COUNTRY GARDEN HOLDINGS COMPANY LIMITED
碧 桂 園 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2007)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

Financial Highlights

- Total revenue for the six months ended 30 June 2009 amounted to RMB9,202.8 million, an increase of 23.7% compared with the corresponding period of 2008.
- Profit attributable to equity owners amounted to RMB1,816.3 million, an increase of 78.8% compared with the corresponding period of 2008. (The adjusted profit attributable to equity owners for the six months ended 30 June 2009 would have been RMB1,384.5 million, and for the corresponding period of 2008 would have been RMB1,458.5 million, should the fair value change of equity swap be excluded.)
- Available cash (including cash and restricted presale proceeds) increased from RMB4,026.0 million at the end of 2008 to RMB6,104.8 million as of 30 June 2009.
- Net gearing ratio decreased from 40.9% at the end of 2008 to 35.7% as of 30 June 2009.
- Earnings per share amounted to RMB11.14 cents, an increase of 79.1% compared with the corresponding period of 2008.

INTERIM RESULTS

The Board of Directors (the "Board") of Country Garden Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009.

BUSINESS REVIEW AND OUTLOOK

During the period under review, with the Chinese government's timely introduction of appropriate relaxation of its austerity measures in 2008, the Chinese economy gradually showed signs of stablisation and recovery. The policies implemented in the fourth quarter of 2008, with an aim to stabilise the property market, had also led to a recovery in transaction volume of the overall Chinese property market.

The Group's property development and sales progress in the first half of the year have been in line with the target set at the beginning of the year. For the six months ended 30 June 2009, the Company achieved contract sales in terms of gross floor area (GFA) of approximately 1.92 million sq.m., and total contract sales amounted to approximately RMB8.79 billion, representing an increase of 30% and 6.5% respectively, as compared with those of the same period last year. A new project outside Guangdong, which is located in Jingmen in Hubei province, was launched successfully during the first half of the year, increasing the total number of projects launched outside Guangdong to 22. This further strengthened the Company's customer base and brand equity for future development in these regions.

Development of projects outside Guangdong at still in the initial stage of investment, and the Group expects these new projects will gradually become more mature over the coming years. Many of the projects in Guangdong also went through similar growth path with different stages of development. Against the backdrop of continuous development of regional economies in China, together with the delivery of those new projects and the improvement in project environment and ancillary facilities, the recognition of Country Garden's brand name will be further enhanced across these new regions. All these will not only help boost the revenue growth of these new projects, but also lay a solid foundation for the long term development of the Group outside Guangdong. It is expected that the Group's contract sales and new project launch performance will pick up as scheduled in the second half of this year. We are confident on the sales launch of these projects, especially for those new projects that are built on the newly acquired land sites in Guangdong, which will further demonstrate the Group's competitiveness in replicating its unique and successful business model.

While gradually realising its sales target set at the beginning of the year, the Company strategically increased its land bank. After re-evaluating the quantity of its existing land bank as well as the time span of the return on investment for projects across different regions, the Group had increased its land bank in Guangdong by 2.01 million GFA sq.m. during the first half of this year. As at 30 June 2009, the Group had 58 projects under different stages of development, including 30 in Guangdong. Attributable GFA with land use right certificates was approximately 43.65 million sq.m., among which, attributable GFA for which we had obtained construction permits was around 13.30 million sq. m.

Alongside the continuous expansion in property development and sales, the Group's hotel business broadens its recurring income stream from non-residential developments, diversifying the Group's property income portfolio. As at 30 June 2009, the Group operated 4 five-star hotels, 5 five-star standard hotels, as well as 1 four-star hotel with a total of 2,982 guest rooms. Most of the Group's hotels are located in the Group's property projects. The development of five-star standard hotels in the projects will facilitate sales promotion of property and enhance the ancillary value of the projects.

The Group continues to strengthen various reform measures over the first half of the year. By monitoring the changing demand of customers, the launch of products with modified design was well received by the market, which further accelerated the cash inflow. The reform on project management on the basis of establishing an incentive mechanism has also shown positive effects, representing a further enhancement in development efficiency for new projects. At the same time, the Group continues to adopt stringent cost control measures over development and operation. With regard to financial management, the Group will continue to seek various funding possibilities, where appropriate, in addition to bank financing.

