



# 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



# 2009

年報 Annual Report

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# 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, decoration, project development, property management, as well as hotel development and management. Country Garden offers a broad range of products to cater for diverse 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. 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.

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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 2009, 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, Inner Mongolia Autonomous Region, Heilongjiang Province, Chongqing and Tianjin Municipality. The associated strategic acquisitions further reinforced the Group’s leading position in Guangdong Province and strengthened its developments in other provinces across the nation, demonstrating the excellent execution ability and the strong replication potential of the Group’s successful business model.

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 closely 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.



# Chairman's Statement

## HIGHLIGHTS

- Total revenue for the year ended 31 December 2009 amounted to approximately RMB17.59 billion, representing an increase of approximately 11.9% compared with the year 2008; recognised GFA reached approximately 3.489 million sq.m., representing an increase of approximately 62.5% compared with the year 2008.
- Profit attributable to equity owners amounted to approximately RMB2.08 billion (including the approximately RMB251 million fair value gain on equity swap), representing an increase of approximately 50.9% compared with the year 2008.
- Earnings per share amounted to approximately RMB12.73 cents, increased by approximately 50.7% compared with the year 2008.
- Proposed final dividend per share is RMB4.50 cents, increased by 50.0% compared with the year 2008.

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 the year ended 31 December 2009.

During 2009, with the Chinese government's timely introduction of appropriate relaxation of its austerity measures, the Chinese economy gradually showed signs of stabilisation and recovery. The policies implemented in the fourth quarter of 2008 with an aim to stabilizing the property market had also led to a recovery in transaction volume of the overall Chinese property market.

The Group's contracted sales in 2009 exceeded its full-year target of RMB19 billion, amounting to approximately RMB23.2 billion and contracted GFA totaled approximately 4.75 million sq.m., posting an annual growth of about 32% and 40% respectively.

In addition to the stable increase in sales for existing projects, the Group recorded contracted sales of approximately RMB3.5 billion from 14 newly launched projects during 2009. Among which, 9 projects are located in Guangdong Province. The Group's development model received extensive recognition from buyers of different regions. For instance, Country Garden — Hill Lake City in Hexian, situated in the "one-hour living circle" of West Nanjing, has received strong response since its launch on the National Day of 2009. Nearly 1,000 units were sold within three months and contracted sales amounted to approximately RMB800 million. Moreover, Shanwei Country Garden in Guangdong Province was launched in mid-November. Transaction amount in the first three days totaled over RMB550 million. Other new projects such as Country Garden — Lychee Park in Guangdong, Maoming Country Garden and Country Garden — Park Prime in Heshan were also well received by the market and recorded encouraging sales performance. The Group continued to achieve strong results in Guangdong Province, its core market, in 2009, which accounted for 67% of the Group's total contracted sales.

It is worth pointing out that although the Group has commenced the scale development of its projects outside Guangdong Province (contracted sales of such projects accounted for 33% of the Group's contracted sales in 2009), most of these projects only have their initial launch for pre-sale within a year. We expect with the gradual delivery of these 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 be able to boost the revenue growth of these new projects, but also lay a solid foundation for the long term development of the Group.



## Chairman's Statement



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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 Company strategically increased its land bank with focus in Guangdong Province. As at 31 December 2009, the Group has 65 projects under different stages of development, including 36 in Guangdong. Attributable GFA with land use right certificates was approximately 40.43 million sq.m. (43% in Guangdong), among which attributable GFA with construction permits was around 13.16 million sq.m..

With the increased land acquisition in Guangdong in 2009, the Group's new projects to be launched for pre-sale in 2010 is also expected to be mainly in this region. We are confident with the sales performance of these new projects. For example, Country Garden — Grand Garden, located in Zengcheng Guangzhou, was launched during the 2010 Lunar New Year. The initial launch of 439 units was completely sold out in the first two days at a transaction amount of approximately RMB560 million.

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. Hotel revenue in 2009 amounted to approximately RMB314.3 million, representing a year-on-year growth of 14.5%. As at 31 December 2009, the Group operates 4 five-star hotels, 7 five-star standard hotels, as well as 1 four-star hotel with a total of 3,654 guest rooms. Most of the Group's hotels are located within the Group's property projects. The development of five-star standard hotels in the property projects will assist in sales promotion and enhance the ancillary value of the projects. The Group is currently in discussion with a few high caliber international hotel management firms aiming at further unlocking the long-term value potential of the hotel business segment.

The financial performance for the year under review reflected the volatility of the macro economy, especially the impact dated back to the second half of 2008. It also reflected the progress new project development outside Guangdong Province, many of which are still in the initial stage. During the year under review, the Group's total revenue and gross profit reached RMB17,585.7 million and RMB4,650.1 million. Profit attributable to equity owners amounted to RMB2,079.8 million; which included the fair value gain on equity swap of RMB251.4 million. The board of directors recommended the payment of a final dividend of RMB4.50 cents per share for the year ended 31 December 2009.



## Chairman's Statement

2009 is a year of experience consolidation and evaluation for Country Garden. It is also a year of tactical adjustment, reform and innovation for the Group. The Company believes that, coming through the global financial crisis, the further balancing of Chinese regional economies development as well as the speeding up of the urbanization process brought by the post-crisis structural adjustments of the Chinese economy, enabled Country Garden to further evaluate and prove the strong replication capability and sustainability of its business model, so as to provide large quantities of quality residential properties to the society and the general public at affordable prices. This helps develop quality residential communities with high accessibility and comprehensive ancillary facilities for a greater number of home buyers.

To achieve its goal, the Group continues to strengthen various reform measures in 2009. By evaluating the changing demand of customers, the Group adopted more stringent quality control of its product and encouraged product design innovation. The Company believes that the launch of new products was well received by the market, which accelerated the Group's cash inflow. The corporate initiatives on project management on the basis of strengthening execution and the establishment of an effective incentive mechanism has also shown positive effects, resulting in further enhancement of 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 actively explored various funding channels in the capital market in addition to its strong bank financing capabilities with major commercial banks. In September 2009, the Group successfully issued senior notes with a 5-year tenure in an aggregate amount of USD375 million, which reflected investors' confidence in the Group's business model and financial strength.

With the continuous development of the Chinese economy, the entire management team and all staff members of Country Garden are strongly confident in the Group's ability to overcome future 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 value-for-money property products, creating value for the society and generating satisfactory returns for our shareholders.

### APPRECIATION

On behalf of the board, I would like to extend my sincere gratitude as always to the entire management team and every staff member of Country Garden. The growth of Country Garden would not have been possible without your dedication and contribution. The Group 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 shareholders, investors, customers and business partners for their strong support and confidence in the Group. The management and staff of Country Garden will continue to dedicate their professional knowledge with excellent team spirit to create lucrative returns for our shareholders.

**YEUNG Kwok Keung**

*Chairman*

Hong Kong, 30 March 2010



# Business Overview



## PROPERTY DEVELOPMENT

As of 31 December 2009, the Group had sixty-five projects at various stages of development. Thirty-six of the projects are located in Guangdong Province including ten in Guangzhou city, six in Foshan city, seven in Jiangmen city, one in Yangjiang city, three in Shaoguan city, four in Zhaoqing city, one in Huizhou city, one in Shanwei city, one in Maoming city and two in Qingyuan city. Another twenty-nine projects are located in other provinces and regions including three in Changsha city and one in Yiyang city in Hunan Province, one in each of Wuhan city, Suizhou city, Jingmen city and two in Xianning 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, one in Chongqing Municipality and two in Tianjin Municipality.

As of 31 December 2009, the Group's sixty-five projects had an aggregate completed gross flat area of 15,851,642 sq.m., and aggregate gross flat area under development of 13,896,617 sq.m., and aggregate gross flat area of 25,583,947 sq.m. relating to properties held for future development.

## 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 2009, the Group had approximately 13,004 staffs working for its 57 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 4 five-star hotels and 1 four-star hotel, as well as 7 hotels which have been developed to the five-star rating standard under the "Star-Rating Standard for Tourist Hotels". In addition, the Group has 8 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 2009 is as follow:

Name of Hotel	Location	Actual/ Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Shunde Country Garden Holiday Resort (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)
Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店)	Yangdong Country Garden, Yangjiang, Guangdong Province	May 2007	342	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)
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 (in operation)
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 (in operation)
Country Garden Phoenix Hot Spring Hotel (碧桂園鳳凰溫泉酒店)	Country Garden- Hot Spring City, Xianning, Hubei Province	November 2009	335	According to five-star rating standard (in operation)
Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	November 2009	337	According to five-star rating standard (in operation)
Suizhou Country Garden Phoenix Hotel <sup>(2)</sup> (隨州碧桂園鳳凰酒店)	Suizhou Country Garden, Suizhou, Hubei Province	2010 <sup>(4)</sup>	378	According to five-star rating standard (under construction)
Anqing Country Garden Phoenix Hotel <sup>(3)</sup> (安慶碧桂園鳳凰酒店)	Anqing Country Garden, Anqing, Anhui Province	2010 <sup>(4)</sup>	334	According to five-star rating standard (under construction)
Chongqing Country Garden Phoenix Hotel (重慶碧桂園鳳凰酒店)	Chongqing Country Garden, Chongqing, Chongqing Municipality	2010 <sup>(4)</sup>	336	According to five-star rating standard (under construction)



## Business Overview

Name of Hotel	Location	Actual/ Estimated 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>(4)</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>(4)</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>(4)</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>(4)</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>(4)</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) Suizhou Country Garden Phoenix Hotel commenced partial trial operation on 20 May 2009
- (3) Anqing Country Garden Phoenix Hotel commenced partial trial operation on 29 October 2009
- (4) Expected opening date

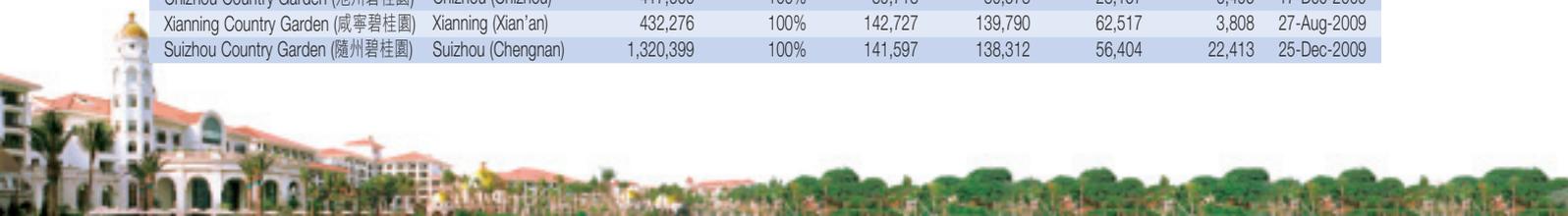




## Business Overview

### 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 delivered <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	234,880	0	29-Jun-2002
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	278,834	100%	278,834	273,702	271,120	0	31-Dec-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)	1,074,467	100%	959,918	866,533	863,234	2,875	31-Dec-2009
Huanan Country Garden – Phase Six (華南碧桂園 – 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)	568,283	100%	519,337	502,554	495,913	0	17-Apr-2009
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	4,984,053	100%	2,780,354	2,657,755	2,489,964	114,099	15-Dec-2009
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	508,396	100%	368,925	346,383	342,372	1,185	30-Sep-2009
Holiday Islands – Huadu (假日半島 – 花都)	Guangzhou (Huadu)	574,217	100%	230,105	228,492	208,678	0	27-Mar-2009
Shunde Country Garden – including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,427,341	100%	2,136,821	1,994,460	1,918,084	3,183	17-Nov-2009
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	254,509	90%	223,593	213,246	213,246	0	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)	1,007,870	100%	493,761	485,453	461,684	7,220	30-Dec-2009
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,476	100%	488,461	477,954	471,584	618	30-Dec-2009
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,058,395	100%	830,939	814,946	744,230	60,600	31-Dec-2009
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	932,407	100%	688,755	652,976	644,171	1,193	29-Sep-2009
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	590,667	100%	182,615	180,352	180,316	0	31-Dec-2008
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,697,752	100%	323,985	305,986	218,999	40,257	15-Dec-2009
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	391,500	100%	385,735	365,806	341,356	7,366	20-Aug-2009
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	922,029	100%	656,072	603,995	447,164	31,683	3-Sep-2009
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	186,145	100%	186,145	20,268	1,670	0	26-Jun-2009
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	369,043	51%	297,731	285,805	263,783	702	28-Jul-2009
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	1,797,858	100%	359,585	347,725	282,331	32,470	28-Dec-2009
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	852,052	100%	185,025	185,025	102,026	7,365	11-Dec-2009
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	1,413,228	90%	66,107	65,654	59,848	2,675	30-Nov-2009
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	1,589,264	100%	83,864	83,569	17,027	10,590	30-Nov-2009
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	496,899	100%	38,148	38,148	4,679	10,547	29-Dec-2009
Country Garden – Sun Palace (碧桂園 • 太陽城)	Shenyang (Daoyi)	1,079,655	100%	60,668	60,668	57,522	335	29-Dec-2009
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	1,444,909	100%	169,336	169,336	108,350	5,341	25-Dec-2009
Country Garden – Galaxy Palace (碧桂園 • 銀河城)	Shenyang (Yuhong)	1,849,249	100%	98,239	94,929	78,052	2,668	19-Jun-2009
Country Garden – Phoenix City (碧桂園 • 鳳凰城)	Shenyang (Suijiatun)	1,239,824	100%	186,860	183,786	122,608	2,429	17-Dec-2009
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	311,605	100%	95,086	89,626	51,858	7,538	30-Dec-2009
Country Garden – Hill Lake Palace (碧桂園 • 山湖城)	Changsha (Ningxiang)	269,095	100%	156,826	155,805	64,244	7,559	16-Sep-2009
Country Garden Lakeside City (碧桂園濱湖城)	Chaohu (Zhongmiao)	780,499	100%	156,609	153,850	124,777	4,508	9-Nov-2009
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	744,767	100%	144,124	143,001	99,605	8,227	29-Dec-2009
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqianqi)	941,645	100%	79,049	71,901	5,696	8,190	10-Oct-2009
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	417,606	100%	39,718	39,578	23,157	6,495	17-Dec-2009
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	432,276	100%	142,727	139,790	62,517	3,808	27-Aug-2009
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,320,399	100%	141,597	138,312	56,404	22,413	25-Dec-2009



