limited. Mr. HUEN has over 26 years of experience in company management and secretarial fields and has served many listed clients over the years.

## SENIOR MANAGEMENT

**SONG Jun (宋軍)**, aged 41, is a vice-president of our Company. Mr. SONG graduated from the Chongqing College of Construction and Architecture (重慶建築工程學院), currently known as Chongqing University (重慶大學), with a degree in architecture and is a qualified PRC architect. Mr. SONG is responsible for the overall management and supervision of our property development projects. Prior to joining the Group in 1997, he worked in Hunan province Jishou City Construction Institute (湖南省吉首市建築規劃勘察設計院) and Elite Architectural Co. with responsibility for architectural design work. Since 1997, he has been serving in Shunde Country Garden Co. as project manager and project supervisor responsible for the management of property development. Mr. SONG has approximately 12 years of experience in the management of property development.

**XIE Shutai (謝樹太)**, aged 44, is a vice-president of our Company. Mr. XIE graduated from Hunan University (湖南大學) with a degree in civil engineering and is a qualified PRC civil engineer. He is responsible for the overall management of our hotels and property management companies. Prior to joining the Group in 1997, he had worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 with responsibility for structural design work and worked in Shunde Sanhe Property Development Co., Ltd. From 1992 to 1997 with responsibility for property management. Since 1997, he has been working in Shunde Country Garden Co. and Guangdong Management Co. responsible for the overall property and hotel management of the Group. Mr. XIE has approximately 17 years of experience in property management and approximately 12 years of experience in hotel management.

**WANG Zhidun (王志敦)**, aged 39, is a vice-president of our Company. Mr. WANG graduated from Shantou University (汕頭大學), majoring in international business laws and is a qualified PRC lawyer. Mr. WANG is responsible for investment development and legal matters of the Group. He joined the Group in 2003 and prior to joining the Group, Mr. WANG was a partner in Guangdong Bowen Law Offices from 1996 to 2003.

**CHEN Hua (陳華)**, aged 59, is a vice-president of our Company. Mr. CHEN graduated from Jilin Industrial University (吉林工業大學) majoring in tractor design, Heilongjiang University (黑龍江大學) majoring in national economic management, and Northeast Agricultural University (東北農業大學) majoring in agriculture economic management. He is in charge of the group office and human resource department of the Company, and being the general manager of Eastern Guangdong region. Before Mr. CHEN joined the Group in 2007, he acted as the director of Poverty Alleviation and Development Office of Heilongjiang Provincial Government and has over 32 years of working experience in government. Mr. CHEN is the father-in-law of Ms. YANG Huiyan.

# Corporate Governance Report

## COMMITMENT TO CORPORATE GOVERNANCE

Country Garden Holdings Company Limited (the “Company”) together with its subsidiaries (the “Group”) continues to improve its corporate governance practices, emphasizing the attainment and maintenance of a quality board, sound internal controls, and high transparency and accountability to shareholders. The board of directors (the “Board”) and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. The Board believes that good corporate governance will bring long-term benefits to its shareholders and to the Group.

## CODE ON CORPORATE GOVERNANCE PRACTICE

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

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.

## THE BOARD

The Board currently consists of nine executive Directors, namely, 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; and three independent non-executive directors, namely, Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald.

Ms. YANG Huiyan is the daughter of Mr. YEUNG Kwok Keung and Mr. YANG Zhicheng and Mr. YANG Yongchao are nephews of Mr. YEUNG Kwok Keung. Save as disclosed above, none of other Directors has or maintained any family relationship with any of the other Directors.

Mr. YEUNG Kwok Keung, being the Chairman, is responsible for the formulation of the development strategies, investment planning, overall project planning of the Group and ensuring that the Board is functionally properly, with good corporate governance practice and procedures, whilst Mr. CUI Jianbo, the President of the Company, is responsible for the management of daily operation and general administration of the Group. The roles of the Chairman and the President of the Company are segregated to reinforce independence, accountability and responsibility. Their respective responsibilities are clearly established and defined by the Board in writing.

Biographical details of the Directors and their relevant relationships are set out in the section headed “Biographical details of Directors and Senior Management” on page 19 to 22.

All of the independent non-executive Directors are appointed for a specific term of two years and all Directors are subject to retirement in accordance with the articles of association of the Company (the “Articles”). According to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. As such, no Directors have a term of appointment longer than three years.

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

The Company has not established a nomination committee. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the non-executive Directors. The structure, size and composition of the Board will be reviewed from time to time to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the Group's business.

All the Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries when necessary. They also have unrestricted access to the advices and services of the company secretary and the compliance officer, who are responsible for providing the Directors with board papers and related materials. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expenses. No request was made by any Director for such independent professional advice during the year.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

#### Independence of Independent Non-executive Directors

The independent non-executive Directors, who combine to offer diverse industry expertise, serve the important function of advising the management on strategy and ensuring the Board maintains high standards of financial and other mandatory reporting requirements as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Board has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and the Board considers all of the independent non-executive Directors is independent.

The Board has established two committees with specific responsibilities as described later in this report. Major matter that are specifically delegated by the Board to management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiative adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

## MEETINGS

The Board held four meetings in 2008 to discuss the overall strategy as well as the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall group strategy, major acquisitions and disposals, annual budgets, annual and interim results, approval of major capital transactions and other significant operational and financial matters.

The attendance of each of the Directors is set out below:

Directors	No. of meetings attended/No. of meetings held
<b>Executive Directors</b>	
Mr. YEUNG Kwok Keung <i>(Chairman)</i>	4/4
Mr. CUI Jianbo	4/4
Ms. YANG Huiyan	4/4
Mr. YANG Erzhu	4/4
Mr. SU Rubo	4/4
Mr. ZHANG Yaoyuan	4/4
Mr. OU Xueming	4/4
Mr. YANG Zhicheng	4/4
Mr. YANG Yongchao	4/4
<b>Independent Non-executive Directors</b>	
Mr. LAI Ming, Joseph	4/4
Mr. SHEK Lai Him, Abraham	4/4
Mr. TONG Wui Tung, Ronald	4/4

During these meetings, the Directors discussed and formulated business policies and strategies, corporate governance and financial and internal control systems. They reviewed the overall financial performance and the interim and final business results and other relevant important matters. All Directors are invited to attend these meetings in persons. For those Directors who are not able to attend these meetings in persons, participation by telephone conference is available.

The company secretary and the compliance officer assist the Chairman in preparing the agenda for the meeting. The company secretary also prepares detailed minutes of each meeting. After the meeting, the draft minutes are circulated to all the Directors for comment as soon as practicable.

The Board also recognizes the importance of the independent reporting of the corporate governance function. The compliance officer attends all the Board and committee meetings to advise on corporate governance matters covering risk management and relevant compliance issues relating to mergers and acquisitions, accounting and financial reporting.

## AUDIT COMMITTEE

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 who has appropriate professional accounting qualifications and financial management expertise as required under the Listing Rules, was appointed as the chairman of the Audit Committee.

The Audit Committee is to serve as a focal point for communication between other Directors and the external auditors of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time. It assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal controls 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 Audit Committee met four times in 2008 to review the Group's significant internal controls and financial matters as set out in the Audit Committee's term of reference with senior management, consultants and external auditors of the Company. The committee's review covers the audit plans and findings of external auditors, external auditor's independence, the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim and annual financial statements for the Board's approval). Attendance of the members is set out below:

<b>Members</b>	<b>No. of meetings attended/No. of meetings held</b>
Mr. LAI Ming, Joseph <i>(Chairman)</i>	4/4
Mr. SHEK Lai Him, Abraham	4/4
Mr. TONG Wui Tung, Ronald	4/4

## External Auditor's Independence

To enhance independent reporting by external auditors, part of the Audit Committee meetings were attended only by independent non-executive Directors and external auditors. The Audit Committee is satisfied with the findings of their review of the audit fee, process and effectiveness, independence and objectivity of PricewaterhouseCoopers ("PwC"), and the Audit Committee has recommended to the Board the re-appointment of PwC in 2009 as the Company's external auditors at the forthcoming annual general meeting.

## REMUNERATION COMMITTEE

The Remuneration Committee is being chaired by Mr. YEUNG Kwok Keung and 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.

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.

During the year, the Remuneration Committee held two meetings. It reviewed the remuneration package and appointment of the vice presidents of the Company. Attendance of the members is set out below:

<b>Members</b>	<b>No. of meetings attended/No. of meetings held</b>
Mr. YEUNG Kwok Keung <i>(Chairman)</i>	2/2
Mr. CUI Jianbo	2/2
Mr. LAI Ming, Joseph	2/2
Mr. SHEK Lai Him, Abraham	2/2
Mr. TONG Wui Tung, Ronald	2/2

## INTERNAL CONTROLS

The Board has the overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as, through Audit Committee, for reviewing the effectiveness of these systems. The system of internal control is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

It is the usual practice of the Company from time to time to engage independent consultants to conduct review of the Group and provide suitable training to the employee in order to maintain high standards of corporate governance.

The Board, through the Audit Committee, assessed and reviewed the effectiveness of the internal control systems and procedures in accordance with paragraph C.2.1 of the Code for the year ended 31 December 2008 based on the information derived from discussions with the senior management, its external auditors and consultant. The Audit Committee has reviewed the comments of external auditors and consultant provided at the Audit Committee meetings and is satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

## WHISTLEBLOWER POLICY

In year 2008 the Group has established a whistleblower policy to facilitate the raising of concerns by employees. Procedures are established for employees to report complaints and internal malpractice to the head of Legal Department, who will review complaints and determine the mode of investigation and subsequent action.

## INVESTOR RELATIONS

The Group has a proactive investor relations programme that keeps investors and shareholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year, we held various meetings with investors, organized site visit to our projects and participated in investor conferences.

The Group's newsletter outlines the latest projects development and sales performance on a regular basis. Up-to date information on the Group's projects development, corporate activities, news, financial data, and stock information are available at the Group's website <http://www.countrygarden.com.cn>.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2008, the fees paid/payable to the auditor of the Company (inclusive of business tax) in respect of the audit services and other services provided amounted to approximately RMB6,105,000 and RMB484,000 respectively.

## DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2008, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibility of the external auditors of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on page 37.

## GOING CONCERN

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

# Report of the Directors

The Directors are pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the property development, construction, fitting and decoration, property management and hotel operation.

An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 5 to the consolidated financial statements of the Group.

## RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement of the Group on page 41.

## DIVIDENDS

The Directors recommend a final dividend of RMB3.00 cents (2007: RMB9.52 cents) per share in respect of the year ended 31 December 2008 to Shareholders whose names appear on the register of members of the Company on 4 June 2009, with the Shareholders being given an option to elect to received such proposal final dividend all in new shares or partly in new shares and partly in cash (the "Scrip Dividend Proposal").

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from 29 May 2009 to 4 June 2009.

The Scrip Dividend Proposal is subject to (1) the approval of the proposed final dividend at the annual general meeting to be held on 4 June 2009; (2) The Stock Exchange of Hong Kong Limited granting the listing of an permission to deal in the new shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Proposal together with the relevant form of election will be sent to the Shareholders on or around 19 June 2009. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 17 July 2009.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 6 to the consolidated financial statements of the Group.

## BORROWINGS

Details of the borrowings are set out in note 20 to the consolidated financial statements of the Group.

## RESERVES

Details of the movements in reserves during the year are set out in note 19 to the consolidated financial statements of the Group.

As at 31 December 2008, the distributable reserve of the Company amounted to approximately RMB573,671,000 (2007: approximately RMB1,919,211,000).

## DONATIONS

The donations made by the Group during the year amounted to approximately RMB81,304,236 (2007: approximately RMB77,648,000).

## FINANCIAL SUMMARY

A financial summary of the Group is set out on page 107 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, revenue attributable to the largest customer of the Group amounted to approximately 2.1% of the total revenue in the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

For the year ended 31 December 2008, purchases attributable to the largest supplier of the Group amounted to approximately 6.8% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

## DIRECTORS AND SHAREHOLDERS INTERESTS IN SUPPLIERS AND CUSTOMERS OF THE GROUP

During the year ended 31 December 2008, so far as the Directors are aware, the following persons who are Directors and their associates (herein mentioned) and are interested in more than 5% of the issued share capital of the Company had direct interest or indirect interest in the five largest customers and suppliers of the Group as follows:

### Name of Director and person interested in more than 5% of the Company's issued share capital

Name of Director and person interested in more than 5% of the Company's issued share capital	Name of customer of the Group	Type of interest
Ms. YANG Huiyan	Qingyuan Country Garden Property Development Co., Ltd.	52% equity interest
Mr. YANG Erzhu	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. SU Rubo	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. ZHANG Yaoyuan	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. OU Xueming	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest

### Name of Director and person interested in more than 5% of the Company's issued share capital

Name of Director and person interested in more than 5% of the Company's issued share capital	Name of supplier of the Group	Type of interest
Ms. YANG Huiyan	Guangdong Elite Architectural Co., Ltd.	52% equity interest
Mr. YANG Erzhu	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. SU Rubo	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. ZHANG Yaoyuan	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. OU Xueming	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. YEUNG Kwok Keung	Foshan Shunde Grand Cement Co., Ltd.	52% equity interest
Mr. YANG Erzhu	Foshan Shunde Grand Cement Co., Ltd.	12% equity interest
Mr. SU Rubo	Foshan Shunde Grand Cement Co., Ltd.	12% equity interest
Mr. ZHANG Yaoyuan	Foshan Shunde Grand Cement Co., Ltd.	12% equity interest
Mr. OU Xueming	Foshan Shunde Grand Cement Co., Ltd.	12% equity interest

Foshan Shunde Grand Cement Co., Ltd ("Grand Cement") is a non-wholly owned subsidiary of Foshan Shunde Lida Investment Co., Ltd ("Lida Investment"). Lida Investment is owned as to 52% by Ms. YANG Meirong (a sister of Mr. YEUNG Kwok Keung), as to 12% by Mr. YANG Minsheng (a son of Mr. YANG Erzhu), as to 12% by Mr. SU Zhiyan (a son of Mr. SU Rubo), as to 12% by Mr. ZHANG Chibiao (a son of Mr. ZHANG Yaoyuan) and as to 12% by Ms. OU Jieping (a daughter of Mr. OU Xueming). As Grand Cement is owned as to 73.6% of its total equity interest by Lida Investment, an associate of Mr. YEUNG Kwok Yeung,, Grand Cement is thus an associate of a connected person of the Company.