The financial performance of the first half of this year largely reflected the volatility of the macro economy, especially the impact dated back to the second half of 2008. It also reflected the impact of new project development, which is still in at initial stage, outside Guangdong province. During the period under review, the Group's total revenue and gross profit reached RMB9,202.8 million and RMB2,926.8 million respectively. Profit attributable to equity owners amounted to RMB1,816.3 million. The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2009.

Similar to the situation of the Chinese economy and the property market, Country Garden is also experiencing a period of historical adjustment. Over the past years, the rapid growth of Country Garden was supported by the general public and in particular, its wide customer base. The reason behind Country Garden's extensive recognition and support from its customers lies in its unique strategic vision in business development as well as its appropriate and accurate positioning in the marketplace, that is to provide large quantities of quality residential properties to the society and the general public at affordable prices. This helps create quality residential communities with high accessibility and comprehensive ancillary facilities for home buyers. Adhering to its existing development strategy, the Group is experiencing a tactical adjustment, which includes the modifications of product design in accordance with the changes in market demand, selective land acquisition alongside the ever changing regional economic landscape as well as the reform in management structure in light of intensifying market competition. These adjustments and reforms are necessary for the growth of an enterprise and are positive and healthy. It enables the Group to prepare for future growth while learning from past experiences. With the balanced development of and the continuous urbanization in the Chinese regional economies, the entire management and staff members of Country Garden are confident and are highly capable in overcoming challenges. The Group will continue to strategically select and develop property projects that are in line with national development strategies and macro economic environment. We are committed to offering high quality property products with good value for money, creating value for the society and generate satisfactory returns for our shareholders.

CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2009	Audited 31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment		**2,999,897**	2,841,970
Investment property		**145,048**	148,865
Intangible assets		**13,681**	13,342
Land use rights		**8,333,290**	7,596,813
Available-for-sale financial assets		**29,999**	29,999
Properties under development		**3,929,097**	3,949,275
Deferred income tax assets		**932,980**	1,092,357
		16,383,992	15,672,621
Current assets			
Land use rights		**5,485,748**	6,042,427
Properties under development		**13,595,077**	14,992,197
Completed properties held for sale		**4,040,106**	3,205,398
Inventories		**199,981**	154,347
Trade and other receivables	4	**3,479,953**	3,338,589
Prepaid taxes		**909,399**	974,874
Restricted cash		**4,576,890**	2,728,115
Cash and cash equivalents		**4,855,235**	3,006,492
		37,142,389	34,442,439
Total assets		**53,526,381**	50,115,060

	Note	Unaudited 30 June 2009	Audited 31 December 2008
EQUITY			
Capital and reserves attributable to the equity owners			
Share capital and premium	5	**14,684,724**	14,686,574
Reserves		**859,729**	859,729
Retained earnings			
- proposed final dividend		**—**	490,800
- others		**4,879,986**	3,063,640
		20,424,439	19,100,743
Minority interest		**305,216**	279,926
Total equity		**20,729,655**	19,380,669
LIABILITIES			
Non-current liabilities			
Bank borrowings		**6,047,072**	5,003,250
Convertible bond	6	**4,146,638**	4,018,482
Deferred government grants		**107,780**	—
Derivative financial instruments	8	**809,692**	1,241,530
Deferred income tax liabilities		**362,514**	339,196
		11,473,696	10,602,458
Current liabilities			
Advanced proceeds received from customers		**8,435,156**	9,113,623
Trade and other payables	7	**5,318,592**	5,485,674
Dividend payable		**490,800**	—
Income tax payable		**2,297,423**	2,709,572
Bank borrowings		**4,781,059**	2,823,064
		21,323,030	20,131,933
Total liabilities		**32,796,726**	30,734,391
Total equity and liabilities		**53,526,381**	50,115,060
Net current assets		**15,819,359**	14,310,506
Total assets less current liabilities		**32,203,351**	29,983,127