## Business Overview

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 delivered <sup>(1)</sup> sq.m.	Completion Date
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	462,496	100%	141,333	138,849	76,347	23,281	16-Oct-2009
Tongliao Country Garden (通遼碧桂園)	Tongliao (Keerqin)	1,635,177	100%	63,864	63,864	32,319	14,723	29-Oct-2009
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	334,324	100%	119,260	116,448	88,718	3,489	30-Nov-2009
Anqing Country Garden (安慶碧桂園)	Anqing (Anqing)	1,893,748	100%	77,546	77,546	67,570	2,111	30-Dec-2009
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,539,137	100%	165,977	165,977	79,192	780	30-Sep-2009
Chaohu Country Garden (巢湖碧桂園)	Chaohu (Nan'an)	366,599	100%	54,674	54,674	45,538	7,138	30-Dec-2009
Suihua Country Garden (綏化碧桂園)	Suihua (Beilin)	269,133	100%	50,063	50,063	9,798	1,458	30-Nov-2009
Total:		45,863,847		15,851,642	15,038,585	13,226,204	467,119	

Note:

- (1) "Completed GFA", "Total completed saleable GFA" and "Total saleable GFA sold" for completed property developments are based on the surveying reports relevant government departments.

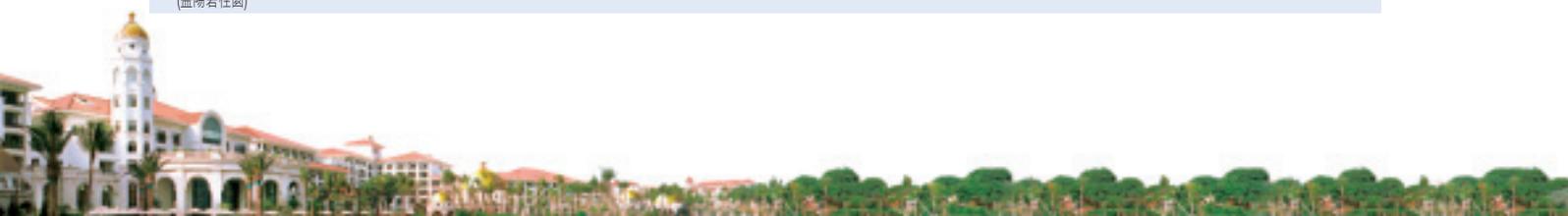
## Properties under development

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 commencement date	Total saleable GFA pre-sold <sup>(2)</sup> sq.m.	Actual/Estimated pre-sale commencement date	Estimated Completion Date
Huanan Country Garden – Phases One to Five and Phase Seven (華南碧桂園 – 一至五期及七期)	Guangzhou (Panyu)	1,074,467	100%	81,964	76,348	27-May-2005	17,626	15-Jul-2009	4th Quarter, 2011
Huanan Country Garden – Phase Six (華南碧桂園 – 六期)	Guangzhou (Panyu)	423,467	50%	1,076	0	15-Oct-2004	0	–	4th Quarter, 2010
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	568,283	100%	48,946	47,765	23-Sep-2009	22,119	30-Sep-2009	4th Quarter, 2010
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	4,984,053	100%	633,405	609,621	29-Apr-2007	241,232	30-Apr-2008	4th Quarter, 2011
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	508,396	100%	139,471	139,206	29-Jan-2007	137,337	26-Aug-2008	3rd Quarter, 2010
Holiday Islands – Huadu (假日半島 – 花都)	Guangzhou (Huadu)	574,217	100%	306,187	299,032	11-May-2006	24,892	25-Jul-2008	2nd Quarter, 2011
Shunde Country Garden – including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,427,341	100%	284,393	151,388	28-Nov-2006	13,699	29-Nov-2006	3rd Quarter, 2011
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,007,870	100%	501,109	497,456	31-May-2006	128,872	10-Jul-2008	4th Quarter, 2011
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,476	100%	65,143	64,837	8-Mar-2006	45,577	7-Nov-2009	4th Quarter, 2010
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,058,395	100%	491,820	442,163	4-Jun-2008	182,511	21-Jan-2009	2nd Quarter, 2011
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	590,667	100%	206,174	195,765	18-Oct-2007	156,928	15-Apr-2009	4th Quarter, 2010
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,697,752	100%	620,550	615,567	31-Mar-2006	37,761	1-Feb-2008	3rd Quarter, 2012
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	391,500	100%	2,885	2,885	31-May-2006	0	2nd Quarter, 2010	3rd Quarter, 2010
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	922,029	100%	129,757	123,884	22-Oct-2009	0	25-Nov-2009	2nd Quarter, 2011



## Business Overview

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 commencement date	Total saleable GFA pre-sold <sup>(2)</sup> sq.m.	Actual/Estimated pre-sale commencement date	Estimated Completion Date
Zhaoping Country Garden (肇慶碧桂園)	Zhaoping (Gaoyao)	369,043	51%	40,987	36,988	8-Oct-2006	15,529	20-Apr-2007	2nd Quarter, 2010
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	1,797,858	100%	811,617	802,512	28-Feb-2007	202,733	29-Sep-2007	4th Quarter, 2012
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	852,052	100%	318,550	315,680	27-Jun-2007	69,338	5-Feb-2008	4th Quarter, 2010
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	1,413,228	90%	697,120	693,506	22-Aug-2007	34,662	25-Sep-2009	4th Quarter, 2011
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	1,589,264	100%	292,180	286,242	23-Jul-2007	0	2nd Quarter, 2010	4th Quarter, 2011
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	496,899	100%	106,172	105,814	23-Oct-2007	11,527	21-Oct-2008	4th Quarter, 2011
Country Garden — Sun Palace (碧桂園•太陽城)	Shenyang (Daoyi)	1,079,655	100%	576,776	565,853	21-Jul-2007	75,447	30-Jul-2008	4th Quarter, 2012
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	1,444,909	100%	136,644	133,685	21-Jul-2007	32,830	3-Jun-2008	4th Quarter, 2010
Country Garden — Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	1,849,249	100%	588,409	532,145	19-Mar-2008	112,932	18-Jul-2008	4th Quarter, 2013
Country Garden — Phoenix City (碧桂園•鳳凰城)	Shenyang (Suijiatun)	1,239,824	100%	1,026,522	1,021,017	24-Sep-2007	24,705	4-Nov-2008	2nd Quarter, 2013
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	311,605	100%	119,195	117,754	13-Dec-2007	15,883	23-Apr-2008	4th Quarter, 2011
Country Garden — Hill Lake Palace (碧桂園•山湖城)	Changsha (Ningxiang)	269,095	100%	112,269	86,703	12-Dec-2007	12,387	22-Aug-2009	4th Quarter, 2011
Country Garden Lakeside City (碧桂園濱湖城)	Chaohu (Zhongmiao)	780,499	100%	445,604	378,159	13-Dec-2007	140,148	10-Dec-2008	4th Quarter, 2011
Shanwei Country Garden (汕尾碧桂園)	Shanwei (Shanwei)	434,441	100%	171,796	166,230	12-Sep-2008	138,214	10-Nov-2009	2nd Quarter, 2011
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	744,767	100%	337,531	320,915	30-Jan-2008	13,309	29-Sep-2008	4th Quarter, 2013
Shaoguan Country Garden — Sun Palace (韶關碧桂園•太陽城)	Shaoguan (Xilian)	3,529,916	100%	213,854	201,048	10-Mar-2008	73,461	25-Sep-2009	4th Quarter, 2011
Haicheng Country Garden (海城碧桂園)	Anshan (Haicheng)	602,523	100%	361,743	359,594	25-Oct-2007	5,281	5-Aug-2009	4th Quarter, 2012
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqiangqi)	941,645	100%	226,694	226,694	20-Sep-2007	235	23-Jul-2008	2nd Quarter, 2012
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	417,606	100%	166,803	165,377	27-Jan-2008	28,767	28-Sep-2008	2nd Quarter, 2011
Country Garden • Hill Lake City (碧桂園•如山湖城)	Chaohu (Hexian)	1,242,648	100%	610,420	585,865	9-May-2008	174,652	21-Sep-2009	4th Quarter, 2011
Siwei Country Garden (四會碧桂園)	Zhaoping (Siwei)	47,082	100%	47,082	45,473	27-May-2009	38,920	3-Sep-2009	3rd Quarter, 2010
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	432,276	100%	101,267	101,267	23-May-2008	2,996	4-Nov-2009	3rd Quarter, 2011
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,320,399	100%	161,965	161,965	21-May-2008	8,199	23-Jun-2008	2nd Quarter, 2011
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	462,496	100%	244,918	227,518	5-Nov-2007	67,203	25-Apr-2008	4th Quarter, 2011
Tongliao Country Garden (通遼碧桂園)	Tongliao (Keerqin)	1,635,177	100%	500,369	497,465	3-Nov-2007	9,499	20-Aug-2008	4th Quarter, 2013
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	334,324	100%	118,212	115,143	24-Jul-2008	44,444	30-Apr-2009	2nd Quarter, 2011
Anqing Country Garden (安慶碧桂園)	Anqing (Anqing)	1,893,748	100%	233,583	186,421	19-Jun-2008	129,376	31-Oct-2008	4th Quarter, 2010
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,539,137	100%	440,009	437,877	25-Jun-2008	127,158	20-Sep-2008	4th Quarter, 2011
Yiyang Country Garden (益陽碧桂園)	Yiyang (Yiyang)	263,456	100%	67,034	61,371	2-Apr-2009	34,882	17-Sep-2009	4th Quarter, 2010



## Business Overview

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 commencement date	Actual/Estimated pre-sale commencement date		Estimated Completion Date
							Total saleable GFA pre-sold <sup>(2)</sup> sq.m.		
Chaochu Country Garden (巢湖碧桂園)	Chaochu (Nan'an)	366,599	100%	121,593	118,111	23-Apr-2008	29,827	11-Nov-2008	2nd Quarter, 2011
Liuyang Country Garden (瀏陽碧桂園)	Changsha (Liuyang)	372,425	100%	95,205	91,301	9-Dec-2008	33,943	28-Aug-2009	2nd Quarter, 2011
Maoming Country Garden (茂名碧桂園)	Maoming (Maonan)	302,231	100%	139,901	133,750	4-Mar-2009	55,641	25-Aug-2009	4th Quarter, 2010
Yangshan Country Garden (陽山碧桂園)	Qingyuan (Yangshan)	319,273	100%	59,733	57,524	1-Dec-2008	28,397	27-Aug-2009	4th Quarter, 2010
Suihua Country Garden (綏化碧桂園)	Suihua (Beilin)	269,133	100%	39,519	39,519	25-Sep-2008	3,459	29-Jun-2009	3rd Quarter, 2010
Jingmen Country Garden (荊門碧桂園)	Jingmen (Duodao)	251,557	100%	109,875	109,875	15-Jan-2009	89,330	20-Apr-2009	4th Quarter, 2010
Country Garden – Lychee Park (碧桂園•荔枝園)	Guangzhou (Zengcheng)	86,069	100%	86,069	85,309	6-Jul-2009	55,745	14-Aug-2009	4th Quarter, 2010
Zhaoqing Country Garden – Hill Lake Palace (肇慶碧桂園•山湖城)	Zhaoqing (Gaoyao)	141,716	51%	83,467	78,024	1-Jun-2009	40,345	24-Jul-2009	4th Quarter, 2011
Country Garden – Park Prime (碧桂園•公園1號)	Jiangmen (Heshan)	110,120	100%	58,230	56,494	9-Jul-2009	19,208	29-Sep-2009	4th Quarter, 2010
Country Garden – Grand Garden (碧桂園•豪園)	Guangzhou (Zengcheng)	135,745	100%	64,677	64,677	29-Sep-2009	0	1st Quarter, 2010	4th Quarter, 2010
Country Garden – Sunshine Coast (碧桂園•陽光水岸)	Jiangmen (Kaiping)	49,439	100%	29,515	29,345	4-Nov-2009	0	2nd Quarter, 2010	4th Quarter, 2010
Holiday Islands – Qingyuan (假日半島 – 清遠)	Qingyuan (Qingcheng)	440,997	100%	152,937	152,351	11-Nov-2009	13,507	18-Nov-2009	1st Quarter, 2011
Country Garden Wonderland (碧桂園山水桃源)	Foshan (Nanhai)	168,436	100%	67,691	67,691	22-Dec-2009	0	2nd Quarter, 2010	1st Quarter, 2011
Total:		52,146,474		13,896,617	13,286,169		3,022,673		

## Notes:

- (1) “GFA under development” is based on the actual measurements by the housing management department of the Group.
- (2) “Total saleable GFA under development” and “Total saleable GFA pre-sold” for properties under development are derived from the Commodity Properties Pre-sale Permit.