Other than disclosed above, the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) did not have any interests in the five largest customers and suppliers of the Group for the year ended 31 December 2008.

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 18 to the consolidated financial statements of the Group.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year up to the date of this report are:

### Executive Directors

Mr. YEUNG Kwok Keung (Chairman)  
Mr. CUI Jianbo  
Ms. YANG Huiyan  
Mr. YANG Erzhu  
Mr. SU Rubo  
Mr. ZHANG Yaoyuan  
Mr. OU Xueming  
Mr. YANG Zhicheng  
Mr. YANG Yongchao

### Independent non-executive Directors

Mr. LAI Ming, Joseph  
Mr. SHEK Lai Him, Abraham  
Mr. TONG Wui Tung, Ronald

In accordance with Article 87 of the Articles of Association, Messrs. CUI Jianbo, YANG Huiyan, OU Xueming and TONG Wui Tung, Ronald shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors of the Company has entered into a service contract with the Company taking effect from 1 January 2007 for a period of three years. All the independent non-executive directors are appointed for a period up to 31 December 2010.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2008 are set out in note 26 to the consolidated financial statements of the Group.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under paragraph headed "Continuing Connected transactions", no contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND THEIR ASSOCIATES' INTERESTS IN COMPETING BUSINESS

Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan and Mr. OU Xueming (all being Directors) respectively owned 52%, 12%, 12%, 12% and 12% interest in Qingyuan Country Garden Property Development Co., Ltd. and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan Country Garden Property Development Co., Ltd. is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments. While Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. As at 31 December 2008, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly interests, with the businesses of the Group.

## CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions, which the Stock Exchange has either granted waivers to or exempted from the independent shareholders' approval, but subject to disclosure in the annual report under Rule 14A.32 of the Listing Rules. Details of these transactions are set out below:

### (a) Water Supply Agreements

Pursuant to the water supply agreement dated 27 March 2007 between Shunde Country Garden Property Development Co., Ltd. ("Shunde CG") and Foshan Shunde Jiangkou Water Plant Co., Ltd. ("Jiangkou Water Plant Co.") and also the Jiangkou water supply supplemental agreement dated 20 June 2008 ("Jiangkou Water Supply

Supplemental Agreement”) and the water agreement (“Crystal Water Supply Agreement”) dated 27 March 2007 between Zengcheng Country Garden Property Development Co., Ltd. (“Zengcheng CG”) and Zengcheng Crystal Water Plant Co., Ltd. (“Crystal Water Plant Co.”), Jiangkou Water Plant Co. and Crystal Water Plant Co. shall provide the Group water supply for use in operations in Panyu and Shunde Districts and in Zengcheng District. The terms of Jiangkou Water Supply Supplemental Agreement shall be three years commencing from 1 January 2008 and subject to the annual caps of not exceeding RMB6 million for each of the years 2008, 2009 and 2010 respectively. The terms of Crystal Water Supply Agreement shall be three years commencing from 1 January 2007 and subject to the annual caps of not exceeding RMB17 million for each of the years 2007, 2008 and 2009 respectively. The water supply shall be at rates no less favourable than rates chargeable by other water plants operated by independent third parties in Panyu District, Shunde District and Zengcheng District. The water fees received by Jiangkou Water Plant Co. and Crystal Water Plant Co. during the Period amounted to RMB5.3 million and RMB12.0 million respectively.

Each of Jiangkou Water Plant Co. and Crystal Water Plant Co. is owned as to 52% by Ms. YANG Huiyan, as to 12% by Mr. YANG Erzhu, as to 12% by Mr. SU Rubo, as to 12% by Mr. OU Xueming and as to 12% by Mr. ZHANG Yaoyuan. Jiangkou Water Plant Co. and Crystal Water Plant Co. are associates of a connected person of the Company as Ms. YANG Huiyan is a Director and a controlling shareholder of the Company.

**(b) Design Services Agreements**

Pursuant to the design services agreement dated 27 March 2007 entered into between Shunde CG and Guangdong Elite Architectural Co., Ltd. (“Elite”) and also design services supplemental agreement dated 20 June 2008 (“Design Services Supplemental Agreement”), Elite agreed to provide property design and interior design services to the Group on term no less favourable than those offered by independent third parties to the Group for comparable services for three years commencing from 1 January 2008 and subject to annual cap of RMB300 million for each of the years 2008, 2009 and 2010 respectively. During the year, the total amount of design services charged by Elite amounted to RMB181.0 million.

Elite is owned as to 52% by Ms. YANG Huiyan, as to 12% by Mr. YANG Erzhu, as to 12% by Mr. SU Rubo, as to 12% by Mr. OU Xueming and as to 12% by Mr. ZHANG Yaoyuan. Elite is an associate of a connected person as Ms. YANG Huiyan is a Director and a controlling shareholder of the Company.

**(c) Cement Product Sales Agreement**

Pursuant to the cement products sales agreement (“Cement Products Agreements”) dated 27 March 2007 entered into between Guangdong Giant Leap Construction Co., Ltd. (“Giant Leap”) and Grand Cement, Grand Cement agreed to supply cement products to Giant Leap on terms (including but not limited to pricing) no less favourable than those offered by Grand Cement to independent third parties for three years commencing from 1 January 2007 and subject to annual cap of not exceeding RMB240 million for each of the years 2007, 2008 and 2009 respectively. During the year, the amount of cement purchased by Grand Cement amounted to RMB190.7 million.

Grand Cement is a non-wholly owned subsidiary of Lida Investment. Lida Investment is owned as to 52% by Ms. YANG Meirong (a sister of Mr. YEUNG Kwok Keung), as to 12% by Mr. YANG Minsheng (a son of Mr. YANG Erzhu), as to 12% by Mr. SU Zhiyan (a son of SU Rubo), as to 12% by Mr. ZHANG Chibiao (a son of Mr. ZHANG Yaoyuan) and as to 12% by Ms. OU Jieping (a daughter of Mr. OU Xueming). As Grand Cement is owned as to 73.6% by Lida Investment, an associate of Mr. YEUNG Kwok Keung, Grand Cement is thus an associate of a connected person of the Company.

**(d) Construction Services Agreements**

Pursuant to the certain construction services agreements (“Construction Services Agreements”) entered into by Giant Leap and Qingyuan CG between 10 August 2005 to 10 April 2006 (as amended by a supplemental agreement dated 27 March 2007), Giant Leap agreed to provide construction services to Qingyuan CG in respect of the development of properties at the site located in Shijiao Town, Qingcheng City, Qingyuan for an aggregate amount of approximately RMB1,723 million. The amount is subject to annual caps of not exceeding RMB590 million for a period of 3 years in 2007, 2008 and 2009 respectively. Such construction services are charged by Giant Leap with reference to market rates and on terms no more favourable than those offered

by independent third parties to Qingyuan CG. The charge for the construction services was determined with reference to estimated costs plus profits for provision of such service. During the year, the value of construction services provided by Giant Leap amounted to RMB335.1 million.

Qingyuan CG is owned as to 52% by Ms. YANG Huiyan, as to 12% by Mr. YANG Erzhu, as to 12% by Mr. SU Rubo, as to 12% by Mr. OU Xueming and as to 12% by Mr. ZHANG Yaoyuan. Qingyuan CG is an associate of a connected person of the Company as Ms. YANG Huiyan is a Director and a controlling shareholder of the Company.

Ms. YANG Huiyan is a Director and controlling shareholder of the Company. Each of Messrs. YANG Euzhu, SU Rubo, OU Xueming and ZHANG Yaoyuan is a Director of the Company. Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan and Mr. OU Xueming are connected persons of the Company. Accordingly, all the transactions contemplated under these agreements constitute Continuing Connected Transactions of the Company under the Listing Rules.

The transactions under item (a) and (b) are subject to full reporting and announcement but be exempt from the independent shareholders' approval under Rule 14A.34 of the Listing Rules while the transactions under item (c) to (d) are subject to independent shareholders' approval under Rule 14A.35 of the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were no normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, have also performed random sample checking on the above Continuing Connected Transactions and confirmed that the transactions entered into:

- (i) were approved by the Board of the Company;
- (ii) have been entered into in accordance with the relevant agreements governing the transactions; and
- (iii) have not exceeded the respective annual caps.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 35 "Related party transactions" to the consolidated financial statements of the Group.

## SHARE OPTIONS

On 20 March 2007, a share option scheme (the "Share Option Scheme") was adopted and approved by the then Shareholders. No share options have been granted since adoption. A summary of the principal terms of the Share Option Scheme is set out as follow:

### (i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme are to provide incentives to the participants.

### (ii) Who may join

The participants of the Share Option Scheme are employees including the Executive Directors and Non-executive Directors of the Company and its subsidiaries.

### (iii) Grant of Options

The Board shall be entitled at any time, within 10 years after the date of adoption of the Share Option Scheme to make an offer of the grant to any participant.

**(iv) Payment on acceptance of option offer**

HK\$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant.

**(v) Subscription Price of Shares**

The subscription price of to subscribe for shares granted pursuant to the Share Option Scheme shall be the highest of:

- the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date on which an offer is made to a participant, which must be a business day;
- the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
- the nominal value of the shares of the Company.

**(vi) Maximum number of Shares available for subscription**

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at the date of this report, a total of 1,636,000,000 shares (representing 10% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

**(vii) Maximum entitlement of Shares of each Participant**

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director in any 12 months period, (1) representing in aggregate more than 0.1% of the total number of Shares in issue and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

**(viii) Time of exercise of option**

The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. The Board has the authority to determine the minimum period for which an option must be held before it can vest.

**EMPLOYEE INCENTIVE SCHEME**

The Company proposed to set up an employee incentive scheme ("Employee Incentive Scheme") for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. Up to 31 December 2008, for the purpose of the Employee Incentive Scheme, the Company had through its subsidiary purchased from the market a total of 57,607,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately RMB303,065,000.

**DISCLOSURE OF INTERESTS****Directors' and Chief Executives' Interests**

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interest in the Company (long position)

Name of director	Capacity	Number of ordinary shares	Percentage to issued share capital
Mr. CUI Jianbo	interest of spouse (Note 1)	10,000,000	0.06%
Ms. YANG Huiyan	interest of controlled corporation (Note 2)	9,672,000,000	59.12%
Mr. YANG Erzhu	interest of controlled corporation (Note 2)	972,000,000	5.94%
Mr. SU Rubo	interest of controlled corporation (Note 2)	716,000,000	4.38%
Mr. ZHANG Yaoyuan	interest of controlled corporation (Note 2)	816,000,000	4.99%
Mr. OU Xueming	interest of controlled corporation (Note 2)	736,000,000	4.50%
Mr. YANG Yongchao	interest of spouse (Note 3)	2,070,000	0.01%

(ii) Interest in an associated corporation of the Company (long position)

Name of Director	Name of the associated corporation	Capacity	Number of class of securities	Shareholding percentage
Ms. YANG Huiyan	Concrete Win Limited	beneficial owner	2 shares of US\$1.00	100%

Notes:

Note 1: The shares represent shares held by Ms. HE Jianxun being the spouse of Mr. CUI Jianbo.

Note 2: These shares represent shares held by Concrete Win Limited, Automic Group Limited, Easy Hope Holdings Ltd, Acura International Global Limited and Highlander Group Limited in which Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan and Mr. OU Xueming beneficially owns the entire issued share capital respectively.

Note 3: The shares represent shares held by Ms. SU Yuming being the spouse of Mr. YANG Yongchao.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of Directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2008, the interests and short positions of persons, other than the Directors or chief executive of the Company in the shares and the underlying shares of the Company representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

**Interest in the Company (long position)**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage to issued share capital</b>
Concrete Win Limited	beneficial owner	9,672,000,000 (Note 1)	59.12%
Automic Group Limited	beneficial owner	972,000,000 (Note 2)	5.94%

Notes:

1. These 9,672,000,000 shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
2. These 972,000,000 shares are held by Automic Group Limited, the entire issued share capital of which is beneficially owned by Mr. YANG Erzhu.

Save as disclosed, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will have an interest or short position in the shares or underlying shares of the Company as representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company.

## **PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY**

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Shares subject to those referred to under the section Employee Incentive Scheme in this report.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholder.

## **CORPORATE GOVERNANCE**

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

## **USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING**

The Company was listed on the Stock Exchange on 20 April 2007. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and listing expenses)

amounted to approximately RMB14,225 million which has been applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus. For the year ended 31 December 2008, all of the net proceeds has been utilized in accordance with the proposed applications set out in the prospectus.

## **SUFFICIENCY OF PUBLIC FLOAT**

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, and must have an expected market capitalization at the time of listing of not less than HK\$10,000 million.