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2009**	2008
Revenue	3	**9,202,812**	7,438,138
Cost of sales		**(6,276,024)**	(3,530,914)
Gross profit		**2,926,788**	3,907,224
Other gains – net	9	**12,525**	38,933
Selling and marketing costs		**(106,699)**	(218,599)
Administrative expenses		**(393,745)**	(556,603)
Operating profit		**2,438,869**	3,170,955
Finance income		**19,889**	39,176
Finance costs		**(409,880)**	(593,285)
Finance costs - net	10	**(389,991)**	(554,109)
Fair value changes on derivative financial instruments		**431,838**	(442,755)
Profit before income tax		**2,480,716**	2,174,091
Income tax expense	11	**(639,080)**	(1,108,130)
Profit for the period		**1,841,636**	1,065,961
Other comprehensive income		**—**	—
Total comprehensive income for the period		**1,841,636**	1,065,961
Profit and total comprehensive income attributable to:			
Equity owners of the Company		**1,816,346**	1,015,769
Minority interest		**25,290**	50,192
		1,841,636	1,065,961
Earnings per share attributable to the equity holders of the Company (RMB cents)			
Basic and diluted	12	**11.14**	6.22
Dividends	13	**—**	—

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

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") are principally engaged in the property development, construction, fitting and decoration, property management and hotel operation.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 April 2007.

This interim financial information is presented in units of Renminbi ("RMB") thousand Yuan, unless otherwise stated and was approved by The Board of Directors of the Company for issue on 25 August 2009.

This interim financial information has not been audited.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim Financial Reporting'. The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2.2 Accounting policies

Except the change for accounting policy for borrowing costs as stated below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits 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,.

  Entities can choose whether to present one performance statement (the consolidated statement of comprehensive income) or two statements (the consolidated income statement and consolidated statement of comprehensive income).

  The Group has elected to present one performance statement (the statement of comprehensive income). The interim financial information has been prepared under the revised disclosure requirements.

- HKAS 23 (Revised) 'Borrowing costs'. 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 has been removed.

  Prior to 1 January 2009, borrowing costs were charged to the consolidated income statement in the accounting period in which they were incurred in accordance with benchmark treatments under HKAS 23 'Borrowing costs'. The adoption of the revised HKAS 23 has resulted in a change in the accounting policy for borrowing costs. The Group applied the revised HKAS 23 from 1 January 2009 prospectively according to the transitional provisions of the revised HKAS 23. The adoption of the revised HKAS 23 resulted in:

	Unaudited 30 June 2009
Increase in properties under development	69,178

	Unaudited Six months ended 30 June 2009
Decrease in finance costs – net	69,178
Increase in basic and diluted earnings per share (RMB cents)	0.42

- HKAS 40 (Amendment), "Investment property" (and consequential amendments to HKAS 16). 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 did not have any impact on the Group's operations, as no investment properties under construction or development for future use are currently held by the Group.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM makes strategic decisions. The adoption of this standard did not have any material impact on the disclosure of segment information.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' 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. The adoption of this interpretation did not have any material impact on the Group's financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- HKFRS 1 (amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements'

- HKFRS 2 (amendment), 'Share-based payment'.

- HKAS 32 (amendment), 'Financial instruments: presentation'.

- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

- HK(IFRIC) 13, 'Customer loyalty programmes'.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

3 Revenue and segment information

The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM considers the business from product perspective. From a product perspective, management assesses the performance of:

- Property development
- Construction, fitting and decoration
- Property management and
- Hotel operations

The CODM assesses the performance of the operating segments based on a measure of operating profit.

Total assets exclude available-for-sale financial assets, deferred income tax assets and collateral for equity swap, all of which are managed on a central basis.

Revenue consists of the following:

	Six months ended 30 June	
	2009	2008
Sales of properties	**8,648,349**	6,932,444
Rendering of construction and decoration services	**258,233**	239,856
Rendering of property management services	**162,013**	140,849
Rendering of hotel services	**134,217**	124,989
	9,202,812	7,438,138

Sales between segments are carried out according to the terms and conditions agreed by both parties.

Over 90% of the Group's revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located Mainland China. No geographical information is presented.

The Group has a number of customers, no revenue from a customer exceed 10% or more of the Group's revenue.