## Properties for future 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.	Estimated commencement date	Estimated pre-sale commencement date		Estimated Completed Date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100%	28,672	1st Quarter, 2010	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)	1,074,467	100%	32,585	1st Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2012	
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)	4,984,053	100%	1,570,294	1st Quarter, 2010	1st Quarter, 2010	4th Quarter, 2013	
Holiday Islands – Huadu (假日半島 – 花都)	Guangzhou (Huadu)	574,217	100%	37,925	1st Quarter, 2010	3rd Quarter, 2010	2nd Quarter, 2011	
Shunde Country Garden – including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,427,341	100%	6,127	1st Quarter, 2010	–	4th Quarter, 2010	
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	254,509	90%	30,916	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2011	
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,007,870	100%	13,000	1st Quarter, 2010	–	4th Quarter, 2010	
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,476	100%	15,872	1st Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2010	
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,058,395	100%	735,636	1st Quarter, 2010	2nd Quarter, 2010	2nd Quarter, 2012	
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	932,407	100%	243,652	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2011	
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	590,667	100%	201,878	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2011	
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,697,752	100%	1,753,217	1st Quarter, 2010	4th Quarter, 2010	1st Quarter, 2015	



## Business Overview

Project	City (District)	Aggregate GFA for entire project sq.m.	Interest attributable to the Company (%)	GFA for future development <sup>(1)</sup> sq.m.	Estimated commencement date	Estimated pre-sale commencement date	Estimated Completed Date
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	391,500	100%	2,880	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	922,029	100%	136,200	1st Quarter, 2010	4th Quarter, 2010	4th Quarter, 2011
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	369,043	51%	30,325	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	1,797,858	100%	626,656	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2015
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	852,052	100%	348,477	1st Quarter, 2010	3rd Quarter, 2010	1st Quarter, 2015
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	1,413,228	90%	650,001	1st Quarter, 2010	2nd Quarter, 2010	1st Quarter, 2013
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	1,589,264	100%	1,213,220	2nd Quarter, 2010	2nd Quarter, 2011	4th Quarter, 2024
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	496,899	100%	352,579	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2014
Country Garden – Sun Palace (碧桂園•太陽城)	Shenyang (Daoyi)	1,079,655	100%	442,211	1st Quarter, 2010	2nd Quarter, 2011	4th Quarter, 2013
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	1,444,909	100%	1,138,929	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2013
Country Garden – Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	1,849,249	100%	1,162,601	2nd Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2015
Country Garden – Phoenix City (碧桂園•鳳凰城)	Shenyang (Suijiatun)	1,239,824	100%	26,442	1st Quarter, 2010	3rd Quarter, 2010	2nd Quarter, 2012
Enping Country Garden (恩平碧桂園)	Jiangmen (Enping)	311,605	100%	97,324	1st Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2012
Country Garden Lakeside City (碧桂園濱湖城)	Chaohu (Zhongmiao)	780,499	100%	178,286	1st Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2012
Shanwei Country Garden (汕尾碧桂園)	Shanwei (Shanwei)	434,441	100%	262,645	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2012
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	744,767	100%	263,112	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2013
Shaoguan Country Garden – Sun Palace (韶關碧桂園•太陽城)	Shaoguan (Xilian)	3,529,916	100%	3,316,062	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2024
Haicheng Country Garden (海城碧桂園)	Anshan (Haicheng)	602,523	100%	240,780	1st Quarter, 2010	3rd Quarter, 2011	4th Quarter, 2013
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqianqi)	941,645	100%	635,902	3rd Quarter, 2010	2nd Quarter, 2011	4th Quarter, 2016
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	417,606	100%	211,085	1st Quarter, 2010	2nd Quarter, 2010	2nd Quarter, 2012
Country Garden – Hill Lake City (碧桂園•如山湖城)	Chaohu (Hexian)	1,242,648	100%	632,228	1st Quarter, 2010	1st Quarter, 2010	4th Quarter, 2016
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	432,276	100%	188,282	1st Quarter, 2010	2nd Quarter, 2010	1st Quarter, 2015
Country Garden – Hot Spring City (碧桂園•溫泉城)	Xianning (Xian'an)	315,611	100%	315,611	1st Quarter, 2010	2nd Quarter, 2010	3rd Quarter, 2014
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,320,399	100%	1,016,837	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2018
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	462,496	100%	76,245	1st Quarter, 2010	1st Quarter, 2011	4th Quarter, 2011
Tongliao Country Garden (通遼碧桂園)	Tongliao (Keerqin)	1,635,177	100%	1,070,944	2nd Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2016
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	334,324	100%	96,852	1st Quarter, 2010	3rd Quarter, 2010	2nd Quarter, 2012
Anqing Country Garden (安慶碧桂園)	Anqing (Anqing)	1,893,748	100%	1,582,619	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2014
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,539,137	100%	1,933,151	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2024
Yiyang Country Garden (益陽碧桂園)	Yiyang (Yiyang)	263,456	100%	196,422	1st Quarter, 2010	2nd Quarter, 2010	1st Quarter, 2012
Chaohu Country Garden (巢湖碧桂園)	Chaohu (Nan'an)	366,599	100%	190,332	1st Quarter, 2010	2nd Quarter, 2010	3rd Quarter, 2012
Liuyang Country Garden (瀏陽碧桂園)	Changsha (Liuyang)	372,425	100%	277,220	1st Quarter, 2010	2nd Quarter, 2010	1st Quarter, 2013
Maoming Country Garden (茂名碧桂園)	Maoming (Maonan)	302,231	100%	162,330	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2012
Yangshan Country Garden (陽山碧桂園)	Qingyuan (Yangshan)	319,273	100%	259,540	1st Quarter, 2010	1st Quarter, 2010	2nd Quarter, 2012
Suihua Country Garden (綏化碧桂園)	Suihua (Beilin)	269,133	100%	179,551	1st Quarter, 2010	4th Quarter, 2010	4th Quarter, 2011
Tianjin Tanggu District Office Building (天津塘沽區寫字樓)	Tianjin (Tanggu)	116,164	100%	116,164	1st Quarter, 2010	–	4th Quarter, 2011
Tianjin Country Garden (天津碧桂園)	Tianjin (Balitai)	538,510	100%	538,510	1st Quarter, 2010	2nd Quarter, 2010	3rd Quarter, 2014
Jingmen Country Garden (荊門碧桂園)	Jingmen (Duodao)	251,557	100%	141,682	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Zhaoqing Country Garden – Hill Lake Palace (肇慶碧桂園•山湖城)	Zhaoqing (Gaoyao)	141,716	51%	58,249	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Country Garden – Park Prime (碧桂園•公園1號)	Jiangmen (Heshan)	110,120	100%	51,890	1st Quarter, 2010	3rd Quarter, 2010	4th Quarter, 2011
Country Garden – Grand Garden (碧桂園•豪園)	Guangzhou (Zengcheng)	135,745	100%	71,068	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Country Garden – Sunshine Coast (碧桂園•陽光水岸)	Jiangmen (Kaiping)	49,439	100%	19,924	1st Quarter, 2010	2nd Quarter, 2010	4th Quarter, 2010
Holiday Islands – Qingyuan (假日半島—清遠)	Qingyuan (Qingcheng)	440,997	100%	288,060	1st Quarter, 2010	1st Quarter, 2010	3rd Quarter, 2011
Country Garden Wonderland (碧桂園山水桃源)	Foshan (Nanhai)	168,436	100%	100,745	1st Quarter, 2010	2nd Quarter, 2010	2nd Quarter, 2012
Total:		53,093,972		25,583,947			

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 was primarily comprised of the proceeds from the sale of properties and provision of services after the elimination of transactions among subsidiaries of the Company. The revenue was primarily generated from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue increased by 11.9% to approximately RMB17,585.7 million in 2009 from approximately RMB15,712.8 million in 2008, primarily attributable to the increase in sales of properties. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB16,544.9 million, RMB377.2 million, RMB349.3 million and RMB314.3 million, respectively.

#### *Property development*

Revenue generated from property development increased by 12.3% to approximately RMB16,544.9 million in 2009 from approximately RMB14,736.5 million in 2008; primarily attributable to a 62.5% increase in total gross floor area ("GFA") sold to 3,488,784 sq.m in 2009 from 2,147,592 sq.m in 2008. The recognized average selling price of property decreased to RMB4,742 per sq.m in 2009 from RMB6,861 per sq.m in 2008, which indicated a 30.9% decrease. The recognized average selling price was relatively low in 2009 primarily because (i) most of the property sales revenue recognized in 2009 was attributable to sales contracts entered into in 2008 and the first quarter of 2009, when the PRC property market and accordingly, property prices were adversely affected by the global economic slowdown; while a significant portion of the property sales revenue recognized in 2008 was attributable to sales contracts entered into in 2007 when the PRC property market was in relatively better conditions, (ii) the proportion of recognized GFA in 2009 attributable to apartments, which generally have lower selling prices than standalone properties and townhouses, increased as compared with 2008; whereas a noticeable proportion of recognized GFA in 2009 attributable to standalone properties, which generally have higher prices, decreased as compared with 2008, (iii) the proportion of recognized GFA in 2009 attributable to "bare shell" properties, which generally have lower selling prices than decorated properties, increased as compared with 2008, and (iv) the proportion of recognized GFA in 2009 attributable to our projects outside Guangdong Province, where the property prices are generally lower than in Guangdong Province, increased as compared with 2008.

#### *Construction and decoration*

Revenue generated from construction and decoration decreased by 7.7% to approximately RMB377.2 million in 2009 from approximately RMB408.5 million in 2008, 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 property management increased by 19.1% to approximately RMB349.3 million in 2009 from approximately RMB293.3 million 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, Gaoming Country Garden, Shenyang Country Garden and Heshan Country Garden in 2009.

#### *Hotel operation*

Revenue generated from hotel operation increased by 14.5% to approximately RMB314.3 million in 2009 from approximately RMB274.5 million in 2008, primarily attributable to the opening of the five-star rating standard Zhaoqing Country Garden Phoenix Hotel in February 2009, Xinhui Country Garden Phoenix Hotel in March 2009, Gaoming Country Garden Phoenix Hotel and Country Garden Phoenix Hot Spring Hotel in November 2009.

### Cost of sales

Cost of sales of the Group represented primarily the costs incurred directly by the property development activities which included construction, decoration and design costs, land use rights cost and business taxes.

Cost of sales increased by 48.9% to approximately RMB12,935.6 million in 2009 from approximately RMB8,687.2 million in 2008. The increase in construction, decoration and design costs was in line with the increase in total GFA sold.



## Management Discussion and Analysis

### Gross profit

Gross profit (before land appreciation tax provision) of the Group decreased by 33.8% to approximately RMB4,650.1 million in 2009 from approximately RMB7,025.6 million in 2008. The gross margin in 2009 decreased to 26.4% from 44.7% in 2008. The reduction was primarily attributable to the change in product mix on revenue recognized.

### Other gains — net

Other gains — net of the Group increased by 267.8% to approximately RMB188.7 million of gain in 2009 from approximately RMB51.3 million of gain in 2008. It was mainly due to the gain of RMB114.0 million from the disposal of the Group's 29,999,000 shares of The Rural Credit Cooperatives Union of Shunde at a consideration of RMB4.8 per share.