The Group has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% (assuming the Overallotment Option is not exercised) or such higher percentage of the issued share capital as will be held by the public

in the event that the whole or a part of the Overallotment Option is exercised (which discretion may be exercised in respect of issuers with an expected market capitalization at the time of listing of over HK\$10,000 million) on the basis that the Stock Exchange is satisfied that the number of the Shares concerned and the extent of their distribution will enable the market to operate properly with the lower percentage, and on the condition that we will make appropriate disclosure of the lower prescribed percentage of public float in the prospectus of the Company issued on 3 April 2007 and confirm sufficiency of public float in the successive annual reports after listing. At the time of the listing of the Company on 20 April 2007, the market capitalization exceeded HK\$10,000 million.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

## AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

## PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders ("Shareholders") of the Company are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 1 June 2009 to Thursday, 4 June 2009, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2009.

For and on behalf of the Board

**YEUNG Kwok Keung**

*Chairman*

Hong Kong, 21 April 2009

# Independent Auditor's Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**

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**TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 106, which comprise the consolidated and company balance sheets as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 21 April 2009

# Consolidated Balance Sheet

		As at 31 December	
		2008	2007
		RMB'000	RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,841,970	1,621,654
Investment property	7	148,865	–
Intangible assets	8	13,342	4,083
Land use rights	9	7,596,813	8,196,080
Available-for-sale financial assets	10	29,999	20,000
Properties under development	11	3,949,275	3,690,575
Deferred income tax assets	22	1,092,357	556,112
		<b>15,672,621</b>	14,088,504
<b>Current assets</b>			
Land use rights	9	6,042,427	1,914,099
Properties under development	11	14,992,197	5,382,650
Completed properties held for sale	13	3,205,398	1,636,368
Inventories	14	154,347	102,787
Trade and other receivables	15	3,338,589	5,262,929
Prepaid taxes		974,874	749,743
Restricted cash	16	2,728,115	1,013,515
Cash and cash equivalents	17	3,006,492	8,483,420
		<b>34,442,439</b>	24,545,511
<b>Total assets</b>		<b>50,115,060</b>	38,634,015
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity owners</b>			
Share capital and premium	18	14,686,574	14,989,639
Reserves	19	859,729	278,785
Retained earnings			
– proposed final dividend	29	490,800	1,557,472
– others	19	3,063,640	2,332,356
		<b>19,100,743</b>	19,158,252
<b>Minority interests</b>		<b>279,926</b>	240,868
<b>Total equity</b>		<b>19,380,669</b>	19,399,120

	Note	As at 31 December	
		2008 RMB'000	2007 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	20(a)	5,003,250	4,227,400
Convertible bond	20(b)	4,018,482	–
Derivative financial instruments	21	1,241,530	–
Deferred income tax liabilities	22	339,196	166,787
		<b>10,602,458</b>	4,394,187
<b>Current liabilities</b>			
Advanced proceeds received from customers		9,113,623	7,168,686
Trade and other payables	23	5,485,674	2,619,771
Income taxes payable		2,709,572	2,287,881
Bank borrowings	20(a)	2,823,064	2,764,370
		<b>20,131,933</b>	14,840,708
<b>Total liabilities</b>		<b>30,734,391</b>	19,234,895
<b>Total equity and liabilities</b>		<b>50,115,060</b>	38,634,015
<b>Net current assets</b>		<b>14,310,506</b>	9,704,803
<b>Total assets less current liabilities</b>		<b>29,983,127</b>	23,793,307

Approved by the Board of Directors on 21 April 2009

**CUI Jianbo**  
Director

**YANG Erzhu**  
Director

The notes on pages 44 to 106 are an integral part of these consolidated financial statements.

# Company's Balance Sheet

	Note	As at 31 December	
		2008 RMB'000	2007 RMB'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Investments in subsidiaries	12	17,241,855	16,596,978
<b>Current assets</b>			
Amounts due from subsidiaries	12	2,496,889	1,702,491
Prepayments	15	–	1,001
Restricted cash	16	1,708,649	–
Cash and cash equivalents	17	38,347	22,704
		4,243,885	1,726,196
<b>Total assets</b>		<b>21,485,740</b>	18,323,174
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity owners</b>			
Share capital and premium	18	14,989,639	14,989,639
Reserves	19	424,821	–
Retained earnings			
– proposed final dividend	29	490,800	1,557,472
– others	19	82,871	361,739
<b>Total equity</b>		<b>15,988,131</b>	16,908,850
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	20(a)	197,950	–
Convertible bond	20(b)	4,018,482	–
Derivative financial instruments	21	1,241,530	–
		5,457,962	–
<b>Current liabilities</b>			
Amounts due to subsidiaries	12	3,298	9,567
Other payables	23	176	187
Bank borrowings	20(a)	36,173	1,404,570
		39,647	1,414,324
<b>Total liabilities</b>		<b>5,497,609</b>	1,414,324
<b>Total equity and liabilities</b>		<b>21,485,740</b>	18,323,174
<b>Net current assets</b>		<b>4,204,238</b>	311,872
<b>Total assets less current liabilities</b>		<b>21,446,093</b>	16,908,850

Approved by the Board of Directors on 21 April 2009

**CUI Jianbo**  
Director

**YANG Erzhu**  
Director

The notes on pages 44 to 106 are an integral part of these consolidated financial statements.

# Consolidated Income Statement

	Note	Year ended 31 December	
		2008 RMB'000	2007 RMB'000
Revenue	5	15,712,790	17,735,011
Cost of sales	25	(8,687,206)	(9,560,890)
<b>Gross profit</b>		<b>7,025,584</b>	8,174,121
Other gains – net	24	51,254	34,640
Selling and marketing costs	25	(528,882)	(310,833)
Administrative expenses	25	(1,046,031)	(933,236)
<b>Operating profit</b>		<b>5,501,925</b>	6,964,692
Finance income	27	74,762	425,418
Finance costs	27	(1,073,832)	(579,228)
Finance costs – net		(999,070)	(153,810)
Fair value changes on derivative financial instruments	21	(1,241,530)	–
<b>Profit before income tax</b>		<b>3,261,325</b>	6,810,882
Income tax expenses	28	(1,846,310)	(2,607,141)
<b>Profit for the year</b>		<b>1,415,015</b>	4,203,741
<b>Attributable to:</b>			
Equity owners		1,378,207	4,135,908
Minority interests		36,808	67,833
		<b>1,415,015</b>	4,203,741
<b>Basic and diluted earnings per share, expressed in RMB cents per share</b>	32	<b>8.45 cents</b>	26.63 cents
<b>Dividends</b>	29	<b>490,800</b>	2,070,026

The notes on pages 44 to 106 are an integral part of these consolidated financial statements.

# Consolidated Statements of Changes in Equity

	Capital and reserves attributable to the equity owners			
	Share capital and premium	Reserves	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note 18)	(note 19)		
Balance at 1 January 2007	764,568	545,259	165,535	1,475,362
Capital injections to subsidiaries	–	–	7,500	7,500
Issue of shares in connection with the listing	14,671,195	–	–	14,671,195
Share issue cost	(446,124)	–	–	(446,124)
Profit for the year	–	4,135,908	67,833	4,203,741
Dividends paid to then equity owners (note 29)	–	(512,554)	–	(512,554)
Balance at 31 December 2007 and 1 January 2008	14,989,639	4,168,613	240,868	19,399,120
Capital injections to subsidiaries	–	–	<b>2,250</b>	<b>2,250</b>
Equity component of convertible bond (note 20(b))	–	<b>424,821</b>	–	<b>424,821</b>
Purchase of treasury shares (note 18)	<b>(303,065)</b>	–	–	<b>(303,065)</b>
Profit for the year	–	<b>1,378,207</b>	<b>36,808</b>	<b>1,415,015</b>
2007 final dividends (note 29)	–	<b>(1,557,472)</b>	–	<b>(1,557,472)</b>
Balance at 31 December 2008	<b>14,686,574</b>	<b>4,414,169</b>	<b>279,926</b>	<b>19,380,669</b>

The notes on pages 44 to 106 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2008 RMB'000	2007 RMB'000
<b>Cash flows from operating activities</b>			
Net cash used in operations	30	(3,709,564)	(6,795,257)
Income tax paid		(2,074,430)	(1,343,055)
Interest paid		(595,177)	(283,598)
<b>Net cash used in operating activities</b>		<b>(6,379,171)</b>	<b>(8,421,910)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(6,674)	(550,000)
Purchases of property, plant and equipment		(1,386,135)	(806,145)
Increase in investment property		(152,682)	–
Purchase of intangible assets		(12,674)	(4,824)
Purchases of land use rights		(547,110)	(389,255)
Purchase of available-for-sale financial assets		(9,999)	–
Proceeds of disposals of property, plant and equipment	30	1,849	2,035
Interest received	30	74,762	425,418
Net changes in cash advances from related parties		–	363,547
<b>Net cash used in investing activities</b>		<b>(2,038,663)</b>	<b>(959,224)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuing shares		–	14,671,195
Capital contributions from minority shareholders		2,250	7,500
Share issue cost		–	(446,124)
Purchase of treasury shares		(303,065)	–
Proceeds from the issuance of convertible bond		4,206,150	–
Proceeds from borrowings		4,823,124	6,439,978
Repayments of borrowings		(3,988,579)	(3,529,500)
Dividends paid to the Company's shareholders/then equity owners	29	(1,557,472)	(512,554)
<b>Net cash generated from financing activities</b>		<b>3,182,408</b>	<b>16,630,495</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,235,426)</b>	<b>7,249,361</b>
Cash and cash equivalents at the beginning of the year		8,483,420	1,529,689
Exchange losses on cash and cash equivalents		(241,502)	(295,630)
<b>Cash and cash equivalents at the end of the year</b>	17	<b>3,006,492</b>	<b>8,483,420</b>

The notes on pages 44 to 106 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 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 (collectively the "Group") were 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 (the "Stock Exchange").

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

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.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 below.

#### (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

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'.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.
- HKAS 23 (Revised) 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009.
- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.
- HKFRS 8, 'Operating segments', (effective from 1st January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. The expected impact is still being assessed in detail by the management.
- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(c) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group** (continued)

- HK(IFRIC)-Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009) supercedes HK Int-3, 'Revenue – Pre-completion contracts for the sale of development properties'. HK(IFRIC)-Int 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The Group will apply HK(IFRIC)-Int 15 from 1 January 2009 but it is not expected to have any material impact to the Group's financial statements.

**HKICPA's improvements to HKFRS published in October 2008**

- HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.
- HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Group will apply HKAS 16 (Amendment) from 1 January 2009, and it is not expected to have a material impact on the Group's financial statements.
- HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

The Group will apply the HKAS 19 (Amendment) from 1 January 2009.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group* (continued)

##### HKICPA's improvements to HKFRS published in October 2008 (continued)

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group is not expected to have a material impact on the Group's financial statements. In addition, the amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Group's operations as all intangible assets are amortised using the straight line method.
- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.
  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(c) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group** (continued)

**HKICPA's improvements to HKFRS published in October 2008** (continued)

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have a material impact on the Group's operations.
- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue', HKAS 20 'Accounting for government grants and disclosure of government assistance', and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have a material impact on the Group's financial statements and have therefore not been analysed in detail.

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

#### (ii) Transactions and minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

### 2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in activities within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.4 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency and presentation currency of the Company.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when defined in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within finance costs-net. All other foreign exchange gains and losses are presented in the consolidated income statement within other gains – net.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

#### (iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the years.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5-10 years
Machinery	5-10 years
Furniture, fitting and equipment	5-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other gains – net in the income statement.

### 2.6 Intangible assets

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred.

### 2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet (note 15).

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets (except for unlisted equity investments that do not have quoted price in active market and whose fair value cannot be reliably measured) are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in note 2.14.

### 2.9 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Completed properties held for sale

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### 2.11 Investment property

Property that is held for long-term rental yields, and that is not occupied by the Group, is classified as investment property. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, included related transaction costs. Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Investment properties are stated at historical cost less accumulated depreciation and impairment loss, if any. It is depreciated using the straight line method over its estimated useful life of 20 years.

Property that is being constructed or developed for future use as investment property is classified as investment properties and carried at cost.

### 2.12 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.13 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that it will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

### 2.15 Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks with original maturities of three months or less.

### 2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity owners.

### 2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Convertible bond that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bond is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained earnings.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19 Borrowing costs

Borrowing costs are charged to the income statement in the accounting period in which they are incurred.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.20 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

### 2.21 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.22 Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

### 2.23 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales with the Group companies. Revenue is recognised as follows:

**(i) Sales of properties**

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

**(ii) Construction services**

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (note 2.13).

**(iii) Hotel operation**

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

**(iv) Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

**(v) Decoration services**

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

**(vi) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(vii) Rental income**

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

### 2.25 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**(i) The Group is the lessee**

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the consolidated income statements or capitalised in the properties under development (note 2.9) on a straight-line basis over the period of the lease.