The unaudited segment results for the six months ended 30 June 2009 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
Total revenue	**8,648,349**	**1,576,827**	**165,275**	**134,291**	**10,524,742**
Inter-segment revenue	**—**	**(1,318,594)**	**(3,262)**	**(74)**	**(1,321,930)**
Revenue (from external customers)	**8,648,349**	**258,233**	**162,013**	**134,217**	**9,202,812**
Operating profit	**2,396,264**	**69,466**	**19,769**	**(46,630)**	**2,438,869**
Finance income	**16,588**	**2,016**	**400**	**885**	**19,889**
Finance costs					
-Borrowings	**(218,146)**	**(7,753)**	**—**	**(1,900)**	**(227,799)**
-Convertible bond					**(182,081)**
Fair value changes on derivative financial instruments					**431,838**
Profit before income tax					**2,480,716**
Income tax expenses					**(639,080)**
Profit for the period					**1,841,636**

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
Total revenue	6,932,444	4,558,599	146,882	129,164	11,767,089
Inter-segment revenue	—	(4,318,743)	(6,033)	(4,175)	(4,328,951)
Revenue (from external customers)	6,932,444	239,856	140,849	124,989	7,438,138
Operating profit	3,150,792	59,437	12,396	(51,670)	3,170,955
Finance income	34,025	3,387	454	1,310	39,176
Finance costs					
-Borrowings	(450,659)	(21,131)	—	(5,064)	(476,854)
-Convertible bond					(116,431)
Fair value changes on derivative financial instruments					(442,755)
Profit before income tax					2,174,091
Income tax expenses					(1,108,130)
Profit for the period					1,065,961

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
At 30 June 2009					
Total segment assets	**44,903,961**	**2,253,253**	**200,701**	**3,497,512**	**50,855,427**
Capital expenditure	**2,128**	**478**	**283**	**264,498**	**267,387**
Total segment liabilities	**22,115,818**	**2,121,879**	**221,340**	**721,422**	**25,180,459**

	Property development	Construction, fitting and decoration	Property management	Hotel operation	Group
At 31 December 2008					
Total segment assets	42,542,651	1,248,218	210,914	3,282,272	47,284,055
Capital expenditure	646,458	42,908	6,200	856,642	1,552,208
Total segment liabilities	20,346,514	1,579,591	229,947	269,559	22,425,611

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

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	As at 30 June 2009	31 December 2008
Total segment assets	**50,855,427**	47,284,055
Available-for-sale financial assets	**29,999**	29,999
Deferred income tax assets	**932,980**	1,092,357
Collateral for equity swap	**1,707,975**	1,708,649
Total assets per balance sheet	**53,526,381**	50,115,060
Total segment liabilities	**25,180,459**	22,425,611
Deferred income tax liabilities	**362,514**	339,196
Income tax payable	**2,297,423**	2,709,572
Derivative financial instruments	**809,692**	1,241,530
Convertible bond	**4,146,638**	4,018,482
Total liabilities per balance sheet	**32,796,726**	30,734,391

4 Trade and other receivables

	As at 30 June 2009	As at 31 December 2008
Trade receivables (note (a)):	**589,537**	300,519
- third parties	**208,884**	300,519
- related companies	**380,653**	—
Other receivables - third parties (note (b))	**479,546**	340,826
Amounts due from customers for contract work (note (c))	**204,697**	358,300
Prepayments – third parties (note (d))	**2,209,130**	2,341,901
Less: Impairment of provision of other receivables	**(2,957)**	(2,957)
	3,479,953	3,338,589

As at 30 June 2009, the fair value of trade and other receivables approximates their carrying amounts.

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

	As at 30 June 2009	As at 31 December 2008
Within 90 days	**503,313**	249,441
Over 90 days and within 180 days	**40,540**	20,163
Over 180 days and within 365 days	**34,695**	24,544
Over 365 days	**10,989**	6,371
	589,537	300,519

(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 the balance sheet date were as follows:

	As at	
	30 June 2009	31 December 2008
Cost incurred	**3,498,511**	3,438,876
Recognised profits (less recognised losses)	**1,676,436**	1,480,054
	5,174,947	4,918,930
Less: progress billings	**(4,970,250)**	(4,560,630)
	204,697	358,300
Represented by:		
Amounts due from customers	**204,697**	358,300
Including: Related companies	**149,993**	292,624
Third parties	**54,704**	65,676

(d) Prepayment are mainly made in respect of acquisition of land use rights of RMB1,983 million (31 December 2008: RMB1,835 million) upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 June 2009.