### Selling and marketing costs

Selling and marketing costs of the Group decreased by 38.6% to approximately RMB324.6 million in 2009 from approximately RMB528.9 million in 2008, which was primarily attributable to a 58.7% decrease in advertisement expense from approximately RMB234.9 million in 2008 to approximately RMB97.1 million in 2009. This is due to the heavy publicity of new property for sale in 2008 which demanded lots of promotion.

### Administrative expenses

Administrative expenses of the Group decreased by 18.2% to approximately RMB855.6 million in 2009 from approximately RMB1,046.0 million in 2008, primarily attributable to the measures taken by the Group to effectively contain its administrative expense to cope with the financial crisis. Among all the administration expenses, employee wages decreased by 37.1% from approximately RMB340.2 million in 2008 to approximately RMB213.9 million in 2009.

### Finance costs — net

Finance costs — net of the Group decreased by 34.8% to approximately RMB651.9 million in 2009 from approximately RMB999.1 million in 2008. For the year of 2009, the exchange loss of the Group was approximately RMB1.1 million compared with approximately RMB241.5 million for the year of 2008. The cut was due to minor fluctuation of exchange rate across 2009. Besides, there was a capitalized interest cost amounting to approximately RMB403.4 million for the year of 2009 as a result of the adoption of HKAS 23 (revised) 'Borrowing costs'.

### 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 of the Company dated 17 February 2008 (the "Announcement")) is higher than the Initial Price (as defined in the Announcement) and the Equity Swap Counterparty (as defined in the Announcement) 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. Measured by the market price on 31 December 2009, the gain from the fair value change on the Equity Swap was approximately RMB251.4 million.

### Profit attributable to the equity owners

Profit attributable to the equity owners (excluding the fair value changes on the Equity Swap) in 2009 of the Group decreased by 30.2% to approximately RMB1,828.4 million from approximately RMB2,619.7 million in 2008, as a result of the cumulative effect of the foregoing factors. The net earning margin fell from 16.7% in 2008 to 10.4% in 2009.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB8,424.0 million as at 31 December 2009 (2008: approximately RMB5,734.6 million). As at 31 December 2009, 72.9% and 27.1% of the Group's cash and bank deposits were denominated in Renminbi, and other currencies (mainly US dollars and HK dollars), respectively.



## Management Discussion and Analysis

As at 31 December 2009, the carrying amount of the restricted cash was approximately RMB3,815.3 million (2008: approximately RMB2,728.1 million). Pursuant to relevant regulations, certain of the project companies were 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 could 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 had approximately US\$250.0 million (equivalent to approximately RMB1,707.0 million) deposit as collateral for the Equity Swap with Merrill Lynch International and RMB288.1 million as collateral for bank borrowings which was deposited in specific bank accounts.

### Net current assets and current ratio

The Group had net current assets of approximately RMB16,258.7 million as at 31 December 2009 (2008: approximately RMB14,310.5 million). The current ratio being current assets over current liabilities was approximately 1.6 as at 31 December 2009 (2008: approximately 1.7).

### Debt and charges on group assets

The Group had an aggregated debt as at 31 December 2009 of approximately RMB17,769.6 million, including borrowings of approximately RMB10,888.7 million, convertible bond of approximately RMB4,278.5 million, and Senior Notes of approximately RMB2,602.4 million.

For borrowings, approximately RMB3,250.7 million will be repayable within 1 year, approximately RMB7,188.0 million will be repayable between 1 and 5 years and the remaining RMB450.0 million to be repayable within the future 5 to 10 years. As at 31 December 2009, 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 (total debt net of disposable cash and cash equivalent) over the total capital and reserves attributable to equity owners. As at 31 December 2009, the gearing ratio was 53.3% (2008: 40.9%). Such increase is primarily attributable to the issue of Senior Notes US\$375 million in the second half year 2009, as well as more bank borrowings in line with the increase of projects for development.

### Interest rate risk

The weighted average interest rate of the Group's borrowing decreased to 6.73% in 2009 from 7.37% in 2008. In addition, the Group issued a convertible bond in the first half of 2008, whose interest rate is calculated using effective rate method. The effective annual interest rate of the liability component is 9.24%. The Group issued Senior Notes in the second half of 2009, whose interest rate is calculated by effective rate method. The effective annual interest rate is 12.11%. 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 2009, the exchange rates of Renminbi to Hong Kong dollars and US dollars kept stable. For the year of 2009, there was an exchange loss of approximately RMB1.1 million. Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations.

### 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 land appreciation tax ("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 year of 2009, the Group had LAT expenses of approximately RMB275.4 million. As at 31 December 2009, the Group had LAT provision balance of RMB1,327.3 million.

### Contingent liability

As at 31 December 2009, the Group had some contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB13,540.3 million (2008: approximately RMB10,450.8 million).



## Management Discussion and Analysis

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 2009, approximately RMB256.4 million (2008: approximately RMB392.2 million) was to be discharged two years from the day the mortgaged loans become due; and approximately RMB13,283.9 million (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 realizable 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 31 December 2009, the capital commitments in connection with the property development activities amounted to approximately RMB16,304.9 million (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 primarily from pre-sale proceeds of the properties and partially from bank borrowings.

### Employees and remuneration policy

As at 31 December 2009, the Group had approximately 29,514 full-time employees, which had increased by 446 from 29,068 as at 31 December 2008. To adapt to the economy environment since late 2008, the Group has been optimizing and downsizing its positions and reducing the recruitment of low level employees since early 2009. With the property market rapid recovering in the second half of 2009, the Group speeded up its projects arrangement according to the changing environment. The number of projects in operation increased to 65 in 2009 from 54 in 2008. The Group had recruited more employees to meet its business expansion, which resulted in an increase of employees by 446 at the year end of 2009 compared with 2008.

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 report, there were no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the business occurred.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**YEUNG Kwok Keung (楊國強)**, aged 55, was appointed as the Chairman and an executive Director of the Company in December 2006. 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 as well as ensuring the Board functioned properly with good corporate practice and procedures. From 1992 to 1997, Mr. YEUNG was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司) (“Shunde Sanhe Co.”). From 1986 to 1997, Mr. YEUNG served as the general manager of Shunde Beijiao Construction Company Limited (順德市北滘建築工程有限公司) (“Beijiao Construction Co.”) 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 the Chairman of the Company after its formation in 2006. Mr. YEUNG has over 32-year experience in construction and approximately 18-year experience in property development. Mr. YEUNG was recognized 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 45, was appointed as the President and an executive Director of the Company in December 2006. Mr. CUI graduated from Beijing Institute of Technology (北京理工大學) majoring in accounting and is a qualified PRC accountant. Mr. CUI 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 (北滘鎮政府) 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) and the executive vice president of the Guangdong Real Estate Chamber of Commerce (廣東省地產商會).

**YANG Huiyan (楊惠妍)**, aged 28, was appointed as an executive Director of the Company in December 2006. Ms. YANG graduated from Ohio State University with a degree in marketing and logistic. Ms. YANG joined the Group in 2005 as the manager of Procurement Department. Currently, she is primarily responsible for the formulation of development strategies of the Group. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung.

**YANG Erzhu (楊貳珠)**, aged 59, was appointed as an executive Director of the Company in November 2006. Mr. YANG graduated from the School of Economic Management of Jinan University. Mr. YANG is primarily responsible for the coordination and management of Tender Management Department of property development projects, 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 Co.. From 1986 to 1997, Mr. YANG served as a deputy general manager of Beijiao Construction Co. and has served as a director and deputy general manager of Guangdong Giant Leap Construction Co., Ltd. (“Giant Leap”) and Foshan Shunde Country Garden Co., Ltd. (“Shunde Country Garden”) since 1997. Since 1999, he has been serving as a director and a deputy general manager of Foshan Shunde Finest Decoration & Design Enterprise. Mr. YANG has over 32-year experience in construction and approximately 16-year experience in property development.

**SU Rubo (蘇汝波)**, aged 55, was appointed as an executive Director of the Company in December 2006. Mr. SU graduated from the School of Economic Management of Jinan University. Mr. SU is primarily responsible for construction management, supervision and coordination of the property development projects in northern region of Guangdong Province (including Shaoguan Lashiba, Xilian, Shaoguan Lechang and Qingyuan Yangshan districts). From 1994 to 1997, Mr. SU served as a deputy general manager of Shunde Sanhe Co.. From 1986 to 1997, Mr. SU served as a deputy general manager of Beijiao Construction Co. and has been serving as a director and a deputy general manager of Giant Leap and Shunde Country Garden since 1997. Mr. SU has over 32-year experience in construction, approximately 16-year experience in property development and approximately 13-year experience in procurement of construction materials.



## Biographical Details of Directors and Senior Management

**ZHANG Yaoyuan (張耀垣)**, aged 64, was appointed as an executive Director of the Company in December 2006. Mr. ZHANG is primarily responsible for construction management, supervision and coordination of the property development projects in the Foshan region of Guangdong Province (including Nanhai, Gaoming and Shunde Longjiang districts). From 1994 to 1997, Mr. ZHANG served as a deputy general manager of Shunde Sanhe Co.. From 1986 to 1997, Mr. ZHANG served as a manager and a deputy general manager of Beijiao Construction Co. and has been serving as a director and a deputy general manager of Giant Leap and Shunde Country Garden since 1997. Mr. ZHANG has over 42-year experience in construction and approximately 16-year experience in management of property development.

**OU Xueming (區學銘)**, aged 60, was appointed as an executive Director of the Company in December 2006. Mr. OU is primarily responsible for construction management, supervision and coordination of the property development projects in western region of Guangdong Province (including Yangjiang Yangdong, Zhaoqing Huaiji, Zhaoqing Deqing and Maoming districts). From 1994 to 1997, Mr. OU served as a deputy general manager of Shunde Sanhe Co.. From 1986 to 1997, Mr. OU served as a deputy general manager of Beijiao Construction Co. and has been serving as a director and a deputy general manager of Giant Leap and Shunde Country Garden since 1997. Mr. OU has over 32-year experience in construction and approximately 16-year experience in operation and management of property development.

**YANG Zhicheng (楊志成)**, aged 36, was appointed as an executive Director of the Company in December 2006 and the regional president of the Group in Jiangmen region. Mr. YANG is primarily responsible for the overall development and management of more than ten property development projects in Jiangmen region (including Wuyi, Heshan, Xinhui, Toishan, Enping, etc. districts). Prior to joining the Group in 1997, Mr. YANG served as a project manager of Shunde Sanhe Co., the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. and the project general manager of the Group. Mr. YANG has approximately 16-year experience in project development. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung.

**YANG Yongchao (楊永潮)**, aged 35, was appointed as an executive Director of the Company in December 2006 and the general manager of the Sales Centre of the Group. Mr. YANG is primarily responsible for the overall sales management of the Group. Mr. YANG has been responsible for the management of the Sales Centre of Shunde Country Garden since 1997. Mr. YANG has approximately 13-year experience in property sales management, market research, project 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 65, was appointed as an independent non-executive Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in December 2006. Mr. LAI is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. Mr. LAI was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was the president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. He is also an advisor to the Corporate Governance Committee of CPA Australia Hong Kong China Division. Mr. LAI is an independent non-executive director 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 Hong Kong University of Science and Technology R & D Corporation Limited. He is also independent non-executive directors of Chen's Holdings Limited and Sheng Fung Company, Limited.



## Biographical Details of Directors and Senior Management

**SHEK Lai Him, Abraham (石禮謙)** SBS, JP, aged 64, was appointed as an independent non-executive Director of the Company, a member of the Audit Committee and a member of the Remuneration Committee of the Company in December 2006. Mr. SHEK graduated from the University of Sydney and holds a Bachelor of Arts degree and a Diploma in Education. Mr. SHEK 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 a member of the Hong Kong Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Council of Hong Kong University of Science and Technology and the Court of University of Hong Kong, and a vice chairman of the Independent Police Complaints Council. 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 a chairman and an independent non-executive director of Chuang's China Investments Limited, all of which are companies whose shares are listed on the Stock Exchange, as well as a director of The Hong Kong Mortgage Corporation Limited. Mr. SHEK is also 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), both trusts are listed on the Stock Exchange. Mr. SHEK also holds directorships in several property-related private companies.

**TONG Wui Tung, Ronald (唐滙棟)**, aged 59, was appointed as an independent non-executive Director of the Company, a member of the Audit Committee and a member of the Remuneration Committee of the Company in December 2006. He has been practicing as a solicitor in Hong Kong for over 30 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 whose shares are listed on the Stock Exchange.