**(ii) The Group is the lessor**

Assets leased out under operating leases are included in property, plant and equipment and completed properties held for sale in the consolidated balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.27 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

## 3 FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The global financial turmoil in 2008 has brought adverse impact on the economic conditions. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. All bank borrowings due for repayment in 2009 are anticipated to be repaid according to the terms of the loan agreements, as the Group considers no bank loans renewal is necessary given its sufficient cash to finance its obligation. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The major non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("H.K. dollar") and the United States dollar ("U.S. dollar"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The majority of the Group's foreign currency transactions and balances are denominated in U.S. dollar. The Group currently does not have a foreign currency hedging policy. The group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
H.K. dollar	<b>331,523</b>	3,515,710	<b>11,006</b>	22,704
U.S. dollar	<b>1,736,020</b>	52	<b>1,735,990</b>	–
	<b>2,067,543</b>	3,515,762	<b>1,746,996</b>	22,704
Liabilities				
H.K. dollar	–	1,404,570	–	1,404,570
U.S. dollar	<b>234,123</b>	–	<b>234,123</b>	–
	<b>234,123</b>	1,404,570	<b>234,123</b>	1,404,570

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If there is a 5% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
H.K. dollar				
Decrease in profit for the year	<b>30,701</b>	315,368	<b>740</b>	13,037
U.S. dollar				
Decrease in profit for the year	<b>83,501</b>	3	<b>83,428</b>	–

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (ii) Cash flow and Interest rate risk

###### The Group

The Group's interest rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2008 and 2007, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the current/prior year would have been RMB107,173,000 and RMB40,456,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

###### The Company

The Company's interest rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

As at 31 December 2008 and 2007, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the current/prior year would have been RMB40,086,000 and RMB2,657,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (iii) Price risk

The unlisted investments in classified as available-for-sale financial assets are held for strategic rather than trading purposes. The Group does not actively trade these investments. Where appropriate, it considers exiting the investments at terms that are the most favourable to the Group. The Group closely monitors the fluctuation of the price and assesses the impact on Group's financial statements.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (iv) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For prepayments in respect of acquisition of land use rights, the Group considers the risk is minimal as these prepayments were paid to PRC government and will transfer to land use rights certificates upon approval from the PRC government. The Group has policies in place to monitor the issuance status of land use rights certificates.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 33.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (v) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The Directors have prepared cash flow projections for the period up to 30 April 2010. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2009 include: (1) Unit selling price in 2009 is not expected to fluctuate significantly from that of 2008 and (2) Sales volume in 2009 is expected to maintain to the level of 2008. The contracted sales in 2009 are expected to be derived from 54 projects over 9 provinces within the PRC.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. In addition, with more favourable policies being implemented by the Central Government and the Guangdong Provincial Government, management is confident that the Group will be able to achieve its business plans.

The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2008					
Bank borrowings (note 20(a))	3,308,348	3,593,731	1,712,449	–	8,614,528
Convertible bond (note 20(b))	107,850	107,850	5,502,771	–	5,718,471
Trade and other payables (excluding other tax payables)	5,152,571	47,494	–	–	5,200,065
<b>Total</b>	<b>8,568,769</b>	<b>3,749,075</b>	<b>7,215,220</b>	<b>–</b>	<b>19,533,064</b>
At 31 December 2007					
Bank borrowings (note 20 (a))	2,764,370	2,527,400	1,700,000	–	6,991,770
Trade and other payables (excluding other tax payables)	2,319,042	18,129	–	–	2,337,171
<b>Total</b>	<b>5,083,412</b>	<b>2,545,529</b>	<b>1,700,000</b>	<b>–</b>	<b>9,328,941</b>

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including convertible bond, as shown in the consolidated balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2008 and 2007 are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Total borrowings including convertible bond (note 20)	<b>11,844,796</b>	6,991,770
Less: cash and cash equivalents (note 17)	<b>(3,006,492)</b>	(8,483,420)
Net debt	<b>8,838,304</b>	(1,491,650)
Total equity	<b>19,100,743</b>	19,158,252
Gearing ratio	<b>46.3%</b>	-7.8%

The increase in gearing ratio at 31 December 2008 is due to significant increase in borrowings and reduction in cash and bank balances during the year.

#### (c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flow.

The carrying value less impairment provisions of trade and other receivables and the carrying value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (b) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 2.13, the Group uses the "percentage of completion method" to determine the appropriate revenues to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Upon applying the percentage of completion method, the Group need to estimate the gross profit margin of each construction contract, which was determined based on the estimated total construction contract costs and total construction contract sum. If the actual gross profit margin of each construction contract differs from the management's estimates, the construction contract revenue to be recognised within the next year will need to be adjusted accordingly.

In addition, the directors of the Company are of the opinion that there were no expected losses, where the estimated total construction contract costs exceed the total construction contract revenue, which need to be recognised in the income statement.

### (c) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 33, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

### (d) Estimates for impairment of properties under development

Property under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

##### (e) Estimates for net realisable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each balance sheet date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

#### 5 SEGMENT INFORMATION – GROUP

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 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 followings:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Sales of properties	<b>14,736,509</b>	16,666,941
Rendering of construction services	<b>396,960</b>	597,516
Rendering of hotel services	<b>274,521</b>	215,305
Rendering of property management services	<b>293,295</b>	221,662
Rendering of decoration services	<b>11,505</b>	33,587
	<b>15,712,790</b>	17,735,011

#### Primary reporting format – business segments

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

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
Gross segment revenue	<b>14,736,509</b>	<b>10,617,889</b>	<b>304,270</b>	<b>283,173</b>	<b>25,941,841</b>
Inter-segment revenue	–	<b>(10,209,424)</b>	<b>(10,975)</b>	<b>(8,652)</b>	<b>(10,229,051)</b>
Revenue	<b>14,736,509</b>	<b>408,465</b>	<b>293,295</b>	<b>274,521</b>	<b>15,712,790</b>
Segment results	<b>5,500,401</b>	<b>81,693</b>	<b>21,773</b>	<b>(101,942)</b>	<b>5,501,925</b>
Fair value changes on derivative financial instruments					<b>(1,241,530)</b>
Finance costs – net					<b>(999,070)</b>
Profit before income tax					<b>3,261,325</b>
Income tax expense					<b>(1,846,310)</b>
Profit for the year					<b>1,415,015</b>

## 5 SEGMENT INFORMATION – GROUP (continued)

### Primary reporting format – business segments (continued)

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

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
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 expense					(2,607,141)
Profit for the year					4,203,741

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Other segment items included in the consolidated income statements and capital expenditure are as follows:

	Year ended 31 December 2008				
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
Depreciation of property, plant and equipment and investment property (note 6 and 7)	52,978	26,844	7,766	80,256	167,844
Amortisation of intangible assets and land use rights (note 8 and 9)	136,762	–	–	27,048	163,810
Capital expenditure (note 6, 7 and 8)	646,458	42,908	6,200	856,642	1,552,208

  

	Year ended 31 December 2007				
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
Depreciation of property, plant and equipment and investment property (note 6 and 7)	36,047	27,053	8,404	55,770	127,274
Amortisation of intangible assets and land use rights (note 8 and 9)	78,994	477	–	6,111	85,582
Capital expenditure (note 6, 7 and 8)	270,515	44,056	11,078	485,359	811,008

## 5 SEGMENT INFORMATION – GROUP (continued)

### Primary reporting format – business segments (continued)

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

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
Segment assets	42,572,650	1,248,218	210,914	3,282,272	47,314,054
Unallocated assets					2,801,006
Total assets					50,115,060
Segment liabilities	12,520,200	1,579,591	229,947	269,559	14,599,297
Unallocated liabilities					16,135,094
Total liabilities					30,734,391

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

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Group RMB'000
Segment assets	34,731,267	650,476	160,634	2,535,526	38,077,903
Unallocated assets					556,112
Total assets					38,634,015
Segment liabilities	8,982,300	605,145	67,325	133,687	9,788,457
Unallocated liabilities					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 equity swap (note 16(b)).

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 (note 6), investment property (note 7) and intangible assets (note 8).

## 6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2007</b>						
Cost	521,906	137,096	201,583	98,096	344,799	1,303,480
Accumulated depreciation	(97,232)	(83,782)	(124,667)	(46,084)	–	(351,765)
Accumulated impairment	(3,007)	(4,087)	–	(50)	–	(7,144)
Net book amount	421,667	49,227	76,916	51,962	344,799	944,571
<b>Year ended 31 December 2007</b>						
Opening net book amount	421,667	49,227	76,916	51,962	344,799	944,571
Additions	48,577	44,330	76,250	70,555	566,433	806,145
Acquisition of subsidiary	–	–	–	39	–	39
Reclassification	418,006	–	–	–	(418,006)	–
Disposals	(450)	(795)	(533)	(49)	–	(1,827)
Depreciation	(48,891)	(24,990)	(30,868)	(22,525)	–	(127,274)
Closing net book amount	838,909	67,772	121,765	99,982	493,226	1,621,654
<b>At 31 December 2007</b>						
Cost	987,164	170,383	270,949	168,307	493,226	2,090,029
Accumulated depreciation	(145,249)	(99,394)	(149,184)	(68,275)	–	(462,102)
Accumulated impairment	(3,006)	(3,217)	–	(50)	–	(6,273)
Net book amount	838,909	67,772	121,765	99,982	493,226	1,621,654
<b>Year ended 31 December 2008</b>						
Opening net book amount	838,909	67,772	121,765	99,982	493,226	1,621,654
Additions	80,374	22,602	90,300	86,852	1,106,724	1,386,852
Reclassification	386,109	(16,565)	16,543	22	(386,109)	–
Disposals	(138)	(755)	(575)	(1,041)	–	(2,509)
Depreciation	(51,930)	(16,068)	(54,283)	(41,746)	–	(164,027)
Closing net book amount	1,253,324	56,986	173,750	144,069	1,213,841	2,841,970
<b>At 31 December 2008</b>						
Cost	1,449,481	165,859	383,664	249,274	1,213,841	3,462,119
Accumulated depreciation	(193,151)	(105,656)	(209,914)	(105,155)	–	(613,876)
Accumulated impairment	(3,006)	(3,217)	–	(50)	–	(6,273)
Net book amount	1,253,324	56,986	173,750	144,069	1,213,841	2,841,970

**6 PROPERTY, PLANT AND EQUIPMENT – GROUP** (continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheets and income statements:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Properties under development	47,524	28,619
Cost of sales	73,256	64,174
Selling and marketing costs	6,930	2,405
Administrative expenses	36,317	32,076
	<b>164,027</b>	127,274

As at 31 December 2008, buildings with net book value of RMB588,517,000 (2007: RMB 435,068,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2008, title certificates of buildings with net book value of RMB421,313,000 (2007: RMB304,721,000) were still in the progress of being obtained.

Also as at 31 December 2008, included in buildings were the hotels located in the PRC, which were classified as property, plant and equipment, with net book value of RMB1,252,282,000 (2007: RMB666,701,000).

**7 INVESTMENT PROPERTY – GROUP**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
<b>At 31 December</b>		
Cost	152,682	–
Accumulated depreciation	(3,817)	–
Net book amount	<b>148,865</b>	–

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
<b>Year ended 31 December</b>		
Opening net book amount	–	–
Addition	152,682	–
Depreciation	(3,817)	–
Net book amount	<b>148,865</b>	–

The Group's property interest held under operating leases to earn rentals purposes are measured using the cost model and accounted for as investment property. The investment property is located in the PRC.

The fair value of the Group's investment property of approximately RMB149,100,000 as at 31 December 2008 (2007: Nil) has been determined by the directors with reference to the valuation performed by CB Richard Ellis Limited, an independent qualified professional valuer.

## 8 INTANGIBLE ASSETS – GROUP

	Computer software	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
<b>At 31 December</b>		
Cost	17,498	4,824
Accumulated amortisation	(4,156)	(741)
Net book amount	13,342	4,083
<b>Year ended 31 December</b>		
Opening net book amount	4,083	–
Addition during the year	12,674	4,824
Amortisation	(3,415)	(741)
Closing net book amount	13,342	4,083

## 9 LAND USE RIGHTS – GROUP

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Opening net book amount	10,110,179	3,756,391
Acquisition of subsidiaries	–	493,620
Additions	4,462,659	6,953,118
Amortisation:		
– expensed in administrative expenses (note 25)	(160,395)	(84,841)
– capitalised in properties under development (note 11)	(86,939)	(27,844)
Transfer to cost of sales	(686,264)	(980,265)
	13,639,240	10,110,179
Amount expected to be transferred to cost of sales within normal operating cycle included under current assets	(6,042,427)	(1,914,099)
Closing net book amount under non-current assets	7,596,813	8,196,080
Outside Hong Kong, held on leases of:		
Between 50 to 70 years	11,636,114	6,309,726
Between 10 to 50 years	2,003,126	3,800,453
	13,639,240	10,110,179

**9 LAND USE RIGHTS – GROUP** (continued)

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development. Amortisation of land use rights is either recognised as an expense or capitalised in properties under development on a straight-line basis over the unexpired period of the rights, and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold.

As at 31 December 2008, land use rights with net book value of RMB3,569,117,000 (2007: RMB 1,763,571,000) were pledged as collateral for the Group's borrowings.

**10 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Unlisted securities without active market	<b>29,999</b>	20,000

As at 31 December 2008, available-for-sale financial assets of RMB29,999,000 (2007: RMB20,000,000) represented the Group's 2.3% (2007: 2.3%) equity investment in the The Rural Credit Co-operatives Union of Shunde.

The carrying amounts of the above available-for-sale financial assets during the year are denominated in RMB.

**11 PROPERTIES UNDER DEVELOPMENT – GROUP**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	<b>14,992,197</b>	5,382,650
Beyond normal operating cycle included under non-current assets	<b>3,949,275</b>	3,690,575
	<b>18,941,472</b>	9,073,225
Amount comprises:		
Construction costs	<b>18,854,533</b>	9,045,381
Amortisation of land use rights (note 9)	<b>86,939</b>	27,844
	<b>18,941,472</b>	9,073,225

The properties under development are located in the PRC.

**12 INVESTMENTS IN SUBSIDIARIES – COMPANY**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Non-current asset		
– Unlisted investment at cost	<b>17,241,855</b>	16,596,978
Current assets		
– Amounts due from subsidiaries (note below)	<b>2,496,889</b>	1,702,491
Current liabilities		
– Amounts due to subsidiaries (note below)	<b>(3,298)</b>	(9,567)
	<b>19,735,446</b>	18,289,902

Note:

Amounts due from/(to) subsidiaries are interest free, unsecured and with no fixed terms of repayment. Details of the principal subsidiaries as at 31 December 2008 are set out in note 36.