5 Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Treasury Shares	Total
			HK$000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Authorised ordinary share of HK$0.10 each at 31 December 2008 and 30 June 2009		100,000,000,000	10,000,000	9,905,008	—	—	9,905,008
Issued and fully paid							
Opening balance at 1 January 2008		16,360,000,000	1,636,000	1,617,773	13,371,866	—	14,989,639
Treasury shares purchased		(49,386,000)	—	—	—	(288,450)	(288,450)
Closing balance at 30 June 2008		16,310,614,000	1,636,000	1,617,773	13,371,866	(288,450)	14,701,189
Opening balance at 1 January 2009		16,302,393,000	1,636,000	1,617,773	13,371,866	(303,065)	14,686,574
Treasury shares purchased	(a)	(1,104,000)	—	—	—	(1,850)	(1,850)
Closing balance at 30 June 2009		16,301,289,000	1,636,000	1,617,773	13,371,866	(304,915)	14,684,724

Note:

(a) During the period, the Group, through its wholly owned subsidiary, has acquired 1,104,000 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 RMB1,850,000. 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 announcement.

6 Convertible bond

In 2008, the Company issued a RMB denominated USD settled 2.5% convertible bond (the "Bond") due 2013, of an initial principal amount of US$600 million (equivalent to RMB4,314.0 million). At the option of bond holders, the aggregate amount of RMB4,314.0 million will be convertible 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 borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the Bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

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

Face value of the convertible bond issued	**4,314,000**
Equity component	**(424,821)**
Transaction costs	**(107,850)**
Liability component on initial recognition	**3,781,329**
Interest expenses	**291,078**
Coupon paid	**(53,925)**
Liability component at 31 December 2008	**4,018,482**
Interest expenses	**182,081**
Coupon paid	**(53,925)**
Liability component at 30 June 2009	**4,146,638**

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.

Up to 30 June 2009, there was no conversion or redemption of the convertible bond.

7 Trade and other payables

	As at	
	30 June	31 December
	2009	2008
Trade payables (note (a))	**3,498,719**	3,851,857
Other payables	**1,401,383**	971,931
Staff welfare benefit payable	**203,365**	324,607
Accrued expenses	**46,190**	51,670
Other taxes payable	**168,935**	285,609
	5,318,592	5,485,674

Note:

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

	As at	
	30 June	31 December
	2009	2008
Within 90 days	**2,578,839**	3,733,858
Over 90 days and within 180 days	**576,476**	35,656
Over 180 days and within 365 days	**326,618**	34,849
Over 365 days	**16,786**	47,494
	3,498,719	3,851,857

8 Derivative financial instruments

Upon the issue of the Bond as disclosed in note 6, 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). 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 conditions as stipulated in the Equity Swap contract is fulfilled.

According to the Equity Swap transactions entered with Merrill Lynch International, Merrill Lynch International would pay the Company an amount equivalent to the number of shares under equity swap multiplied by the dividend per Company's share as a return of the Equity Swap.

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

	As at	
	30 June 2009	31 December 2008
Equity Swap	**809,692**	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 RMB1,708 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 RMB1,708 million).

9 Other gains - net

	Six months ended 30 June	
	2009	2008
Forfeiture income	**4,484**	3,489
Gains/(loss) on disposals of property, plant and equipment	**3,279**	(272)
Return from Equity Swap	**8,586**	27,006
Others	**(3,824)**	8,710
	12,525	38,933

10 Finance costs - net

	Six months ended 30 June	
	2009	2008
Interest expense:		
- bank borrowings wholly repayable within five years	**478,405**	349,835
- less: interest capitalised	**(69,178)**	—
	409,227	349,835
Net foreign exchange loss on financing activities	**653**	243,450
Total finance costs	**409,880**	593,285
Less: Bank interest income from bank deposits	**(19,889)**	(39,176)
	389,991	554,109

11 Income tax expense

	Six months ended 30 June	
	2009	2008
Current income tax		
- PRC enterprise income tax (note (a))	**301,989**	637,153
- Hong Kong profits tax (note (b))	**—**	—
- Land appreciation tax (note (c))	**154,396**	665,174
Deferred income tax	**182,695**	(194,197)
	639,080	1,108,130

Notes:

(a) PRC enterprise income tax is provided at the rate of 25% (2008: 25%) 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.