### CHIEF FINANCIAL OFFICER

**NG Yi Kum, Estella (伍綺琴)**, aged 52, was appointed as the chief financial officer of the Company in January 2008. From September 2005 to November 2007, Ms. NG was an executive director of Hang Lung Properties Limited, a company whose shares are listed on the Stock Exchange. Prior to her joining Hang Lung Properties in 2003, she was employed by the 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 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 61, was appointed as the secretary of the Company in March 2007. He 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. He has over 27-year experience in company administration and secretarial fields and has served many listed clients over the years.



## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

**SONG Jun (宋軍)**, aged 42, is a vice president of the Company. Mr. SONG graduated from 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 construction management, supervision and coordination of the property development projects in Guangzhou region of Guangdong Province (including Zengcheng Phoenix City, Licheng, Huanan Country Garden, Shawan, Nansha, Qingyuan Fogang, etc. districts). 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 Guangdong Elite Architectural Co., Ltd. and was responsible for architectural design work. Since 1997, he has been serving as a project manager and a project supervisor of Shunde Country Garden responsible for the management of property development projects. Mr. SONG has approximately 13-year experience in management of property development.

**XIE Shutai (謝樹太)**, aged 45, is a vice president of the Company. Mr. XIE graduated from Hunan University (湖南大學) with a degree in civil engineering and is a qualified PRC civil engineer. Mr. XIE is primarily responsible for the overall management and supervision of property development projects of the Group, and also responsible for the overall management of the hotels and property management companies of the Group. Prior to joining the Group in 1997, Mr. XIE worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 responsible for structural design work. He also worked in Shunde Sanhe Co. from 1992 to 1997 responsible for property management. Since 1997, he has been working for Shunde Country Garden and Guangdong Country Garden Property Management Co., Ltd. responsible for the overall property and hotel management of the Group. Mr. XIE has approximately 18-year experience in property management and approximately 13-year experience in hotel management.

**WANG Zhidun (王志敦)**, aged 40, is a vice president of the 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 of the Group. Prior to joining the Group in 2003, Mr. WANG was a partner of Guangdong Bowen Law Office from 1996 to 2003.

**CHEN Hua (陳華)**, aged 60, is a vice president of the 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. Mr. CHEN is responsible for the overall management of the property development projects of the Group in the eastern region of Guangdong Province (including Dongguan, Shanwei, Huizhou Huiyang and Huidong Yapojiao districts). Prior to joining the Group in 2007, Mr. CHEN acted as the director of Poverty Alleviation and Development Office of Heilongjiang Provincial Government. He has over 33-year experience working in government. Mr. CHEN is the father-in-law of Ms. YANG Huiyan.



# Corporate Governance Report

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.

## 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2009.

## 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 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.

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## BOARD OF DIRECTORS

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.



## Corporate Governance Report

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.

## BOARD MEETINGS

The Board held at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. 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.



## Corporate Governance Report

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.

During the financial year ended 31 December 2009, the Directors have made contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance record in 2009 are as follows:

<b>Directors</b>	<b>No. of meetings attended/ No. of meetings held</b>
<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

### 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.



## Corporate Governance Report

The Audit Committee met five times in 2009 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> )	5/5
Mr. SHEK Lai Him, Abraham	5/5
Mr. TONG Wui Tung, Ronald	5/5

### 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 2010 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 one meeting. It reviewed the remuneration package of the Directors and the resignation 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> )	1/1
Mr. CUI Jianbo	1/1
Mr. LAI Ming, Joseph	1/1
Mr. SHEK Lai Him, Abraham	1/1
Mr. TONG Wui Tung, Ronald	1/1

## 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.



## Corporate Governance Report

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 and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financing reporting function, and their training programmes and budget in accordance with paragraph C.2.1 and C.2.2 of the Code for the year ended 31 December 2009 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

The Group has established a whistleblower policy to facilitate the raising of concerns by employees since 2008. 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 2009, the fees paid/payable to the auditor of the Company (inclusive of business tax) in respect of the audit services and other services related to the issuance of the senior notes in 2009 provided amounted to approximately RMB6,486,000 and RMB610,000 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 2009, 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 pages 41 to 42.



# 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 2009.

## 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 2009 are set out in the consolidated statement of comprehensive income of the Group on page 47.

## DIVIDENDS

The Directors recommend a final dividend of RMB4.50 cents (2008: RMB3.00 cents) per share in respect of the year ended 31 December 2009 to shareholders (“Shareholders”) whose names appear on the register of members of the Company on 20 May 2010, with the Shareholders being given an option to elect to receive 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 average middle rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from 14 May 2010 to 20 May 2010.

The Scrip Dividend Proposal is subject to (1) the approval of the proposed final dividend at the annual general meeting to be held on 20 May 2010; (2) The Stock Exchange of Hong Kong Limited granting the listing of and 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 4 June 2010. It is expected that the final dividend warrants and certificates for the new Shares will be despatched to Shareholders on or around 2 July 2010.

## 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 2009, the distributable reserve of the Company amounted to approximately RMB756,901,000 (2008: approximately RMB573,671,000).

## DONATIONS

The donations made by the Group during the year amounted to approximately RMB74,948,200 (2008: approximately RMB81,304,236).

## FINANCIAL SUMMARY

A financial summary of the Group is set out on page 142 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, 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 2009, purchases attributable to the largest supplier of the Group amounted to approximately 9.8% 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 2009, so far as the Directors are aware, the following persons who are Directors and their associates (herein after-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:

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



## Report of the Directors

### 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. ("Elite Architectural")	52% equity interest
Mr. YANG Erzhu	Elite Architectural	12% equity interest
Mr. SU Rubo	Elite Architectural	12% equity interest
Mr. ZHANG Yaoyuan	Elite Architectural	12% equity interest
Mr. OU Xueming	Elite Architectural	12% equity interest
Mr. YEUNG Kwok Keung	Foshan Shunde Grand Cement Co., Ltd. ("Grand Cement")	52% equity interest
Mr. YANG Erzhu	Grand Cement	12% equity interest
Mr. SU Rubo	Grand Cement	12% equity interest
Mr. ZHANG Yaoyuan	Grand Cement	12% equity interest
Mr. OU Xueming	Grand Cement	12% equity interest

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 2009.

## 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.



## Report of the Directors

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year up to the date of this annual 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. YANG Erzhu, YANG Zhicheng, YANG Yongchao and LAI Ming, Joseph 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 2010 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 2009 are set out in note 28 to the consolidated financial statements of the Group.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under paragraph headed "Connected Transaction and 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.



## Report of the Directors

### 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 each of Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan CG 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 2009, 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.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following connected transaction and continuing connected transactions were recorded during the year end and up to the date of this annual report:

#### (a) Connected Transaction

On 15 October 2009, a share transfer agreement (the "Share Transfer Agreement") was entered into between Foshan Shunde Country Garden Property Development Co., Ltd. ("Shunde CG"), a wholly-owned subsidiary of the Company, and Elite Architectural. Pursuant to the Share Transfer Agreement, Shunde CG sold and Elite Architectural purchased 29,999,000 shares in the registered capital of The Rural Credit Cooperatives Union of Shunde ("RCCS"), a financial institution established in the People's Republic of China ("PRC") and converted into Foshan Shunde Rural Commercial Bank Company Limited ("Shunde Commercial Bank"), for a consideration of RMB38,398,720 (approximately HK\$43,590,328). On 19 January 2010, the parties entered into a side agreement, pursuant to which Elite Architectural agreed to pay to Shunde CG a sum of RMB105,596,480 (approximately HK\$119,873,402), being the shortfall amount with the purchase price based on the issue price of the new shares issued by Shunde Commercial Bank to its promoters pursuant to the restructuring of RCCS from a rural co-operative union to a commercial bank, within 5 working days from the date of completion.

Shunde CG was notified by RCCS that (i) being a wholly foreign owned enterprise in the PRC, it did not fulfill the qualification of a promoter of Shunde Commercial Bank; and (ii) it was required to transfer the shares of RCCS to individuals or domestic enterprises, being eligible promoter(s) of Shunde Commercial Bank.

Elite Architectural 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 Architectural is an associate of a connected person of the Company as Ms. YANG Huiyan is a Director and a substantial Shareholder of the Company.

#### (b) Continuing Connected Transactions

The Company has entered into the following continuing 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:

##### 1. Water Supply Agreements

Pursuant to the water supply agreement dated 27 March 2007 between 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")



## Report of the Directors

and the water supply 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 District, Shunde District 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 year amounted to RMB2.0 million and RMB11.9 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 substantial Shareholder of the Company.

Crystal Water Supply Agreement was expired on 31 December 2009. On 15 December 2009, Zengcheng CG and Crystal Water Plant Co. entered into a crystal water supply agreement, pursuant to which, Crystal Water Plant Co. agreed to provide water supply for the Group’s operations in Zengcheng District, the PRC for a term of three years commencing on 1 January 2010 and subject to the annual caps of not exceeding RMB17 million for each of the years 2010, 2011 and 2012 respectively.

### 2. *Design Services Agreements*

Pursuant to the design services agreement dated 27 March 2007 entered into between Shunde CG and Elite Architectural 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 Architectural amounted to RMB226.4 million.

Elite Architectural 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 Architectural is an associate of a connected person of the Company as Ms. YANG Huiyan is a Director and a substantial Shareholder of the Company.

### 3. *Cement Product Sales Agreement*

Pursuant to the cement products sales agreement (“Cement Products Agreement”) 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 RMB81.9 million.



## Report of the Directors

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 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% by Lida Investment, an associate of Mr. YEUNG Kwok Keung, Grand Cement is thus an associate of a connected person of the Company.

Cement Products Agreement was expired on 31 December 2009. On 15 December 2009, Giant Leap and Grand Cement entered into a cement products sales agreement, pursuant to which, Grand Cement agreed to supply cement products to Giant Leap for a term of three years commencing on 1 January 2010 and subject to the annual caps of not exceeding RMB240 million for each of the years 2010, 2011 and 2012 respectively.

#### 4. *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 (the “Qingyuan Project”) 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 RMB366.8 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 substantial Shareholder of the Company.

On 15 December 2009, Giant Leap and Qingyuan CG entered into an amendment agreement, pursuant to which, the parties agreed to further extend the construction periods of the Qingyuan Project, being the only outstanding property development project under the Construction Services Agreements for a term of three years commencing on 1 January 2010 and subject to the annual caps of not exceeding RMB250 million for a period of 3 years in 2010, 2011 and 2012 respectively and that Giant Leap would continue to provide construction services to Qingyuan CG for the Qingyuan Project on the terms as provided under the Construction Services Agreements as extended by the amendment agreement.

Ms. YANG Huiyan is a Director and a substantial Shareholder of the Company. Each of Messrs. YANG Erzhu, 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 1 and 2 are subject to full reporting and announcement requirements but exempt from the independent Shareholders’ approval under Rule 14A.34 of the Listing Rules while the transactions under item 3 to 4 are subject to independent Shareholders’ approval under Rule 14A.35 of the Listing Rules.



## Report of the Directors

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 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 2009, 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 37 “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 is 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.



## Report of the Directors

### (v) Subscription Price of Shares

The subscription price of option 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 annual report, a total of 1,636,000,000 shares (representing 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme) 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 be exercised.

## 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 year ended 31 December 2009, for the purpose of the Employee Incentive Scheme, the Company had through its subsidiary purchased from the market a total of 24,485,000 shares of the Company. The total amount paid to acquire these shares during the year was about RMB60,674,000. As of 31 December 2009, the cumulative total number of the shares purchased under the Employee Incentive Scheme were 82,092,000 shares.



## Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2009 had the following interests in the shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) at the balance sheet date as recorded in the register 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") of the Listing Rules:

### (a) Long positions in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Percentage to the issued share capital as at 31.12.2009
Mr. CUI Jianbo	interest of spouse (Note 1)	7,993,396	0.05%
Ms. YANG Huiyan	interest of controlled corporation (Note 2)	9,760,945,999	59.33%
Mr. YANG Erzhu	interest of controlled corporation (Note 2)	972,000,000	5.91%
Mr. SU Rubo	interest of controlled corporation (Note 2)	716,000,000	4.35%
Mr. ZHANG Yaoyuan	interest of controlled corporation (Note 2)	816,000,000	4.96%
Mr. OU Xueming	interest of controlled corporation (Note 2)	736,000,000	4.47%
Mr. YANG Yongchao	interest of spouse (Note 3)	3,310,000	0.02%

Notes:

- The shares represent shares held by Ms. HE Jianxun being the spouse of Mr. CUI Jianbo.
- 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.
- The shares represent shares held by Ms. SU Yuming being the spouse of Mr. YANG Yongchao.

### (b) Long positions in the shares of Concrete Win Limited, an associated corporation of the Company

Name of Director	Capacity	Number of ordinary shares held	Percentage to the issued share capital as at 31.12.2009
Ms. YANG Huiyan	beneficial owner	2	100%

Save as disclosed above, at the balance sheet date, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register 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.