**13 COMPLETED PROPERTIES HELD FOR SALE – GROUP**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Completed properties held for sale, at cost	<b>3,205,398</b>	1,636,368

The completed properties held for sale are located in the PRC.

**14 INVENTORIES – GROUP**

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Construction materials, at cost	<b>154,347</b>	102,787

## 15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables – third parties (note (a))	300,519	154,680	–	–
Other receivables (note (b))	340,826	905,788	–	–
Amounts due from customers for contract work (note (c))	358,300	61,301	–	–
Prepayments-third parties (note (d))	2,341,901	4,144,117	–	1,001
Less: Provision for impairment of receivables	(2,957)	(2,957)	–	–
	<b>3,338,589</b>	<b>5,262,929</b>	<b>–</b>	<b>1,001</b>

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

Notes:

- (a) 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 purchases agreements.

The ageing analysis of trade receivables is as follows:

	Group	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
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
	<b>300,519</b>	<b>154,680</b>

There is no concentration of credit risk will respect to trade receivables as the Group has a large number of customers.

Trade receivables which are past due are analysed as follows:

	Group	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Fully performing under credit terms	249,441	136,547
Past due but not impaired	51,078	18,133
	<b>300,519</b>	<b>154,680</b>

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. Therefore, the Directors consider that the receivables would be recovered and no provision was made against past due receivables as at 31 December 2008 (2007: Nil).

**15 TRADE AND OTHER RECEIVABLES** (continued)

- (b) Other receivables mainly related to the auction deposit in respect of application of the land use rights at land auctions conducted by the PRC government.
- (c) Amounts due from customers for contract work at each of the balance sheet date are as follows:

	Group	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Cost incurred	3,438,876	3,123,809
Recognised profits (less recognised losses)	1,480,054	1,393,360
	<b>4,918,930</b>	4,517,169
Less: progress billings	<b>(4,560,630)</b>	(4,455,868)
	<b>358,300</b>	61,301
Represented by:		
Amounts due from customers	<b>358,300</b>	61,301
Including: Related companies (note 35 (d))	<b>292,624</b>	19,319
Third parties	<b>65,676</b>	41,982

- (d) Prepayments are mainly in respect of acquisition of land use rights of RMB1,835 million (2007: RMB3,384 million) upon successful bidding at the land auctions conducted by the PRC government, and that land use right of the respective prepayment was not obtained at 31 December 2008.

**16 RESTRICTED CASH**

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee deposits for construction of pre-sale properties (note (a))	1,019,466	1,013,515	–	–
Collateral for equity swap (note (b))	1,708,649	–	1,708,649	–
	<b>2,728,115</b>	1,013,515	<b>1,708,649</b>	–

Notes:

- (a) In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.
- (b) As at 31 December 2008, the Company's partial proceed from the issue of convertible bond of US\$250.0 million was deposited with Merrill Lynch International as collateral for an equity swap transaction. Details please refer to note 21.

## 17 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in RMB	3,667,064	5,981,173	–	–
Denominated in HK dollar	331,523	3,515,710	11,006	22,704
Denominated in US dollar	1,736,020	52	1,735,990	–
	<b>5,734,607</b>	9,496,935	<b>1,746,996</b>	22,704
Less: restricted cash (note 16)	<b>(2,728,115)</b>	(1,013,515)	<b>(1,708,649)</b>	–
	<b>3,006,492</b>	8,483,420	<b>38,347</b>	22,704

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 18 SHARE CAPITAL AND PREMIUM

	Note	Group					Total RMB'000
		Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	
<b>Authorised</b>							
Ordinary share of HK\$0.10 each upon incorporation		3,800,000	380	384	–	–	384
Increase in authorised share capital		99,996,200,000	9,999,620	9,904,624	–	–	9,904,624
		100,000,000,000	10,000,000	9,905,008	–	–	9,905,008
<b>Issued and fully paid</b>							
Opening balance at 1 January 2007		100	–	–	–	–	–
Issue of shares arising from group reorganisation undertaken for the listing		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
Share issue cost		–	–	–	(446,124)	–	(446,124)
At 31 December 2007 and 1 January 2008		16,360,000,000	1,636,000	1,617,773	13,371,866	–	14,989,639
Treasury shares purchased	(a)	(57,607,000)	–	–	–	(303,065)	(303,065)
Closing balance at 31 December 2008		<b>16,302,393,000</b>	<b>1,636,000</b>	<b>1,617,773</b>	<b>13,371,866</b>	<b>(303,065)</b>	<b>14,686,574</b>

## 18 SHARE CAPITAL AND PREMIUM (continued)

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Company Equivalent		Share premium RMB'000	Total RMB'000
			nominal value of ordinary shares RMB'000			
<b>Authorised</b>						
Ordinary share of HK\$0.10 each upon incorporation	3,800,000	380	384	–	–	384
Increase in authorised share capital	99,996,200,000	9,999,620	9,904,624	–	–	9,904,624
	100,000,000,000	10,000,000	9,905,008	–	–	9,905,008
<b>Issued and fully paid</b>						
Opening balance at 1 January 2007	100	–	–	–	–	–
Issue of shares	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
Share issue cost	–	–	–	(446,124)	–	(446,124)
At 31 December 2007 and 2008	<b>16,360,000,000</b>	<b>1,636,000</b>	<b>1,617,773</b>	<b>13,371,866</b>	–	<b>14,989,639</b>

Note:

- (a) During the year, the Group, through its wholly owned subsidiary, has acquired 57,607,000 of the Company's shares from the market for the purpose of setting up an employee incentive plan for the benefit of the senior management and employees of the Company (which excludes connected persons of the Company). The purpose of the employee incentive scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. The total amount paid to acquire the shares was RMB303,065,000. The shares are held as treasury shares and have been deducted from shareholders' equity.

The aforesaid employee incentive scheme has not been launched as at date of this report.

## 19 RESERVES

	Group			Sub-total RMB'000	Retained earnings RMB'000	Total RMB'000
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Conversion option reserves RMB'000 (note 20(b))			
Balance at 1 January 2007	(149,801)	182,506	–	32,705	512,554	545,259
Profit for the year	–	–	–	–	4,135,908	4,135,908
Transfer to statutory reserves	–	246,080	–	246,080	(246,080)	–
Dividends (note 29)	–	–	–	–	(512,554)	(512,554)
Balance at 31 December 2007	(149,801)	428,586	–	278,785	3,889,828	4,168,613
Representing:						
– 2007 Proposed final dividend					1,557,472	
– Others					2,332,356	
					3,889,828	
Balance at 1 January 2008	(149,801)	428,586	–	278,785	3,889,828	4,168,613
Issuance of convertible bond (note 20(b))	–	–	424,821	424,821	–	424,821
Profit for the year	–	–	–	–	1,378,207	1,378,207
Transfer to statutory reserves	–	156,123	–	156,123	(156,123)	–
Dividends (note 29)	–	–	–	–	(1,557,472)	(1,557,472)
Balance at 31 December 2008	(149,801)	584,709	424,821	859,729	3,554,440	4,414,169
Representing:						
– 2008 Proposed final dividend					490,800	
– Others					3,063,640	
					3,554,440	

## 19 RESERVES (continued)

	Conversion option reserves RMB'000 (note 20(b))	Company (Accumulated losses)/retained earnings RMB'000	Total RMB'000
Balance at 1 January 2007	–	(1,349)	(1,349)
Profit for the year (note 31)	–	1,920,560	1,920,560
Balance at 31 December 2007	–	1,919,211	1,919,211
Representing:			
2007 Proposed final dividend		1,557,472	
Others		361,739	
		1,919,211	
Balance at 1 January 2008	–	1,919,211	1,919,211
Issuance of convertible bond (note 20(b))	424,821	–	424,821
Profit for the year (note 31)	–	211,932	211,932
Dividend (note 29)	–	(1,557,472)	(1,557,472)
Balance at 31 December 2008	424,821	573,671	998,492
Representing:			
2008 Proposed final dividend		490,800	
Others		82,871	
		573,671	

## Notes:

- (a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired, pursuant to a group reorganisation undertaken for the listing of company on the main board of the Stock Exchange, over the nominal value of shares of the Company issue in exchange.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity owners in the form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board directors of the respective subsidiaries.

## 20 BORROWINGS

## (a) Bank borrowings

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings				
– secured	4,784,100	2,926,200	–	–
– unsecured	3,038,584	2,661,000	234,123	–
Less: current portion of non-current borrowings	(2,819,434)	(1,359,800)	(36,173)	–
	5,003,250	4,227,400	197,950	–
Borrowings included in current liabilities:				
Bank borrowings				
– secured	3,630	–	–	–
– unsecured	–	1,404,570	–	1,404,570
Current portion of non-current borrowings	2,819,434	1,359,800	36,173	–
	2,823,064	2,764,370	36,173	1,404,570

The Group's borrowings of RMB4,784,100,000 as at 31 December 2008 (2007: RMB2,926,200,000), were jointly secured by certain properties and land use rights of the Group (notes 6 and 9) with total carrying values of RMB4,157,634,000 as at 31 December 2008 (2007: RMB2,468,640,000).

The Company's borrowings of RMB234,123,000 as at 31 December 2008 (2007: RMB1,404,570,000) was guaranteed by its fellow subsidiaries.

The exposure of the Group's and Company's bank borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	Group				Total
	6 months or less	6-12 months	1-5 years	Over 5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2008	5,003,250	–	–	–	5,003,250
At 31 December 2007	4,227,400	–	–	–	4,227,400
Borrowings included in current liabilities:					
At 31 December 2008	2,823,064	–	–	–	2,823,064
At 31 December 2007	2,764,370	–	–	–	2,764,370

## 20 BORROWINGS (continued)

## (a) Bank borrowings (continued)

	Company				Total RMB'000
	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	
Borrowings included in non-current liabilities:					
At 31 December 2008	197,950	–	–	–	197,950
Borrowings included in current liabilities:					
At 31 December 2008	36,173	–	–	–	36,173
Borrowings included in non-current liabilities:					
At 31 December 2007	–	–	–	–	–
Borrowings included in current liabilities:					
At 31 December 2007	1,404,570	–	–	–	1,404,570

The maturity of the borrowings included in non-current liabilities is as follows:

	Group		Company	
	As at 31 December 2008 RMB'000	2007 RMB'000	As at 31 December 2008 RMB'000	2007 RMB'000
Between 1 and 2 years	3,354,474	2,527,400	36,173	–
Between 2 and 5 years	1,648,776	1,700,000	161,777	–
	5,003,250	4,227,400	197,950	–

The weighted average effective interest rates as at 31 December are as follows:

	Group		Company	
	As at 31 December 2008 RMB'000	2007 RMB'000	As at 31 December 2008 RMB'000	2007 RMB'000
Borrowings				
– Bank borrowings	7.37%	6.78%	4.68%	6.02%

## 20 BORROWINGS (continued)

## (a) Bank borrowings (continued)

The carrying amounts of the borrowings are as follows and approximates to their fair value as follows:

	Group				Company			
	As at 31 December				As at 31 December			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank borrowings	7,826,314	6,991,770	7,826,314	6,991,770	234,123	1,404,570	234,123	1,404,570

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	7,592,191	5,587,200	–	–
U.S. dollar	234,123	–	234,123	–
H.K. dollar	–	1,404,570	–	1,404,570
	7,826,314	6,991,770	234,123	1,404,570

## (b) 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.

The Bond matures in five years (February 2013) from the issue date at 121.306% of the nominal value or can be converted into ordinary shares of the Company on or after 3 April 2008 at contracted price (the initial conversion price is HK\$9.05 per share) at a fixed exchange rate of RMB0.922 to HK\$1.

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 (note 19).

**20 BORROWINGS** (continued)**(b) Convertible bond** (continued)

The convertible bond recognised in the balance sheet are calculated as follows:

	2008 RMB'000
Face value of the convertible 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 convertible bond are calculated using the effective interest method, applying the effective interest rate of 9.24% p.a. to the liability component.

The fair value of the liability component of the convertible bond at 31 December 2008 amount to RMB2,027,580,000. The fair value is calculated using the market price for convertible 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.

**21 DERIVATIVE FINANCIAL INSTRUMENTS**

Upon the issue of the RMB denominated USD settled 2.5% convertible bond as disclosed in note 20(b), 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.

Derivative financial instruments liabilities as at balance sheet date are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Equity Swap	1,241,530	–

The derivative financial instruments are classified as a non-current liability according to the terms defined in the agreement with Merrill Lynch International.

During the effective period of the Equity Swap, the Company has put up collateral in the amount of US\$250 million (equivalent to approximately HK\$1,950 million) (the "Collateral") to Merrill Lynch International. Prior the termination date of the Equity Swap, the change in fair value of the Equity Swap caused by fluctuation in the share price shall not pose any effect on the cash flow or normal operation of the Company.

As at the termination date of the Equity Swap, the maximum loss caused by the Equity Swap due to decrease in the share price shall not exceed the value of the Collateral, being US\$250 million (equivalent to approximately HK\$1,950 million).