Giant Leap Construction Co., a subsidiary of the Group as approved by the local tax authority in August 2006, has enjoyed a tax holiday of "two years exemption and followed by three years of a 50% tax reduction" since 2006. The preferential tax rate adopted by Giant Leap Construction Co., will also be gradually transited to the unified tax rate of 25% over a five-year transitional period. In light of the clarification for the transition to the new tax rate issued by the State Administration of Taxation issued on 6 December 2007, the Group estimated that the preferential tax rate adopted by Giant Leap Construction Co. will be expired at the shorter of the existing preferential tax period and the five-year transitional period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the period ended 30 June 2008.

Furthermore, 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, an income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

In accordance with the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", a lower 5% withholding tax rate will be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong.

(b) No Hong Kong profits tax was provided for the six months ended 30 June 2009 as the Group did not have any assessable profit (2008: Nil).

(c) 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.

12 Earnings per share

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

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period of 16,301,289,000 (2008: 16,322,293,000), excluding ordinary shares purchased by the Company and held as treasury shares.

	Six months ended 30 June (cents per share)	
	2009	2008
Profit attributable to equity holders of the Company		
- Basic	**11.14**	6.22

(b) Diluted

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the period ended 30 June 2009.

13 Dividends

	Six months ended 30 June	
	2009	2008
Proposed interim dividend (note (a))	**—**	—

Notes:

(a) The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009.

(b) A final dividend in respect of 2008 of RMB 3.00 cents per share, amounting to total dividends of approximately RMB 490,800,000 was declared in the Annual General Meeting on 4 June 2009. These financial statements reflect this dividend payable. On 19 June 2009, a scrip dividend scheme was issued whereas shareholders may elect to receive cash dividend of RMB 3.00 cents per share or an allotment of such number of new shares credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of 2008 final dividend which such shareholder could receive in cash. On 17 July 2009, 91,419,578 new shares were issued as of result of the above scrip dividend scheme.

14 Commitments

Commitments for capital and property development expenditures

	As at	
	30 June 2009	31 December 2008
Contracted but not provided for		
Property, plant and equipment	**30,030**	23,625
Property development expenditure and land acquisition	**6,179,793**	6,000,788
	6,209,823	6,024,413

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group comprises primarily the proceeds from the sale of properties or provision of services after the elimination of transactions between the companies now comprising the Group. The revenue is primarily generated from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue increased by 23.7% to approximately RMB9,202.8 million in the first half of 2009 from approximately RMB7,438.1 million for the corresponding period in 2008, primarily attributable to the increase in sales of property. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB8,648.3 million, RMB258.2 million, RMB162.0 million and RMB134.3 million, respectively.

Property development

Revenue generated from property development increased by 24.8% to approximately RMB8,648.3 million for the six months ended 30 June 2009 from approximately RMB6,932.4 million for the corresponding period in 2008; primarily attributable to a 100.9% increase in total gross floor area ("GFA") sold to 1,738,758 sq.m in the first half of 2009 from 865,360 sq.m for the corresponding period in 2008. The recognised average selling price of property decreased to RMB4,973 per sq.m in the first half of 2009 from RMB8,012 per sq.m for the corresponding period in 2008, which indicated a 37.9% decrease.

Construction and decoration

Revenue generated from the construction and decoration increased by 7.6% to approximately RMB258.2 million for the six months ended 30 June 2009 from approximately RMB239.9 million for the corresponding period in 2008, primarily attributable to an increase in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd. (a related party of the Group).

Property management

Revenue generated from the property management increased by 15.1% to approximately RMB162.0 million for the six months ended 30 June 2009 from approximately RMB140.8 million for the corresponding period in 2008, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Country Garden Phoenix City, Wuyi Country Garden, Shaoguan Country Garden and Heshan Country Garden in the second half of 2008 and the first half of 2009.