## Report of the Directors

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At the balance sheet date, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors or chief executive of the Company, had long positions of 5% or more in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

#### Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage to the issued share capital as at 31.12.2009
Concrete Win Limited	beneficial owner	9,760,945,999 (Note 1)	59.33%
Automic Group Limited	beneficial owner	972,000,000 (Note 2)	5.91%

Notes:

- These 9,760,945,999 shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- 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 above, at the balance sheet date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### 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 annual report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws 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 Shareholders.

### CORPORATE GOVERNANCE

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



## Report of the Directors

### 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 annual 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 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.



## Report of the Directors

### CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 17 May 2010 to Thursday, 20 May 2010, 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, 14 May 2010.

For and on behalf of the Board

**YEUNG Kwok Keung**

*Chairman*

Hong Kong, 30 March 2010



# Independent Auditor's Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**

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Central, Hong Kong  
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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 43 to 141, which comprise the consolidated and company balance sheets as at 31 December 2009, the consolidated statement of comprehensive income, 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.

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## 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.

## Independent Auditor's Report



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 2009 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, 30 March 2010

# Consolidated Balance Sheet

		As at 31 December	
		2009	2008
		RMB'000	RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	3,878,360	2,841,970
Investment property	7	141,231	148,865
Intangible assets	8	13,425	13,342
Land use rights	9	10,058,674	7,596,813
Available-for-sale financial assets	26	—	29,999
Properties under development	10	3,945,318	3,949,275
Deferred income tax assets	24	964,257	1,092,357
Other assets	11	2,040,000	—
		<b>21,041,265</b>	15,672,621
<b>Current assets</b>			
Land use rights	9	6,145,479	6,042,427
Properties under development	10	15,024,327	14,992,197
Completed properties held for sale	13	4,165,665	3,205,398
Inventories	14	329,356	154,347
Trade and other receivables	15	7,058,467	3,338,589
Prepaid taxes		1,509,939	974,874
Restricted cash	16	3,815,334	2,728,115
Cash and cash equivalents	17	4,608,708	3,006,492
		<b>42,657,275</b>	34,442,439
<b>Total assets</b>		<b>63,698,540</b>	50,115,060
<b>EQUITY</b>			
<b>Equity attributable to the equity owners</b>			
Share capital and premium	18	14,925,651	14,686,574
Reserves	19	1,093,181	859,729
Retained earnings			
— proposed final dividend	31	740,320	490,800
— others	19	4,169,664	3,063,640
		<b>20,928,816</b>	19,100,743
<b>Minority interest</b>		<b>370,858</b>	279,926
<b>Total equity</b>		<b>21,299,674</b>	19,380,669

## Consolidated Balance Sheet

	Note	As at 31 December	
		2009 RMB'000	2008 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	20	7,638,003	5,003,250
Convertible bond	21	4,278,511	4,018,482
Senior notes	22	2,602,423	—
Deferred government grants		107,780	—
Derivative financial instruments	23	990,124	1,241,530
Deferred income tax liabilities	24	383,413	339,196
		<b>16,000,254</b>	10,602,458
<b>Current liabilities</b>			
Advanced proceeds received from customers		14,039,707	9,113,623
Trade and other payables	25	6,563,231	5,485,674
Income taxes payable		2,545,013	2,709,572
Bank borrowings	20	3,250,661	2,823,064
		<b>26,398,612</b>	20,131,933
<b>Total liabilities</b>		<b>42,398,866</b>	30,734,391
<b>Total equity and liabilities</b>		<b>63,698,540</b>	50,115,060
<b>Net current assets</b>		<b>16,258,663</b>	14,310,506
<b>Total assets less current liabilities</b>		<b>37,299,928</b>	29,983,127

The financial statements on pages 43 to 141 were approved by the Board of Directors on 30 March 2010 and were signed on its behalf.

**Cui Jianbo**  
Director

**Yang Erzhu**  
Director

The notes on pages 50 to 141 are an integral part of these consolidated financial statements.

# Balance Sheet

		As at 31 December	
		2009	2008
		RMB'000	RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	12	<b>19,541,861</b>	17,241,855
<b>Current assets</b>			
Amounts due from subsidiaries	12	<b>3,254,978</b>	2,496,889
Restricted cash	16	<b>1,707,050</b>	1,708,649
Cash and cash equivalents	17	<b>216,079</b>	38,347
		<b>5,178,107</b>	4,243,885
<b>Total assets</b>		<b>24,719,968</b>	21,485,740
<b>EQUITY</b>			
<b>Equity attributable to the equity owners</b>			
Share capital and premium	18	<b>15,289,390</b>	14,989,639
Reserves	19	<b>424,821</b>	424,821
Retained earnings			
— proposed final dividend	31	<b>740,320</b>	490,800
— others	19	<b>16,581</b>	82,871
<b>Total equity</b>		<b>16,471,112</b>	15,988,131

## Balance Sheet

	Note	As at 31 December	
		2009 RMB'000	2008 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	20	176,096	197,950
Convertible bond	21	4,278,511	4,018,482
Senior notes	22	2,602,423	—
Derivative financial instruments	23	990,124	1,241,530
		<b>8,047,154</b>	5,457,962
<b>Current liabilities</b>			
Amounts due to subsidiaries	12	25,606	3,298
Other payables	25	—	176
Bank borrowings	20	176,096	36,173
		<b>201,702</b>	39,647
<b>Total liabilities</b>		<b>8,248,856</b>	5,497,609
<b>Total equity and liabilities</b>		<b>24,719,968</b>	21,485,740
<b>Net current assets</b>		<b>4,976,405</b>	4,204,238
<b>Total assets less current liabilities</b>		<b>24,518,266</b>	21,446,093

The financial statements on pages 43 to 141 were approved by the Board of Directors on 30 March 2010 and were signed on its behalf.

**Cui Jianbo**  
Director

**Yang Erzhu**  
Director

The notes on pages 50 to 141 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2009 RMB'000	2008 RMB'000
Revenue	5	17,585,704	15,712,790
Cost of sales	27	(12,935,610)	(8,687,206)
<b>Gross profit</b>		<b>4,650,094</b>	7,025,584
Other gains — net	26	188,745	51,254
Selling and marketing costs	27	(324,615)	(528,882)
Administrative expenses	27	(855,584)	(1,046,031)
<b>Operating profit</b>		<b>3,658,640</b>	5,501,925
Finance income	29	70,505	74,762
Finance costs	29	(722,425)	(1,073,832)
Finance costs — net		(651,920)	(999,070)
Fair value changes on derivative financial instruments	23	251,406	(1,241,530)
<b>Profit before income tax</b>		<b>3,258,126</b>	3,261,325
Income tax expenses	30	(1,132,398)	(1,846,310)
<b>Profit for the year</b>		<b>2,125,728</b>	1,415,015
Other comprehensive income		—	—
<b>Total comprehensive income for the year</b>		<b>2,125,728</b>	1,415,015
<b>Profit and total comprehensive income attributable to:</b>			
Equity owners of the Company		2,079,796	1,378,207
Minority interest		45,932	36,808
		<b>2,125,728</b>	1,415,015
<b>Earnings per share attributable to the equity holders of the Company (expressed in RMB cents)</b>			
Basic and diluted	34	<b>12.73 cents</b>	8.45 cents

The notes on pages 50 to 141 are an integral part of these consolidated financial statements.

		2009 RMB'000	2008 RMB'000
<b>Dividends</b>	31	<b>740,320</b>	490,800

# Consolidated Statement of Changes in Equity

	Attributable to the equity owners			Total RMB'000
	Share capital and premium RMB'000 (note 18)	Reserves RMB'000 (note 19)	Minority interest RMB'000	
Balance at 1 January 2008	14,989,639	4,168,613	240,868	19,399,120
Capital injections to subsidiaries by their then shareholders	—	—	2,250	2,250
Equity component of convertible bond (note 21)	—	424,821	—	424,821
Purchase of treasury shares (note 18 (a))	(303,065)	—	—	(303,065)
Profit and total comprehensive income for the year	—	1,378,207	36,808	1,415,015
2007 final dividends (note 31)	—	(1,557,472)	—	(1,557,472)
Balance at 31 December 2008	14,686,574	4,414,169	279,926	19,380,669
Issue of shares as a result of the scrip dividend scheme (note 18(b))	<b>299,751</b>	—	—	<b>299,751</b>
Capital injections to subsidiaries	—	—	<b>45,000</b>	<b>45,000</b>
Purchase of treasury shares (note 18 (a))	<b>(60,674)</b>	—	—	<b>(60,674)</b>
Profit and total comprehensive income for the year	—	<b>2,079,796</b>	<b>45,932</b>	<b>2,125,728</b>
2008 final dividends (note 31)	—	<b>(490,800)</b>	—	<b>(490,800)</b>
Balance at 31 December 2009	<b>14,925,651</b>	<b>6,003,165</b>	<b>370,858</b>	<b>21,299,674</b>

The notes on pages 50 to 141 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2009 RMB'000	2008 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	32	1,799,357	(3,709,564)
Income tax paid		(1,802,397)	(2,074,430)
Interest paid		(788,230)	(595,177)
<b>Net cash used in operating activities</b>		<b>(791,270)</b>	<b>(6,379,171)</b>
<b>Cash flows from investing activities</b>			
Purchase of land use rights through acquisition of subsidiaries	9	(347,448)	(6,674)
Purchases of property, plant and equipment		(551,319)	(1,386,135)
Increase in investment property		—	(152,682)
Purchase of intangible assets	8	(3,805)	(12,674)
Purchases of land use rights		(153,020)	(547,110)
Payments for other assets	11	(2,040,000)	—
Purchase of available-for-sale financial assets		—	(9,999)
Proceeds from disposals of property, plant and equipment	32	38,047	1,849
Interest received		70,505	74,762
<b>Net cash used in investing activities</b>		<b>(2,987,040)</b>	<b>(2,038,663)</b>
<b>Cash flows from financing activities</b>			
Capital contributions from minority shareholders		45,000	2,250
Purchase of treasury shares		(60,674)	(303,065)
Net proceeds from the issuance of convertible bond		—	4,206,150
Net proceeds from the issuance of senior notes	22	2,527,698	—
Proceeds from borrowings		9,567,575	4,823,124
Repayments of borrowings		(6,505,225)	(3,988,579)
Dividends paid to the Company's shareholders	31	(191,049)	(1,557,472)
<b>Net cash generated from financing activities</b>		<b>5,383,325</b>	<b>3,182,408</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		3,006,492	8,483,420
Exchange losses on cash and cash equivalents		(2,799)	(241,502)
<b>Cash and cash equivalents at the end of the year</b>	17	<b>4,608,708</b>	<b>3,006,492</b>

The notes on pages 50 to 141 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.

These consolidated financial statements are presented in units of Renminbi (“RMB”) thousand Yuan, unless otherwise stated and have been approved for issue by the board of Directors of the Company on 30 March 2010.

## 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 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.

#### *Changes in accounting policy and disclosures*

##### *(a) New and amended standards and new interpretations adopted by the group*

The group has adopted the following new and amended HKFRSs and new interpretations as of 1 January 2009:

- HKFRS 7 ‘Financial Instruments — Disclosures’ (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### *Changes in accounting policy and disclosures (continued)*

##### (a) *New and amended standards and new interpretations adopted by the group (continued)*

- HKAS 1 (revised). 'Presentation of financial statements' — effective 1 January 2009. 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 in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- HKAS 23 (revised) 'Borrowing Costs'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of this revised standard in accordance with the transition provisions of the standard; comparative figures have not been restated. The adoption of the revised HKAS 23 resulted in:

	<b>31 December 2009 RMB'000</b>
Increase in properties under development	<b>403,359</b>
	<b>For the year ended 31 December 2009 RMB'000</b>
Decrease in finance costs — net	<b>403,359</b>
Increase in basic and diluted earnings per share (RMB cents)	<b>2.47</b>

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policy and disclosures (continued)*

##### (a) *New and amended standards and new interpretations adopted by the group (continued)*

- 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.
- HKFRS 8, 'Operating segments' (effective 1 January 2009). The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.
- 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 or 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 held by the Group.

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

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

- HK (IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply HK (IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policy and disclosures (continued)*

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

- HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest 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 minority interest from 1 January 2010.
- 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 profit or loss. 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.
- HKAS 38 (amendment), 'Intangible assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in May 2009 and the group and company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group will apply HKAS 38 (amendment) prospectively to intangible assets acquired in business combinations from 1 January 2010.
- HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policy and disclosures (continued)*

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

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.
- HKFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating HK (IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 – group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.
- HK (IFIC)-Int 19 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability. The new guidance is not expected to have a material impact on the Group's financial statements.
- HKFRS 9, 'Financial instruments' (effective from 1 January 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace HKAS 39. HKFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The new guidance is not expected to have a material impact on the Group's financial statements.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2009.