## 22 DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	683,757	413,529
– to be realised within 12 months	408,600	142,583
	<b>1,092,357</b>	556,112
Deferred income tax liabilities:		
– to be settled after more than 12 months	(339,196)	(166,787)
	<b>753,161</b>	389,325

	As at 31 December	
	2008 RMB'000	2007 RMB'000
The net movement on the deferred taxation is as follows:		
Beginning of the year	389,325	424,609
Acquisition of subsidiaries and businesses	–	(56,200)
Recognised in the consolidated income statement (note 28)	363,836	20,916
End of the year	<b>753,161</b>	389,325

## 22 DEFERRED INCOME TAX – GROUP (continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Recognition of sales of property and related cost of sales RMB'000	Impairment of assets RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2007	33,290	707	103,535	391,386	26,648	555,566
(Charged)/credited to the consolidated income statement	(16,363)	(171)	(24,635)	22,143	19,572	546
At 31 December 2007	16,927	536	78,900	413,529	46,220	556,112
At 1 January 2008	<b>16,927</b>	<b>536</b>	<b>78,900</b>	<b>413,529</b>	<b>46,220</b>	<b>556,112</b>
(Charged)/credited to the consolidated income statement	<b>(16,927)</b>	<b>–</b>	<b>92,618</b>	<b>270,228</b>	<b>190,326</b>	<b>536,245</b>
At 31 December 2008	<b>–</b>	<b>536</b>	<b>171,518</b>	<b>683,757</b>	<b>236,546</b>	<b>1,092,357</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2008 of RMB13,871,500 (2007: RMB6,058,500) in respect of accumulated losses amounting to RMB55,486,000 as at 31 December 2008 (2007: RMB24,234,000). Accumulated losses amounting to RMB1,646,000, RMB690,000, RMB2,158,000, RMB15,266,000 and RMB216,786,000 as at 31 December 2008 will expire in 2009, 2010, 2011, 2012 and 2013 respectively.

Deferred tax liabilities:

	Revaluation surplus on land use rights RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Withholding tax on undistributable profits RMB'000	Total RMB'000
At 1 January 2007	(15,195)	(115,762)	–	(130,957)
Acquisition of subsidiaries	(56,200)	–	–	(56,200)
Credited to the consolidated income statement	1,374	18,996	–	20,370
At 31 December 2007	(70,021)	(96,766)	–	(166,787)
At 1 January 2008	<b>(70,021)</b>	<b>(96,766)</b>	<b>–</b>	<b>(166,787)</b>
Credited/(charged) to the consolidated income statement	<b>5,062</b>	<b>(122,158)</b>	<b>(55,313)</b>	<b>(172,409)</b>
At 31 December 2008	<b>(64,959)</b>	<b>(218,924)</b>	<b>(55,313)</b>	<b>(339,196)</b>

## 23 TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note below)	3,851,857	1,645,848	-	-
Other payables-third parties	971,931	339,931	-	-
Other taxes payable	285,609	282,600	-	-
Staff welfare benefit payable	324,607	238,701	-	-
Accrued expenses	51,670	112,691	176	187
	<b>5,485,674</b>	2,619,771	<b>176</b>	187

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

Notes: The aging analysis of trade payables is as follows:

	Group	
	As at 31 December	
	2008	2007
	RMB'000	RMB'000
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
	<b>3,851,857</b>	1,645,848

## 24 OTHER GAINS – NET

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Forfeiture income	18,411	20,738
(Loss)/gain on disposals of property, plant and equipment (note 30)	(660)	208
Return on Equity Swap (note below)	27,006	-
Others	6,497	13,694
	<b>51,254</b>	34,640

Note:

According to the Equity Swap transactions entered into with Merrill Lynch International (note 21), Merrill Lynch International paid the Company an amount equal to the dividend that the Company is entitled to under the Equity Swap.

## 25 EXPENSES BY NATURE

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Auditor's remuneration	6,750	7,820
Advertising costs	234,862	154,878
Amortisation of intangible assets (note 8)	3,415	741
Business taxes and other levies (note (a))	1,112,778	1,082,501
Costs of completed properties sold (including employee benefit expenses)	7,046,675	7,843,966
Donations	81,304	77,648
Depreciation (note 6 and 7)	167,844	127,274
Employee benefit expenses (note 26)	2,623,052	1,646,518
Land use rights amortisation (note 9)	160,395	84,841

### (a) Business tax

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Property construction and decoration	3%
Property management	5%
Hotel service	5%

## 26 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Wages and salaries	2,521,768	1,577,916
Retirement scheme contribution (note a)	17,292	11,548
Staff welfare	39,526	25,453
Medical benefits	34,585	22,699
Other allowances and benefits	9,881	8,902
	2,623,052	1,646,518

### (a) Retirement scheme contribution

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute fund which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

## 26 EMPLOYEE BENEFIT EXPENSES (continued)

## (b) Emoluments for directors and five highest paid individuals

## (i) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2008 is set out as below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	Employer's Compensation	Total RMB'000
						contribution to pension scheme RMB'000	
Mr. YEUNG Kwok Keung	-	3,020	-	-	-	7	3,027
Mr. CUI Jianbo	-	1,520	-	-	-	2	1,522
Mr. YANG Erzhu	-	1,940	-	-	-	7	1,947
Ms. YANG Huiyan	-	1,220	-	-	-	2	1,222
Mr. SU Rubo	-	1,760	-	-	-	7	1,767
Mr. ZHANG Yaoyuan	-	1,660	-	-	-	-	1,660
Mr. OU Xueming	-	1,560	-	-	-	7	1,567
Mr. YANG Zhicheng	-	1,220	-	-	-	2	1,222
Mr. YANG Yongchao	-	1,420	-	-	-	2	1,422
Mr. LAI Ming, Joseph	300	-	-	-	-	-	300
Mr. SHEK Lai Him, Abraham	300	-	-	-	-	-	300
Mr. TONG Wui Tung, Ronald	300	-	-	-	-	-	300
	900	15,320	-	-	-	36	16,256

The remuneration of each director of the Company for the year ended 31 December 2007 is set out as below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	Employer's Compensation	Total RMB'000
						contribution to pension scheme RMB'000	
Mr. YEUNG Kwok Keung	-	3,500	-	-	-	5	3,505
Mr. CUI Jianbo	-	2,000	-	-	-	2	2,002
Mr. YANG Erzhu	-	2,000	-	-	-	5	2,005
Ms. YANG Huiyan	-	1,700	-	-	-	2	1,702
Mr. SU Rubo	-	2,000	-	-	-	5	2,005
Mr. ZHANG Yaoyuan	-	1,900	-	-	-	-	1,900
Mr. OU Xueming	-	1,800	-	-	-	5	1,805
Mr. YANG Zhicheng	-	1,700	-	-	-	2	1,702
Mr. YANG Yongchao	-	1,900	-	-	-	2	1,902
Mr. LAI Ming, Joseph	300	-	-	-	-	-	300
Mr. SHEK Lai Him, Abraham	300	-	-	-	-	-	300
Mr. TONG Wui Tung, Ronald	300	-	-	-	-	-	300
	900	18,500	-	-	-	28	19,428

During 2008 and 2007, no directors received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no directors waived or has agreed to waive any emoluments.

**26 EMPLOYEE BENEFIT EXPENSES** (continued)**(b) Emoluments for directors and five highest paid individuals** (continued)**(ii) Five highest individuals**

The five individuals whose emoluments were the highest of the Group for the year ended 31 December 2008 including four (2007: five) directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining one individual in the year ended 31 December 2008, are as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Salaries and other benefits	3,351	–
Retirement scheme contributions	167	–
	<b>3,518</b>	–

The emoluments fell within the following bands:

	Year ended 31 December	
	2008	2007
HK\$3,500,000 to HK\$4,000,000	1	–

**27 FINANCE COSTS – NET**

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
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	<b>1,073,832</b>	579,228
Less: bank interest income from bank deposits	<b>(74,762)</b>	(425,418)
Finance costs – net	<b>999,070</b>	153,810

## 28 INCOME TAX EXPENSES

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax (note (a))	1,334,277	1,472,675
– Hong Kong profits tax (note (b))	–	–
– Land appreciation tax (note (c))	875,869	1,155,382
Deferred income tax (note 22)		
– PRC enterprise income tax	(419,149)	(20,916)
– Withholding tax on undistributable profits	55,313	–
	<b>1,846,310</b>	<b>2,607,141</b>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit before income tax	3,261,325	6,810,882
Calculated at PRC enterprise income tax rate of 25% (2007: 33%)	815,331	2,247,591
Land appreciation tax deductible for calculation of income tax purpose	(218,967)	(379,956)
Effect of different tax rate	(77)	(44)
Effect of tax exemption	(196,644)	(363,229)
Tax losses not recognised as deferred income tax assets	13,871	19,258
Utilisation of previous tax losses	–	(259)
Income not subject to tax	(4,092)	(112,770)
Expenses not deductible for tax	505,706	41,168
Withholding tax on undistributable profits	55,313	–
	<b>970,441</b>	<b>1,451,759</b>
Land appreciation tax	875,869	1,155,382
Income tax expenses	<b>1,846,310</b>	<b>2,607,141</b>

## 28 INCOME TAX EXPENSES (continued)

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%, 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 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 transitioned 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 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) No Hong Kong profits tax was provided for the year as the Group did not have any assessable profit (2007: Nil).

- (c) 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.

## 29 DIVIDENDS

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Proposed final dividend of RMB3.00 cents per ordinary share (2007: RMB9.52 cents) (note (a))	490,800	1,557,472
Dividends paid to then equity owners (note (b))	-	512,554
<b>Dividends</b>	<b>490,800</b>	<b>2,070,026</b>

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 dividends 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 dividend were declared by the companies comprising the Group to their then equity owners prior to the group reorganisation. The rate 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 report.

## 30 CASH USED IN OPERATIONS

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit for the year	1,415,015	4,203,741
Adjustments for:		
Income tax expense (note 28)	1,846,310	2,607,141
Interest income (note 27)	(74,762)	(425,418)
Interest expense (note 27)	832,330	283,598
Net foreign exchange loss (note 27)	241,502	295,630
Depreciation (note 6 and 7)	167,844	127,274
Amortisation of land use rights (note 9)	160,395	84,841
Amortisation of intangible assets (note 8)	3,415	741
Loss/(gain) on disposals of property, plant and equipment (note below)	660	(208)
Fair value changes on derivative financial instruments	1,241,530	–
Changes in working capital (excluding the effects of acquisition and disposals of subsidiaries):		
Property under development and completed properties held for sale	(11,162,027)	(5,130,145)
Inventories	(37,649)	(12,832)
Land use rights	(3,142,347)	(5,555,756)
Restricted cash	(1,714,600)	(558,846)
Trade and other receivables	1,651,369	(4,074,869)
Prepaid taxes	60,844	168,416
Trade and other payables	2,855,670	1,504,734
Advanced proceeds received from customers	1,944,937	(313,299)
Cash used in operations	(3,709,564)	(6,795,257)

Note:

Loss/(gain) on disposals of property, plant and equipment is as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Net book amount disposed	2,509	1,827
Proceeds received	(1,849)	(2,035)
Loss/(gain) on disposals	660	(208)

### 31 PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of RMB211,932,000 (2007: RMB1,929,560,000).

### 32 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 (note 18(a)).

	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 to 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 (as defined in note 20(b)) since their exercise would result in an increase in earnings per share.

### 33 CONTINGENCIES

The Group had the following contingent liabilities:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	10,450,826	9,637,331

Notes:

- (a) It 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 of RMB392,219,000 (2007: RMB537,169,000) was to be discharged two years from the day the mortgaged loans become due; and RMB10,058,607,000 (2007: RMB9,100,162,000), 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.

### 34 COMMITMENTS – GROUP

#### (a) Commitments for capital, property development expenditures and land acquisition

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
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
	<b>6,024,413</b>	3,890,999

#### (b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Not later than one year	13,634	5,267
Later than one year and not later than five years	17,938	4,166
Later than five years	16,313	11,626
	<b>47,885</b>	21,059

#### (i) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Not later than one year	31,140	20,982
Later than one year and not later than five years	122,990	95,199
Later than five years	152,476	156,483
	<b>306,606</b>	272,664

## 35 RELATED PARTY TRANSACTION

### (a) Name and relationship with related parties

#### *Shareholders*

Mr. Yang Erzhu, Ms. Yang Huiyan, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming.

#### *Close family members of Shareholders*

Mr. Yeung Kwok Keung, Mr. Zhang Chibiao, Ms. Zhang Yingyan, Mr. Yang Minsheng, Mr. Su Zhixian, Mr. Yang Zhicheng, Mr. Yang Zhigang, Ms. Yang Ziying, Ms. Ou Jieping, Ms. Ou Jieling and Mr. Wu Weizhong.