Hotel operation

Revenue generated from the hotel operation increased by 7.4% to approximately RMB134.3 million for the six months ended 30 June 2009 from approximately RMB125.0 million for the corresponding period in 2008, primarily attributable to the opening of five-star standard Xinhui Country Garden Phoenix Hotel and Zhaoqing Country Garden Phoenix Hotel during the period.

Cost of sales

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

Cost of sales increased by 77.7% to approximately RMB6,276.0 million for the six months ended 30 June 2009 from approximately RMB3,530.9 million for the corresponding period in 2008. The increase in construction, decoration and design costs was in line with the increase of GFA delivered.

Gross profit

Gross profit of the Group decreased by 25.1% to approximately RMB2,926.8 million for the six months ended 30 June 2009 from approximately RMB3,907.2 million for the corresponding period in 2008. The gross margin for the first half of 2009 decreased to 31.8% from 52.5% for the corresponding period in 2008.

Other gains-net

Other gains-net of the Group decreased by 67.9% to approximately RMB12.5 million of gain for the six months ended 30 June 2009 from approximately RMB38.9 million of gain for the corresponding period in 2008. It is mainly due to the 68.1% decrease in return from the Equity Swap from RMB27.0 million to RMB8.6 million during the period.

Selling and marketing costs

Selling and marketing costs of the Group decreased by 51.2% to approximately RMB106.7 million for the six months ended 30 June 2009 from approximately RMB218.6 million for the corresponding period in 2008, which is primarily attributable to a 76.3% decrease in advertisement expense from RMB100.2 million in the first half of 2008 to RMB23.7 million for the corresponding period of 2009. This is due to the heavy publicity of new projects in 2008.

Administrative expenses

Administrative expenses of the Group decreased by 29.3% to approximately RMB393.7 million for the six months ended 30 June 2009 from approximately RMB556.6million for the corresponding period in 2008, primarily attributable to the measures taken by the Group to effectively cut its administrative expense. Among all the administration expenses, salary decreased by 26.7% from RMB153.3 million for the first half of 2008 to RMB112.3 million for the corresponding period of 2009; donation expense witness a decrease by 96.7% from RMB70.0 million for the six months ended June 2008 to RMB2.3 million for the corresponding period of 2009.

Finance costs

Finance costs net of the Group decreased by 29.6% to approximately RMB390.0 million for the six months ended 30 June 2009 from approximately RMB554.1 million for the corresponding period in 2008. For the first six months of 2009, the interest expense and exchange loss of the Group was RMB409.9 million compare with RMB593.3 million for the corresponding period of 2008. The decrease was due to the decrease of bank loan interest rate in the second half of 2008. Besides, according the HKAS 23 (revised), the Group started to capitalize its borrowing cost since 1 January 2009, approximately RMB69.2 million of borrowing cost has been capitalized and recorded as properties under development instead of finance cost.

Fair value changes on derivative financial instruments

On 15 February 2008, the company entered into a cash settled equity swap transaction (the "Equity Swap") with Merrill Lynch International for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million).Under the Equity Swap, the Company receives a payment if the Final Price (as defined in the announcement dated 17 February 2008) is higher than the Initial Price (as defined in the announcement dated 17 February 2008) and the Equity Swap Counterparty receives a payment if the Final Price is lower than the Initial Price. The Initial Price will be determined in accordance with the formula sets out in the Equity Swap and the Final Price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates. Measured by the market price on 30 June 2009, the profit from the fair value change on the equity swap was approximately RMB431.8 million for the six months ended 30 June 2009.

Profit attributable to the equity owners

Profit attributable to the equity owners (after adjustments for profit from the fair value change of the Equity Swap) for the six months ended 30 June 2009 of the Group decreased by 5.1% to approximately RMB1,384.5 million from approximately RMB1,458.5 million for the corresponding period in 2008. The net profit margin fell from 19.6% for the first half of 2008 to 15.0% for the corresponding period 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 RMB9,432.1 million as at 30 June 2009 (31 December 2008: RMB5,734.6 million). As at 30 June 2009, 80.2% and 19.8% of the Group's cash and bank deposits were denominated in Renminbi, and other currencies (mainly US dollars and HK dollars) respectively.