##### (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 profit or loss.

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.

##### (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 profit or loss. 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the “ED”) that makes strategic decisions.

#### 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 Company’s functional currency and the Group’s presentation currency.

##### (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 profit or loss in the consolidated statement of comprehensive income, 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 statement of comprehensive income within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within ‘other gains — net’.

Translation difference on non-monetary financial assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

##### (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 consolidated statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

## Notes to the Consolidated Financial Statements

### 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

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 the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 consolidated statement of comprehensive income.

#### 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 maintaining computer software programmes are recognised as an expense as incurred.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.8 Financial assets

##### 2.8.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 2.16).

##### 2.8.2 Recognition and measurement

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. Financial assets 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. Loans and receivables are carried at amortised cost using the effective interest method.

#### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.10 Impairment of financial assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.11 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 borrowing costs capitalised for qualifying assets (note 2.1(a)) 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 when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 2.12 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.

#### 2.13 Investment property

Property that is held for long-term rental yields, and that is not occupied by the Group, is classified as investment property.

Investment property is 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. 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 profit or loss during the financial period in which they are incurred.

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

#### 2.14 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.15 Construction contracts

Contract costs are recognised as expenses in the period in which they are 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.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

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 end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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).

#### 2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

#### 2.17 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.18 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 holders 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 holders.

#### 2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

#### 2.20 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 profit or loss over the period of the borrowings using the effective interest method.

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 end of the reporting period.

#### 2.21 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.22 Compound financial instruments

Compound financial instruments issued by the group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bond upon exercise of the put option by the bond holders (note 21).

#### 2.23 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.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

#### 2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 (and laws) 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.24 Current and deferred income tax (continued)

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.25 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.26 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 probable 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.

#### 2.27 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 discounts 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 sheet 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 contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (note 2.15).

##### (iii) Hotel operation

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

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.27 Revenue recognition (continued)

(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.

(vii) *Rental income*

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

#### 2.28 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*

(a) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense prior to the commencement of construction of the properties, or capitalised in properties under development (note 2.11) during construction of the properties, on a straight-line basis over the unexpired period of the land use rights. The unamortised upfront payments are recognised as cost of sales when the completed properties are sold.

(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 sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

#### 2.29 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.30 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 statement of comprehensive income.

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 and interest rate 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 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 2010 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.

#### (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 majority 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.

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** (continued)**(a) Financial risk factors** (continued)*(i) Foreign exchange risk* (continued)

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 As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Assets				
H.K. dollar	359,469	331,523	2,586	11,006
U.S. dollar	1,920,823	1,736,020	1,920,543	1,735,990
	<b>2,280,292</b>	2,067,543	<b>1,923,129</b>	1,746,996
Liabilities				
H.K. dollar	352,192	—	352,192	—
U.S. dollar	2,602,423	234,123	2,602,423	234,123
	<b>2,954,615</b>	234,123	<b>2,954,615</b>	234,123

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 As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
H.K. dollar Decrease/(increase) in profit for the year	364	16,576	(17,480)	550
U.S. dollar Increase/(decrease) in profit for the year	34,080	(75,095)	34,094	(75,093)

## Notes to the Consolidated Financial Statements

### 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. 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 2009 and 2008, 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 RMB139,052,000 and RMB107,173,000 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 2009 and 2008, 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 RMB54,193,000 and RMB40,086,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (iii) 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 large number of counterparties and customers.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

##### (iii) Credit risk (continued)

For prepayments in respect of acquisition of land use rights, the Group considers the risk is minimal as these prepayments were paid to the PRC government and will transfer to land use rights upon obtaining certificates 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 35.

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

##### (iv) 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 of the Company have prepared cash flow projections for the period up to 31 December 2010. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2010 include: (1) Unit selling price in 2010 is not expected to fluctuate significantly from that of 2009. (2) Sales volume in 2010 is expected to be higher than 2009. The contracted sales in 2010 are expected to be derived from 73 projects over 11 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.

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

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** (continued)**(a) Financial risk factors** (continued)**(iv) Liquidity risk** (continued)

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. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. 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 2009					
Bank borrowings (principal amount plus interest)	3,781,337	4,682,814	3,001,664	562,497	12,028,312
Convertible bond (principal amount plus interest)	107,850	107,850	5,394,921	—	5,610,621
Senior notes (principal amount plus interest)	300,506	300,506	3,459,018	—	4,060,030
Derivative financial instruments (note 23)	—	—	990,124	—	990,124
Trade and other payables (excluding other taxes payable)	6,210,161	69,959	—	—	6,280,120
<b>Total</b>	<b>10,399,854</b>	<b>5,161,129</b>	<b>12,845,727</b>	<b>562,497</b>	<b>28,969,207</b>

	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 (principal amount plus interest)	3,308,348	3,593,731	1,712,449	—	8,614,528
Convertible bond (principal amount plus interest)	107,850	107,850	5,502,771	—	5,718,471
Derivative financial instruments (note 23)	—	—	1,241,530	—	1,241,530
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>8,456,750</b>	<b>—</b>	<b>20,774,594</b>

## Notes to the Consolidated Financial Statements

### 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 and senior notes, as shown in the consolidated balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Total borrowings including convertible bond and senior notes (notes 20, 21 and 22)	17,769,598	11,844,796
Less: cash and cash equivalents (note 17)	(4,608,708)	(3,006,492)
Net debt	13,160,890	8,838,304
Total equity (excluding minority interest)	20,928,816	19,100,743
Gearing ratio	62.9%	46.3%

The increase in gearing ratio at 31 December 2009 is due to significant increase in borrowings during the year.

#### (c) Fair value estimation

Effective 1 January 2009, the group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** (continued)**(c) Fair value estimation** (continued)

At 31 December 2009 and 2008, the Group had no Level 1 or Level 3 financial instruments, the only Level 2 financial instrument represents the derivative financial instruments (note 23).

The fair value of the derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The significant inputs required to fair value the derivative financial instruments represent the quoted market price of the Company's ordinary shares which is observable.

**(d) Financial instruments by category***Group:***At 31 December 2009**

<b>Assets as per balance sheet</b>	<b>Loans and receivables RMB'000</b>
Trade and other receivables excluding prepayments	2,350,863
Restricted cash	3,815,334
Cash and cash equivalents	4,608,708
Total	<b>10,774,905</b>

<b>Liabilities as per balance sheet</b>	<b>Financial liabilities at fair value RMB'000</b>	<b>Other financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Bank borrowings	—	10,888,664	10,888,664
Convertible bond	—	4,278,511	4,278,511
Senior notes	—	2,602,423	2,602,423
Derivative financial instruments	990,124	—	990,124
Trade and other payables (excluding other taxes payable)	—	6,280,120	6,280,120
Total	<b>990,124</b>	<b>24,049,718</b>	<b>25,039,842</b>

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** (continued)**(d) Financial instruments by category** (continued)*Group:*

At 31 December 2008

<b>Assets as per balance sheet</b>	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
Available-for-sale financial assets	—	29,999	29,999
Trade and other receivables excluding prepayments	996,688	—	996,688
Restricted cash	2,728,115	—	2,728,115
Cash and cash equivalents	3,006,492	—	3,006,492
<b>Total</b>	<b>6,731,295</b>	<b>29,999</b>	<b>6,761,294</b>

<b>Liabilities as per balance sheet</b>	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Bank borrowings	—	7,826,314	7,826,314
Convertible bond	—	4,018,482	4,018,482
Derivative financial instruments	1,241,530	—	1,241,530
Trade and other payables (excluding other taxes payable)	—	5,200,065	5,200,065
<b>Total</b>	<b>1,241,530</b>	<b>17,044,861</b>	<b>18,286,391</b>

*Company:*

<b>Assets as per balance sheet</b>	<b>Loans and receivables As at 31 December</b>	
	<b>2009 RMB'000</b>	2008 RMB'000
Amounts due from subsidiaries	<b>3,254,978</b>	2,496,889
Restricted cash	<b>1,707,050</b>	1,708,649
Cash and cash equivalents	<b>216,079</b>	38,347
<b>Total</b>	<b>5,178,107</b>	4,243,885

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** (continued)**(d) Financial instruments by category** (continued)*Company: (continued)***At 31 December 2009**

<b>Liabilities as per balance sheet</b>	<b>Financial liabilities at fair value RMB'000</b>	<b>Other financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Bank borrowings	—	352,192	352,192
Convertible bond	—	4,278,511	4,278,511
Senior notes	—	2,602,423	2,602,423
Derivative financial instruments	990,124	—	990,124
Amounts due to subsidiaries	—	25,606	25,606
<b>Total</b>	<b>990,124</b>	<b>7,258,732</b>	<b>8,248,856</b>

At 31 December 2008

<b>Liabilities as per balance sheet</b>	<b>Financial liabilities at fair value RMB'000</b>	<b>Other financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Bank borrowings	—	234,123	234,123
Convertible bond	—	4,018,482	4,018,482
Derivative financial instruments	1,241,530	—	1,241,530
Amounts due to subsidiaries	—	3,298	3,298
Trade and other payables	—	176	176
<b>Total</b>	<b>1,241,530</b>	<b>4,256,079</b>	<b>5,497,609</b>

## Notes to the Consolidated Financial Statements

### 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 consolidated statement of comprehensive income.

#### (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.

## Notes to the Consolidated Financial Statements

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

#### (c) Revenue recognition (continued)

As disclosed in note 35, 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 net realisable value of properties under development and properties held for sale

As at 31 December 2009, the carrying amounts of properties under development and properties held for sale are RMB18,969,645,000 (2008: RMB18,941,472,000) and RMB4,165,665,000 (2008: RMB3,205,398,000), respectively.

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

#### (e) Estimates for impairment of hotel assets

At 31 December 2009, the total carrying amounts of hotel assets (mainly including land use rights, buildings and construction in progress) are RMB4,246,447,000 (2008: RMB3,282,272,000), representing 6.7% (2008: 6.5%) of the total consolidated assets of the Group. Management performs review for impairment of the hotel assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel assets may not be recoverable.

The recoverable amounts of hotel assets have been determined based on value-in-use method. The value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel assets. The key assumptions used in determining the value-in-use of hotel assets mainly include the 10% of discount rate, and the 3% of growth rate after the hotels achieve their respective normal operating capacity. Bases on management's best estimates, there was no impairment loss for hotel assets recognised during the year.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION – GROUP

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

The ED consider the business from product perspective. From a product perspective, ED assesses the performance of:

- Property development,
- Construction, fitting and decoration,
- Property management and
- Hotel operation.

The ED assess the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment property, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude available-for-sale financial assets, deferred tax assets and collateral for equity swap. Segment liabilities consist primarily of operating liabilities. They exclude bank borrowings, convertible bond, senior notes, derivative financial instruments, deferred income tax liabilities and income tax payable.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment property (note 7) and intangible assets (note 8).

Revenue consists of the following:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Sales of properties	<b>16,544,904</b>	14,736,509
Rendering of construction and decoration services	<b>377,240</b>	408,465
Rendering of property management services	<b>349,276</b>	293,295
Rendering of hotel services	<b>314,284</b>	274,521
	<b>17,585,704</b>	15,712,790

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 in 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.