#### *Controlled by Shareholders*

Great Best Group Holdings Co., Ltd.	偉嘉集團控股有限公司
Guangdong Elite Architectural Co., Ltd.	廣東博意建築設計院有限公司
Qingyuan Country Garden	清遠碧桂園物業發展有限公司
Qingyuan Country Cultural Development Co., Ltd.	清遠市故鄉裏文化發展有限公司
Guangdong Country Garden School	廣東碧桂園學校

#### *Controlled by close family members of Shareholders*

Foshan Shunde Guohua Memorial High School	佛山市順德區國華紀念中學
Foshan Shunde Quality Growth Investment Co., Ltd.	佛山市順德區高品投資有限公司
Guangzhou Yaoyuanhui Electronic Appliances Co., Ltd.	廣州市耀恒輝電器有限公司

#### *Controlled by Shareholders and their close family members*

Foshan Shunde Lida Investment Co., Ltd.	佛山市順德區利達投資有限公司
Qingyuan Golf	清遠碧桂園假日半島高爾夫球會有限公司
Panyu Country Garden	廣州番禺碧桂園物業發展有限公司
Shanghai Xinqiao Moon River Property Development Co., Ltd.	上海莘橋月亮河房地產開發有限公司
Shanghai Moon River Property Development Co., Ltd.	上海月亮河房地產開發有限公司
Foshan Shunde Jiangkou Water Plant Co., Ltd.	佛山市順德區江口自來水有限公司
Zengcheng Crystal Water Plant Co., Ltd.	增城市清源自來水廠有限公司
Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	佛山市順德區樂而康玻璃鋼製品有限公司
Grand Cement	佛山市順德區鴻業水泥製品有限公司

#### *Minority shareholders*

Guangzhou Zhencheng Property Development Co., Ltd.	廣州真誠房地產開發有限公司
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The English names of certain of the companies referred to above in this note represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

**35 RELATED PARTY TRANSACTION** (continued)**(b) Transactions with related parties**

During the year, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
<b>Construction and decoration service income (note (i)):</b>		
<b>Controlled by Shareholders:</b>		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	335,109	555,095
廣東碧桂園學校 Guangdong Country Garden School	-	30,290
	<b>335,109</b>	<b>585,385</b>

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
<b>Purchase of design service (note (ii)):</b>		
<b>Controlled by Shareholders:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	180,955	74,755
<b>Purchase of construction materials and water (note (iii)):</b>		
<b>Controlled by Shareholders and their close family members:</b>		
佛山市順德區樂而康玻璃鋼製品有限公司 Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	116	679
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	5,327	3,472
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	11,964	8,929
佛山市順德區鴻業水泥製品有限公司 Grand Cement	190,651	152,247
	<b>208,058</b>	<b>165,327</b>

- (i) Construction and decoration fees were charged in accordance with the terms of the underlying agreements.
- (ii) Design service fees were charged in accordance with the terms of the underlying agreements.
- (iii) Construction materials and water charges were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price in the prescribed year.

## 35 RELATED PARTY TRANSACTION (continued)

## (c) Key management compensation

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Salaries and other short-term employee benefits	20,889	26,410
Retirement scheme contributions	48	34
	<b>20,937</b>	<b>26,444</b>

## (d) Balances with related parties

As at 31 December 2008 and 2007, the Group had the following significant trading balances with related parties:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
<b>Balance due from related parties</b>		
<b>– included in amount due from customers for contract work:</b>		
<b>Controlled by Shareholders:</b>		
清遠碧桂園物業發展有限公司		
Qingyuan Country Garden	292,624	19,319

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
<b>Balance due to related parties</b>		
<b>– included in trade payables:</b>		
<b>Controlled by Shareholders:</b>		
廣東博意建築設計院有限公司		
Guangdong Elite Architectural Co., Ltd.	41,801	21,059
<b>Controlled by Shareholders and their close family members:</b>		
佛山市順德區樂而康玻璃鋼制品有限公司		
Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	–	68
佛山市順德區鴻業水泥制品有限公司		
Grand Cement	7,923	30,799
	<b>49,724</b>	<b>51,926</b>

- (i) Trading balances due from/to related parties are unsecured, interest-free and settled according to the contract terms.
- (ii) Non-trading balances due from/to related parties are unsecured, interest-free and repayable on demand.

### 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2008:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
<b>Incorporated in the BVI, all of which are limited liability companies, operate in the PRC and directly held by the Company:</b>				
Smart World Development Holdings Ltd.	28 March 2006	US\$ 300	100%	Investment holding
<b>Incorporated in Hong Kong, a limited liability company, operates in Hong Kong and indirectly held by the Company:</b>				
Country Garden (Hong Kong) Company Limited	21 September 2005	HK\$ 10,000	100%	Investment holding
<b>Incorporated in the BVI, all of which are limited liability companies and operate in the PRC and indirectly held by the Company:</b>				
Estonia Development Ltd.	21 March 2006	US\$ 200	100%	Investment holding
Falcon Investments Development Ltd.	21 March 2006	US\$ 300	100%	Investment holding
United Gain Group Ltd.	28 March 2006	US\$ 200	100%	Investment holding
Wise Fame Group Ltd.	28 March 2006	US\$ 300	100%	Investment holding
Angel View Investment Limited	7 April 2006	US\$ 200	100%	Investment holding
Boavista Investments Limited	7 April 2006	US\$ 200	100%	Investment holding
Impreza Group Ltd.	7 April 2006	US\$ 300	100%	Investment holding
Infiniti Holdings Development Limited	7 April 2006	US\$ 300	100%	Investment holding
<b>Established and operate in the PRC, all of which are foreign investment enterprises:</b>				
Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap Construction Co.") 廣東騰越建築工程有限公司	25 March 1997	RMB 220,236,404	100%	Construction
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB 987,500,000	100%	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB 506,000,000	100%	Property development
Foshan Shunde Finest Decoration & Design Enterprise 佛山市順德區雅駿裝飾設計工程有限公司	9 August 1999	RMB 63,828,400	100%	Decoration and design

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB 10,000,000	90%	Property development
Guangzhou Country Garden Commerce Service Co., Ltd. 廣州市碧桂園商務服務有限公司	18 September 2000	RMB 500,000	100%	Club operation
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB 1,070,000,000	100%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB 676,198,738	100%	Property development
Guangzhou Huadu Country Garden Property Development Co., Ltd. 廣州市花都碧桂園物業發展有限公司	24 January 2002	RMB 462,500,000	100%	Property development
Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd. 惠州市惠陽區岐山度假村發展有限公司	29 March 2002	RMB 60,000,000	90%	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	9 July 2003	RMB 963,000,000	100%	Property development
Changsha Venice Palace Property Development Co., Ltd. 長沙威尼斯城房地產開發有限公司	1 August 2003	RMB 233,000,000	100%	Property development
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB 650,000,000	100%	Property development
Jiangmen Jinyi Housing Co., Ltd. 江門市金怡置業有限公司	13 August 2003	RMB 130,100,000	100%	Hotel operation
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB 863,000,000	100%	Property development
Guangzhou Huanan Country Garden Property Development Co., Ltd. ("Huanan Property Development") <sup>1</sup> 廣州華南碧桂園房地產開發有限公司 <sup>1</sup>	15 October 2003	RMB 8,000,000	50%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Heshan Country Garden Phoenix Hotel Co., Ltd. 鶴山市碧桂園鳳凰酒店有限公司	29 September 2003	RMB 116,300,000	100%	Hotel operation
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB 912,500,000	100%	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB 500,700,000	100%	Hotel operation
Shenyang Hua Rui Real Estate Co., Ltd. 瀋陽華銳置業有限公司	25 March 2004	RMB 180,000,000	100%	Property development
Qingyuan Country Garden Holiday Islands Hotel Co., Ltd. 清遠市碧桂園假日半島酒店有限公司	5 April 2004	RMB 131,300,000	100%	Hotel operation
Guangdong Country Garden Property Management Co., Ltd. 廣東碧桂園物業管理有限公司	19 April 2004	RMB 12,100,000	100%	Property management
Changsha Economic and Technological Development Area Venice Palace Hotel Co., Ltd. 長沙經濟技術開發區威尼斯酒店有限公司	6 December 2004	RMB 110,800,000	100%	Hotel operation
Guangzhou Lychee Cultural Park Co., Ltd. 廣州市紅荔文化村有限公司	7 December 2004	RMB 12,300,000	100%	Theme park operation
Foshan Nanhai Country Garden Property Development Co., Ltd. 佛山市南海區碧桂園房地產開發有限公司	24 December 2004	RMB 365,200,000	100%	Property development
Jiangmen Wuyi Country Garden Phoenix Hotel Co., Ltd. 江門市五邑碧桂園鳳凰酒店有限公司	14 January 2005	RMB 103,800,000	100%	Hotel operation
Yangjiang Country Garden Phoenix Hotel Co., Ltd. 陽江市碧桂園鳳凰酒店有限公司	2 February 2005	RMB 130,750,624	100%	Hotel operation
Yangdong Country Garden Property Development Co., Ltd. 陽東縣碧桂園房地產開發有限公司	2 February 2005	RMB 197,351,958	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Taishan Country Garden Property Development Co., Ltd. 台山市碧桂園房地產開發有限公司	21 March 2005	RMB 49,370,586	100%	Property development
Taishan Country Garden Phoenix Hotel Co., Ltd. 台山市碧桂園鳳凰酒店有限公司	4 August 2005	RMB 87,764,151	100%	Hotel operation
Foshan Gaoming Country Garden Phoenix Hotel Co., Ltd. 佛山市高明區碧桂園鳳凰酒店有限公司	30 September 2005	RMB 163,100,000	100%	Hotel operation
Tianjin Phoenix Investment Development Co., Ltd. 天津鳳凰投資發展有限公司	5 July 2006	RMB 30,000,000	70%	Property development
Zhaoqing Gaoxin Country Garden Property Development Co., Ltd. 肇慶高新區碧桂園房地產開發有限公司	10 July 2006	RMB 5,000,000	100%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB 747,800,000	100%	Property development
Gaoyao Biyi Property Development Co., Ltd. 高要市碧頤房地產開發有限公司	15 September 2006	RMB 20,000,000	51%	Property Development
Manzhouli Country Garden Property Development Co., Ltd. 滿洲里碧桂園房地產開發有限公司	12 December 2006	RMB 357,900,000	100%	Property Development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB 1,115,200,000	100%	Property Development
Tianjin Country Garden Phoenix Hotel Co., Ltd. 天津碧桂園鳳凰酒店有限公司	26 December 2006	RMB 10,000,000	100%	Hotel operation
Tianjin Country Garden Investment Development Co., Ltd. 天津碧桂園投資發展有限公司	26 December 2006	RMB 10,000,000	100%	Property development
Zhaoqing Gaoyao Country Garden Phoenix Hotel Co., Ltd. 肇慶市高要碧桂園鳳凰酒店有限公司	31 December 2006	RMB 5,000,000	100%	Hotel operation
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB 548,300,000	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB 1,230,000,000	100%	Property development
Lechang Country Garden Property Development Co., Ltd. 樂昌市碧桂園房地產開發有限公司	15 February 2007	RMB 124,800,000	100%	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB 1,540,000,000	100%	Property development
Shenyang Yidong Real Estate Co., Ltd. 瀋陽伊東置業有限公司	25 April 2007	RMB 460,512,978	100%	Property development
Enping Country Garden Property Development Co., Ltd. 恩平市碧桂園房地產開發有限公司	28 April 2007	RMB 220,000,000	100%	Property development
Zhangjiajie Country Garden Phoenix Hotel Co., Ltd. 張家界碧桂園鳳凰酒店有限公司	8 May 2007	RMB 154,133,397	100%	Hotel operation
Huizhou Huiyang Country Garden Phoenix Hotel Co., Ltd. 惠州市惠陽區碧桂園鳳凰酒店有限公司	9 May 2007	RMB 5,000,000	100%	Hotel operation
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB 750,000,000	100%	Property development
Anhui Hexian Huarui Real Estate Co., Ltd. 安徽和縣華瑞置業有限公司	15 May 2007	RMB 200,862,618	100%	Property development
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB 750,000,000	100%	Property development
Tianjin Xinbi Investment Co., Ltd. 天津新碧投資發展有限公司	25 May 2007	RMB 460,000,000	100%	Investment holding
Yangjiang Hengda Real Estate Co., Ltd. 陽江市恒達置業有限公司	30 May 2007	RMB 75,965,094	100%	Property development
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB 750,000,000	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Changsha Ningxiang Country Garden Property Development Co., Ltd. 長沙市寧鄉碧桂園房地產開發有限公司	5 June 2007	RMB 230,000,000	100%	Property development
Shaoguan Country Garden Phoenix Hotel Co., Ltd. 韶關市碧桂園鳳凰酒店有限公司	5 June 2007	RMB 16,043,424	100%	Hotel operation
Anhui Zhongmiao Country Garden Property Development Co., Ltd. 安徽中廟碧桂園房地產開發有限公司	8 June 2007	RMB 244,103,353	100%	Property development
Anhui Hexian Country Garden Phoenix Hotel Co., Ltd. 安徽和縣碧桂園鳳凰酒店有限公司	8 June 2007	RMB 48,592,354	100%	Hotel operation
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB 100,000,000	100%	Property development
Sichuan Rongxin Investment Co., Ltd. 四川榮欣投資有限公司	14 June 2007	RMB 10,000,000	85%	Investment holding
Sihui Country Garden Phoenix Hotel Co., Ltd. 四會市碧桂園鳳凰酒店有限公司	21 June 2007	RMB 29,997,380	100%	Hotel operation
Zhaoqing Sihui Huaping Real Estate Co., Ltd. 肇慶四會華平置業有限公司	21 June 2007	RMB 136,888,214	100%	Property development
Sihui Country Garden Property Development Co., Ltd. 四會市碧桂園房地產開發有限公司	22 June 2007	RMB 100,139,849	100%	Property development
Wuhan Country Garden Property Development Co., Ltd. 武漢市碧桂園房地產開發有限公司	26 June 2007	RMB 97,091,000	100%	Property development
Wuhan Country Garden Phoenix Hotel Co., Ltd. 武漢市碧桂園鳳凰酒店有限公司	26 June 2007	RMB 5,825,460	100%	Hotel operation
Shaoguan Country Garden Fujingwan Hotel Co., Ltd. 韶關市碧桂園芙蓉灣酒店有限公司	28 June 2007	RMB 6,029,351	100%	Hotel operation
Keyou Qianqi Country Garden Property Development Co., Ltd. 科右前旗碧桂園房地產開發有限公司	29 July 2007	RMB 180,000,000	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Keyou Qianqi Country Garden Phoenix Hotel Co., Ltd. 科右前旗碧桂園鳳凰酒店有限公司	29 July 2007	RMB 10,000,000	100%	Hotel operation
Chizhou Country Garden Property Development Co., Ltd. 池州市碧桂園房地產開發有限公司	30 July 2007	RMB 251,000,000	100%	Property development
Chizhou Country Garden Phoenix Hotel Co., Ltd. 池州市碧桂園鳳凰酒店有限公司	30 July 2007	RMB 45,000,000	100%	Hotel operation
Chaohu Country Garden Le Phoenix Hotel Co., Ltd. 巢湖碧桂園鳳城酒店有限公司	31 July 2007	RMB 20,000,000	100%	Hotel operation
Chongqing Country Garden Property Development Co., Ltd. 重慶市碧桂園房地產開發有限公司	3 August 2007	RMB 310,000,000	100%	Property development
Chongqing Country Garden Phoenix Hotel Co., Ltd. 重慶市碧桂園鳳城酒店有限公司	3 August 2007	RMB 40,000,000	100%	Hotel operation
Xianning Country Garden Property Development Co., Ltd. 咸寧碧桂園房地產開發有限公司	8 August 2007	RMB 250,000,000	100%	Property development
Xianning Country Garden Hotsprings Hotel Co., Ltd. 咸寧碧桂園溫泉酒店有限公司	8 August 2007	RMB 20,000,000	100%	Hotel operation
Yiyang Country Garden Property Development Co., Ltd. 益陽市碧桂園房地產開發有限公司	10 August 2007	RMB 150,000,000	100%	Property development
Yiyang Country Garden Phoenix Hotel Co., Ltd. 益陽市碧桂園鳳凰酒店有限公司	10 August 2007	RMB 50,000,000	100%	Hotel operation
Lechang Country Garden Phoenix Hotel Co., Ltd. 樂昌市碧桂園鳳凰酒店有限公司	17 August 2007	RMB 10,000,000	100%	Hotel operation
Shenyang Nanying Country Garden Hotel Co., Ltd. 瀋陽南營碧桂園酒店有限公司	21 August 2007	RMB 8,044,487	100%	Hotel operation
Shenyang Binhe Country Garden Hotel Co., Ltd. 瀋陽濱河碧桂園酒店有限公司	21 August 2007	RMB 14,057,288	100%	Hotel operation