As at 30 June 2009, the carrying amount of the restricted cash was approximately RMB4,576.9 million (31 December 2008: RMB2,728.1 million). Pursuant to relevant regulations, certain of the project companies are required to deposit a portion of proceeds from pre-sales of properties into special bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities. Additionally, the Group has approximately US$250.0 million (RMB 1,708.0 million) deposit as collateral for the Equity Swap with Merrill Lynch International and RMB 1,570.0 million as collateral for borrowing which is deposited in specific bank accounts.

Net current assets and current ratio

The Group had net current assets of approximately RMB15,819.4 million as at 30 June 2009 (31 December 2008: RMB14,310.5 million). The current ratio being current assets over current liabilities kept relatively stable as approximately 1.7 as at both 31 December 2008 and 30 June 2009.

Borrowings and charges on group assets

The Group had an aggregated borrowing as at 30 June 2009 of approximately RMB10,828.1 million, of which approximately RMB4,781.1 million will be repayable within 1 year, approximately RMB5,597.0 million will be repayable between 2 and 5 years and the remaining RMB450.0 million to be repayable within the future 5-10 years. As at 30 June 2009, the substantial part of the bank borrowings are secured by land use rights and properties of the Group and guaranteed by Group companies.

Net gearing ratio

The gearing ratio is measured by the net debt (total debt net of disposable cash and cash equivalent) over the total capital and reserves attributable to equity owners. As at 30 June 2009, the gearing ratio was 35.7%, i.e. the Group was in a net borrowing position (31 December 2008: 40.9%).

Interest rate risk

The weighted average interest rate of the Group's borrowing decreased to 4.99% for the six months ended 30 June 2009 from 7.37% for 2008. 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 2009, the exchange rates of Renminbi to Hong Kong dollars kept stable. For the first six months ended 30 June 2009, there was an exchange losses of RMB0.7 million. The directors expect that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operation of the Group.

Land appreciation tax

According to relevant regulations and laws of the State Administration of Taxation ("SAT"), 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. For the six months ended 30 June 2009, the Group had LAT expenses of approximately RMB154.4 million. As by 30 June 2009, the Group had LAT provision balance of RMB1,564.4 million.

Contingent liability

As at 30 June 2009, the Group had some contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB11,262.6 million (31 December 2008: approximately RMB10,450.8 million).

This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 30 June 2009, approximately RMB372.9 million (31 December 2008: approximately RMB392.2 million) was to be discharged two years from the day the mortgaged loans become due; and approximately RMB10,889.7 million (31 December 2008: approximately RMB10,058.6 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

Capital and property development commitments

As at 30 June 2009, the capital commitments in connection with the property development activities amounted to approximately RMB6,209.8 million (31 December 2008: approximately RMB6,024.4 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 30 June 2009, the Group had approximately 25,234 full-time employees, which had decreased by 3,834 from 29,068 as at 31 December 2008. According to its development strategy, the Group has been optimizing and downsizing its positions and reducing the recruitment of low level employees since 2009. 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 this announcement, there were no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the business occurred.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2009. In addition, the independent auditors of the Company, PricewaterhouseCoopers, have reviewed the unaudited interim results for the six months ended 30 June 2009 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2009. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2009.

SHARE OPTION SCHEME

On 20 March 2007, a share option scheme (the "Scheme") was adopted and approved by the then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

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. During the period, for the purpose of the Employee Incentive Scheme the Company had through its subsidiary purchased from the market a total of 1,104,000 shares. The total amount paid to acquire these 1,104,000 shares during the period was about RMB1,850,000. As at 30 June 2009, the cumulative total of the shares purchased under the Employee Incentive Scheme were 58,711,000 shares.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listing securities subject to those referred to under the section Employee Incentive Scheme in this announcement.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

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

The interim results announcement is published on the Company's website *(http://www.countrygarden.com.cn)* and the Stock Exchange's website *(http://www.hkexnews.hk)*. The interim report will also be available at the Company's and the Stock Exchange's websites on/about 4 September 2009 and will be dispatched to shareholders of the Company thereafter.

By order of the Board
Country Garden Holdings Company Limited
CUI Jianbo
President and Executive Director

Hong Kong, 25 August 2009

As of the date of this announcement, the executive directors of the Company are 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 and Mr. YANG Yongchao. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald

http://www.countrygarden.com.cn