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Shenyang Huashan Country Garden Hotel Co., Ltd. 瀋陽花山碧桂園酒店有限公司	27 August 2007	RMB 11,967,102	100%	Hotel operation
Shenyang Daoyi Country Garden Hotel Co., Ltd. 瀋陽道義碧桂園酒店有限公司	27 August 2007	RMB 8,993,110	100%	Hotel operation
Haicheng Country Garden Property Development Co., Ltd. 海城市碧桂園房地產開發有限公司	30 August 2007	RMB 350,000,000	100%	Property development
Lufeng Country Garden Property Development Co., Ltd. 陸豐碧桂園房地產開發有限公司	30 August 2007	RMB 100,000,000	100%	Property development
Haicheng Country Garden Phoenix Hotel Co., Ltd. 海城市碧桂園鳳凰酒店有限公司	30 August 2007	RMB 30,000,000	100%	Hotel operation
Suizhou Country Garden Phoenix Hotel Co., Ltd. 隨州碧桂園鳳凰酒店有限公司	30 August 2007	RMB 40,000,000	100%	Hotel operation
Maoming Country Garden Property Development Co., Ltd. 茂名市碧桂園房地產開發有限公司	31 August 2007	RMB 350,000,000	100%	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB 540,000,000	100%	Property development
Ningxiang Country Garden Phoenix Hotel Co., Ltd. 寧鄉碧桂園鳳凰酒店有限公司	3 September 2007	RMB 20,000,000	100%	Hotel operation
Yangshan Country Garden Property Development Co., Ltd. 陽山碧桂園房地產開發有限公司	5 September 2007	RMB 130,000,000	100%	Property development
Chaohu Country Garden La Phoenix Hotel Co., Ltd. 巢湖碧桂園鳳凰城酒店有限公司	7 September 2007	RMB 20,000,000	100%	Hotel operation
Manzhouli Country Garden Phoenix Hotel Co., Ltd. 滿洲里碧桂園鳳凰酒店有限公司	19 September 2007	RMB 50,000,000	100%	Hotel operation
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB 740,000,000	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Anqing Country Garden Phoenix Hotel Co., Ltd. 安慶碧桂園鳳凰酒店有限公司	29 September 2007	RMB 150,000,000	100%	Hotel operation
Huangshan Country Garden Property Development Co., Ltd. 黃山碧桂園房地產開發有限公司	30 September 2007	RMB 145,000,000	100%	Property development
Huangshan Country Garden Phoenix Hotel Co., Ltd. 黃山碧桂園鳳凰酒店有限公司	30 September 2007	RMB 40,000,000	100%	Hotel operation
Shenyang Huiying Real Estate Co., Ltd. 瀋陽匯盈置業有限公司	9 October 2007	RMB 281,318,414	100%	Property development
Shenyang Dede Real Estate Co., Ltd. 瀋陽德地置業有限公司	9 October 2007	RMB 369,826,009	100%	Property development
Tianjin Shunyin Greening Co., Ltd. 天津市順茵綠化工程有限公司	10 October 2007	RMB 500,000	100%	Environmental protection
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB 500,000,000	100%	Property development
Tongliao Country Garden Hotel Co., Ltd. 通遼碧桂園酒店有限公司	15 October 2007	RMB 30,000,000	100%	Hotel operation
Wuhu Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB 460,000,000	100%	Property development
Wuhu Country Garden Phoenix Hotel Co., Ltd. 蕪湖碧桂園鳳凰酒店有限公司	5 November 2007	RMB 60,000,000	100%	Hotel operation
Lechang Dingfeng Real Estate Co., Ltd. 樂昌市鼎豐置業有限公司	6 November 2007	RMB 4,755,002	100%	Property development
Guangzhou Country Garden Shuttle Bus Services Co., Ltd. 廣州碧桂園樓巴服務有限公司	19 November 2007	RMB 5,000,000	100%	Transportation
Tianjin Deyu Investment Co., Ltd. 天津德域投資發展有限公司	28 November 2007	RMB 10,000,000	100%	Investment holding
Liuyang Country Garden Property Development Co., Ltd. 瀏陽碧桂園房地產開發有限公司	4 December 2007	RMB 150,000,000	100%	Property development

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Zhaoqing Deye Construction Co., Ltd. 肇慶市德業建築工程有限公司	6 December 2007	RMB 2,999,172	100%	Construction
Zhaoqing Country Garden Furniture Co., Ltd. 肇慶市碧桂園現代家居有限公司	12 December 2007	RMB 107,673,493	100%	Manufacturing of furniture
Shenyang Bifeng Greening Co., Ltd. 瀋陽市碧豐綠化工程有限公司	25 December 2007	RMB 500,000	100%	Environmental protection
Sichuan Hongyu Real Estate Co., Ltd. 四川弘毓實業發展有限公司	11 January 2008	RMB 15,110,000	85%	Property development
Huidong Country Garden Property Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB 450,000,000	100%	Property development
Taizhou Country Garden Phoenix Hotel Co., Ltd. 泰州市碧桂園鳳凰酒店有限公司	19 February 2008	RMB 50,000,000	100%	Hotel operation
Guangdong Guosheng Project Management Co., Ltd. 廣東國晟建設監理有限公司	6 March 2008	RMB 3,000,000	100%	Construction
Yangchun Country Garden Property Development Co., Ltd. 陽春碧桂園房地產開發有限公司	13 March 2008	RMB 50,000,000	100%	Property development
Yangjiang Shun'an Construction Co., Ltd. 陽江市順安建築工程有限公司(廣東國良建築工程有限公司)	13 March 2008	RMB 10,000,000	100%	Construction
Yangshan Country Garden Phoenix Hotel Co., Ltd. 陽山碧桂園鳳凰酒店有限公司	30 April 2008	RMB 10,000,000	100%	Hotel operation
Foshan Shunde Biri Safeguard Monitor Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB 8,000,000	100%	Safeguard Monitor
Suihua Country Garden Property Development Co., Ltd. 綏化碧桂園房地產開發有限公司	17 July 2008	RMB 20,000,000	100%	Property development
Chaohu Zhongmiao Country Garden Water Service Co., Ltd. 巢湖市中廟碧桂園水務有限公司	19 August 2008	RMB 500,000	100%	Water Service

## 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest	Principal activities
Jingmen Country Garden Property Development Co., Ltd. 荊門碧桂園房地產開發有限公司	10 September 2008	RMB 20,000,000	100%	Property development
Jingmen Country Garden Phoenix Hotel Co., Ltd. 荊門碧桂園鳳凰酒店有限公司	10 September 2008	RMB 5,000,000	100%	Hotel operation
Tianjin Balizhou Country Garden Hotel Co., Ltd. 天津八里洲碧桂園酒店有限公司	22 September 2008	RMB 5,000,000	100%	Hotel operation
Tianjin Balizhou Country Garden Property Development Co., Ltd. 天津八里洲碧桂園房地產開發有限公司	25 September 2008	RMB 10,000,000	100%	Property development
Hexian Country Garden Water Service Co., Ltd. 和縣碧桂園水務有限公司	9 October 2008	RMB 500,000	100%	Water Service
Foshan Shunde Bijing Electronics Technologic Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB 2,000,000	100%	Technologic development of household appliances

<sup>1</sup> The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Huanan Property Development by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names haven been registered or available.

# Financial Summary

## CONSOLIDATED RESULTS

	Year ended 31 December				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000
Revenue	3,240,347	5,191,485	7,940,937	17,735,011	<b>15,712,790</b>
Profit before income tax	498,700	1,293,871	2,190,703	6,810,882	<b>3,261,325</b>
Income tax expense	(261,606)	(704,358)	(518,224)	(2,607,141)	<b>(1,846,310)</b>
<b>Profit for the year</b>	<b>237,094</b>	<b>589,513</b>	<b>1,672,479</b>	<b>4,203,741</b>	<b>1,415,015</b>
<b>Attributable to:</b>					
Owners	254,983	615,425	1,519,473	4,135,908	<b>1,378,207</b>
Minority interests	(17,889)	(25,912)	153,006	67,833	<b>36,808</b>
	<b>237,094</b>	<b>589,513</b>	<b>1,672,479</b>	<b>4,203,741</b>	<b>1,415,015</b>
<b>Earning per Share</b>					
Basic	N/A	N/A	11.17 cents	26.63 cents	<b>8.45 cents</b>

## CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As of 31 December				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000
<b>ASSETS</b>					
Non-current assets	3,524,060	3,968,049	3,904,324	14,088,504	<b>15,672,621</b>
Current assets	6,331,687	10,058,667	11,407,043	24,545,511	<b>34,442,439</b>
Total assets	<b>9,855,747</b>	<b>14,026,716</b>	<b>15,311,367</b>	<b>38,634,015</b>	<b>50,115,060</b>
<b>EQUITY AND LIABILITIES</b>					
Total equity	1,747,244	2,321,838	1,475,362	19,399,120	<b>19,380,669</b>
Non-current liabilities	2,646,060	4,357,902	2,989,157	4,394,187	<b>10,602,458</b>
Current liabilities	5,462,443	7,346,976	10,846,848	14,840,708	<b>20,131,933</b>
Total liabilities	<b>8,108,503</b>	<b>11,704,878</b>	<b>13,836,005</b>	<b>19,234,895</b>	<b>30,734,391</b>
Total equity and liabilities	<b>9,855,747</b>	<b>14,026,716</b>	<b>15,311,367</b>	<b>38,634,015</b>	<b>50,115,060</b>

<sup>1</sup> The historical financial information of the Group for the year ended 31 December 2004 was extracted from the Prospectus.

# Corporate Information

## DIRECTORS

### Executive Directors

Mr. YEUNG Kwok Keung (*Chairman*)  
Mr. CUI Jianbo  
Ms. YANG Huiyan  
Mr. YANG Erzhu  
Mr. SU Rubo  
Mr. ZHANG Yaoyuan  
Mr. OU Xueming  
Mr. YANG Zhicheng  
Mr. YANG Yongchao

### Independent Non-executive Directors

Mr. LAI Ming, Joseph  
Mr. SHEK Lai Him, Abraham  
Mr. TONG Wui Tung, Ronald

## CHIEF FINANCIAL OFFICER

Ms. NG Yi Kum, Estella

## COMPANY SECRETARY

Mr. HUEN Po Wah

## COMPLIANCE ADVISOR

Taifook Capital Limited

## AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan  
Mr. CUI Jianbo  
Ms. NG Yi Kum, Estella (alternate to Ms. YANG Huiyan)  
Mr. CHAN Yik Shun (alternate to Mr. CUI Jianbo)

## AUDIT COMMITTEE

Mr. LAI Ming, Joseph (*Chairman*)  
Mr. SHEK Lai Him, Abraham  
Mr. TONG Wui Tung, Ronald

## REMUNERATION COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)  
Mr. CUI Jianbo  
Mr. LAI Ming, Joseph  
Mr. SHEK Lai Him, Abraham  
Mr. TONG Wui Tung, Ronald

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Shunde Country Garden  
Beijiao Town  
Shunde District  
Foshan  
Guangdong 528312  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F Manulife Provident Funds Place  
345 Nathan Road  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
George Town  
Grand Cayman  
KY1-1107  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China  
Bank of China Limited  
Industrial and Commercial Bank of China Limited  
China Construction Bank Corporation  
The Hongkong and Shanghai Banking Corporation Limited  
The Bank of East Asia, Limited  
UBS  
CITIC Ka Wah Bank Limited

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISORS

### As to Hong Kong Law:

Woo Kwan Lee & Lo  
lu, Lai & Li

### As to PRC law:

Jingtian & Gongcheng

## STOCK CODE

The Stock Exchange of Hong Kong Limited  
Stock Code: 2007

## WEBSITE

<http://www.countrygarden.com.cn>