## Notes to the Consolidated Financial Statements

**5 SEGMENT INFORMATION — GROUP** (continued)

The segment information provided to the ED for the reportable segments for the year ended 31 December 2009 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	16,544,904	4,518,189	350,479	319,714	21,733,286
Inter-segment revenue	—	(4,140,949)	(1,203)	(5,430)	(4,147,582)
Revenue (from external customers)	16,544,904	377,240	349,276	314,284	17,585,704
Operating profit	3,595,736	45,269	95,549	(77,914)	3,658,640
<b>At 31 December 2009</b>					
Total segment assets	54,933,160	1,621,345	226,281	4,246,447	61,027,233
Capital expenditure	230,370	18,118	1,097	1,031,613	1,281,198
Total segment liabilities	18,175,003	1,893,211	183,031	459,473	20,710,718

The segment information for the year ended 31 December 2008 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	14,736,509	10,617,889	304,270	283,173	25,941,841
Inter-segment revenue	—	(10,209,424)	(10,975)	(8,652)	(10,229,051)
Revenue (from external customers)	14,736,509	408,465	293,295	274,521	15,712,790
Operating profit	5,500,401	81,693	21,773	(101,942)	5,501,925
<b>At 31 December 2008</b>					
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	12,520,200	1,579,591	229,947	269,559	14,599,297

## Notes to the Consolidated Financial Statements

**5 SEGMENT INFORMATION – GROUP** (continued)

Reportable operating profits are reconciled to net profit as follows:

	2009 RMB'000	2008 RMB'000
Total operating profit	3,658,640	5,501,925
Financial costs — net	(651,920)	(999,070)
Fair value changes on derivative financial instruments	251,406	(1,241,530)
Profit before income tax	3,258,126	3,261,325
Income tax expenses	(1,132,398)	(1,846,310)
Profit for the year	<b>2,125,728</b>	1,415,015

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

	31 December 2009 RMB'000	31 December 2008 RMB'000
Total segment assets	61,027,233	47,284,055
Available-for-sale financial assets	—	29,999
Deferred income tax assets	964,257	1,092,357
Collateral for equity swap (note 16)	1,707,050	1,708,649
<b>Total assets per consolidated balance sheet</b>	<b>63,698,540</b>	50,115,060
Total segment liabilities	20,710,718	14,599,297
Deferred income tax liabilities	383,413	339,196
Income tax payable	2,545,013	2,709,572
Derivative financial instruments	990,124	1,241,530
Bank borrowings	10,888,664	7,826,314
Convertible bond	4,278,511	4,018,482
Senior notes	2,602,423	—
<b>Total liabilities per consolidated balance sheet</b>	<b>42,398,866</b>	30,734,391

## Notes to the Consolidated Financial Statements

## 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 2008</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
<b>Year ended 31 December 2009</b>						
Opening net book amount	1,253,324	56,986	173,750	144,069	1,213,841	2,841,970
Additions	47,544	41,277	21,959	75,098	1,091,515	1,277,393
Reclassification	864,074	—	—	—	(864,074)	—
Disposals	(25,596)	(3,469)	(105)	(364)	—	(29,534)
Depreciation	(101,064)	(20,102)	(47,791)	(42,512)	—	(211,469)
Closing net book amount	2,038,282	74,692	147,813	176,291	1,441,282	3,878,360
<b>At 31 December 2009</b>						
Cost	2,331,037	192,830	392,974	322,301	1,441,282	4,680,424
Accumulated depreciation	(289,748)	(118,138)	(245,161)	(146,010)	—	(799,057)
Accumulated impairment	(3,007)	—	—	—	—	(3,007)
Net book amount	2,038,282	74,692	147,813	176,291	1,441,282	3,878,360

## Notes to the Consolidated Financial Statements

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

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheet or the consolidated statement of comprehensive income:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Properties under development	37,342	47,524
Cost of sales	113,303	73,256
Selling and marketing costs	6,496	6,930
Administrative expenses	54,328	36,317
	<b>211,469</b>	164,027

As at 31 December 2009, buildings with net book value of RMB712,141,000 (2008: RMB588,517,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2009, title certificates of buildings with net book value of RMB914,869,000 (2008: RMB421,313,000) were still in the progress of being obtained.

Also as at 31 December 2009, included in buildings were the hotels located in the PRC, which were classified as property, plant and equipment, with net book value of RMB1,984,496,000 (2008: RMB1,252,282,000).

## Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTY – GROUP

	As at 31 December	
	2009 RMB'000	2008 RMB'000
<b>At 31 December</b>		
Cost	152,682	152,682
Accumulated depreciation	(11,451)	(3,817)
Net book amount	141,231	148,865

	As at 31 December	
	2009 RMB'000	2008 RMB'000
<b>Year ended 31 December</b>		
Opening net book amount	148,865	—
Addition	—	152,682
Depreciation	(7,634)	(3,817)
Closing net book amount	141,231	148,865

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 RMB150,800,000 as at 31 December 2009 (2008: RMB149,100,000) has been determined by the directors of the Company with reference to the valuation performed by CB Richard Ellis Limited, an independent qualified professional valuer.

## Notes to the Consolidated Financial Statements

## 8 INTANGIBLE ASSETS – GROUP

	Computer software	
	As at 31 December	
	2009	2008
	RMB'000	RMB'000
<b>At 31 December</b>		
Cost	21,303	17,498
Accumulated amortisation	(7,878)	(4,156)
Net book amount	13,425	13,342
<b>Year ended 31 December</b>		
Opening net book amount	13,342	4,083
Additions	3,805	12,674
Amortisation	(3,722)	(3,415)
Closing net book amount	13,425	13,342

## 9 LAND USE RIGHTS – GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Opening net book amount	13,639,240	10,110,179
Additions	4,482,211	4,462,659
Amortisation:		
– expensed in administrative expenses (note 27)	(186,634)	(160,395)
– capitalised in properties under development (note 10)	(103,803)	(86,939)
Transfer to cost of sales	(1,626,861)	(686,264)
	16,204,153	13,639,240
Amount expected to be transferred to cost of sales within normal operating cycle included under current assets	(6,145,479)	(6,042,427)
Closing net book amount under non-current assets	10,058,674	7,596,813
Outside Hong Kong, held on leases of:		
Between 50 to 70 years	9,990,724	11,636,114
Between 10 to 50 years	6,213,429	2,003,126
	16,204,153	13,639,240

## Notes to the Consolidated Financial Statements

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

Included in the additions of land use rights in 2009 was the purchase of land use rights amounting to RMB378,434,000 through acquisitions of certain subsidiaries. These acquisitions of subsidiaries were not accounted for as business combinations as each of the subsidiaries acquired did not represent a business upon acquisition. The net cash paid to acquire these subsidiaries was RMB347,448,000.

Land use rights are all located in the PRC and mainly for property development.

As at 31 December 2009, land use rights with net book value of RMB3,498,728,000 (2008: RMB3,569,117,000) were pledged as collateral for the Group's borrowings.

**10 PROPERTIES UNDER DEVELOPMENT – GROUP**

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	<b>15,024,327</b>	14,992,197
Beyond normal operating cycle included under non-current assets	<b>3,945,318</b>	3,949,275
	<b>18,969,645</b>	18,941,472
Amount comprises:		
Construction costs	<b>18,462,483</b>	18,854,533
Amortisation of land use rights (note 9)	<b>103,803</b>	86,939
Interest capitalised (note 29)	<b>403,359</b>	—
	<b>18,969,645</b>	18,941,472

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2009 was 9.63%.

The properties under development are located in the PRC.

## Notes to the Consolidated Financial Statements

### 11 OTHER ASSETS

On 22 December 2009, the Group together with certain other PRC real estate developers jointly bid a piece of land with a site area of approximately 2,639,520 square meters in Guangzhou ("Asian Games City") at a total consideration of RMB25,500,000,000. Other assets represent the Group's portion of the first instalment of the costs relating to the above land use rights.

The Group together with the above PRC real estate developers will jointly establish a project company ("Project Company") to develop the above land. As at 31 December 2009, the Project Company has not been established.

### 12 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Non-current asset		
— Unlisted investments at cost	<b>19,541,861</b>	17,241,855
Current assets		
— Amounts due from subsidiaries (note below)	<b>3,254,978</b>	2,496,889
Current liabilities		
— Amounts due to subsidiaries (note below)	<b>(25,606)</b>	(3,298)
	<b>22,771,233</b>	19,735,446

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 2009 are set out in note 38.

### 13 COMPLETED PROPERTIES HELD FOR SALE – GROUP

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Completed properties held for sale, at cost	<b>4,165,665</b>	3,205,398

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

## Notes to the Consolidated Financial Statements

## 14 INVENTORIES – GROUP

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Construction materials, at cost	329,356	154,347

## 15 TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables (note (a))	383,470	300,519	—	—
Land auction deposits	1,144,818	76,915	—	—
Other receivables	589,329	263,911	—	—
Amounts due from customers for contract work (note (b))	236,203	358,300	—	—
Prepayments for land (note (c))	4,096,587	1,997,559	—	—
Other prepayments — third parties	611,017	344,342	—	—
Less: Provision for impairment of receivables	(2,957)	(2,957)	—	—
	7,058,467	3,338,589	—	—

As at 31 December 2009, the fair value of trade and other receivables approximates their carrying amounts.

- (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:

	Group As at 31 December	
	2009 RMB'000	2008 RMB'000
Within 90 days	317,034	249,441
Over 90 days and within 180 days	33,800	20,163
Over 180 days and within 365 days	17,848	24,544
Over 365 days	14,788	6,371
	383,470	300,519

## Notes to the Consolidated Financial Statements

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

(a) Trade receivables which are past due are analysed as follows:

	Group As at 31 December	
	2009 RMB'000	2008 RMB'000
Fully performing under credit terms	317,034	249,441
Past due but not impaired	66,436	51,078
	<b>383,470</b>	300,519

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 2009 (2008: nil).

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

(b) Amounts due from customers for contract work at each of the balance sheet date are as follows:

	Group As at 31 December	
	2009 RMB'000	2008 RMB'000
Cost incurred	3,648,369	3,438,876
Recognised profits (less recognised losses)	1,647,801	1,480,054
	<b>5,296,170</b>	4,918,930
Less: progress billings	<b>(5,059,967)</b>	(4,560,630)
	<b>236,203</b>	358,300
Represented by:		
Amounts due from customers	<b>236,203</b>	358,300
Including: Related companies (note 37 (d))	<b>175,110</b>	292,624
Third parties	<b>61,093</b>	65,676

(c) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2009.

## Notes to the Consolidated Financial Statements

## 16 RESTRICTED CASH

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee deposits for construction of Pre-sale properties (note)	<b>1,820,219</b>	1,019,466	—	—
Collateral for equity swap (note 23)	<b>1,707,050</b>	1,708,649	<b>1,707,050</b>	1,708,649
Collateral for bank borrowings (note 20)	<b>288,065</b>	—	—	—
	<b>3,815,334</b>	2,728,115	<b>1,707,050</b>	1,708,649

Note:

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.

## 17 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in RMB	<b>6,143,750</b>	3,667,064	—	—
Denominated in HK dollar	<b>359,469</b>	331,523	<b>2,586</b>	11,006
Denominated in US dollar	<b>1,920,823</b>	1,736,020	<b>1,920,543</b>	1,735,990
Less: restricted cash (note 16)	<b>(3,815,334)</b>	(2,728,115)	<b>(1,707,050)</b>	(1,708,649)
	<b>4,608,708</b>	3,006,492	<b>216,079</b>	38,347

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.

## Notes to the Consolidated Financial Statements

## 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 2008		16,360,000,000	1,636,000	1,617,773	13,371,866	—	14,989,639
Treasury shares purchased	(a)	—	—	—	—	(303,065)	(303,065)
At 31 December 2008 and 1 January 2009		16,360,000,000	1,636,000	1,617,773	13,371,866	(303,065)	14,686,574
Treasury shares purchased	(a)	—	—	—	—	(60,674)	(60,674)
Issue of shares as a result of the scrip dividend scheme	(b)	91,419,578	9,142	8,058	291,693	—	299,751
<b>Closing balance at 31 December 2009</b>		<b>16,451,419,578</b>	<b>1,645,142</b>	<b>1,625,831</b>	<b>13,663,559</b>	<b>(363,739)</b>	<b>14,925,651</b>

## Notes to the Consolidated Financial Statements

## 18 SHARE CAPITAL AND PREMIUM (continued)

	Note	Company				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	
<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
		<u>100,000,000,000</u>	<u>10,000,000</u>	<u>9,905,008</u>	<u>—</u>	<u>9,905,008</u>
<b>Issued and fully paid</b>						
Opening balance at 1 January 2008 and 2009		16,360,000,000	1,636,000	1,617,773	13,371,866	14,989,639
Issue of shares as a result of the scrip dividend scheme	(b)	91,419,578	9,142	8,058	291,693	299,751
At 31 December 2009		<b>16,451,419,578</b>	<b>1,645,142</b>	<b>1,625,831</b>	<b>13,663,559</b>	<b>15,289,390</b>

## Notes:

- (a) During the year, the Group, through its wholly owned subsidiary, has acquired 24,485,000 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 RMB60,674,000. 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.

- (b) On 19 June 2009, a scrip dividend scheme was issued whereas shareholders may elect to receive cash dividend of RMB3.00 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 at a price of HK\$3.72 per share representing the average of the closing prices of the Company's ordinary shares for the five consecutive trading days up to and including 12 June 2009.

## Notes to the Consolidated Financial Statements

## 19 RESERVES

	Group					
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Conversion option reserves RMB'000 (note 21)	Sub-total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2008	(149,801)	428,586	—	278,785	3,889,828	4,168,613
Issuance of convertible bond (note 21)	—	—	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 31)	—	—	—	—	(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	
					<u>3,554,440</u>	
Balance at 1 January 2009	<b>(149,801)</b>	<b>584,709</b>	<b>424,821</b>	<b>859,729</b>	<b>3,554,440</b>	<b>4,414,169</b>
Profit for the year	—	—	—	—	2,079,796	2,079,796
Transfer to statutory reserves	—	233,452	—	233,452	(233,452)	—
Dividends (note 31)	—	—	—	—	(490,800)	(490,800)
Balance at 31 December 2009	<b>(149,801)</b>	<b>818,161</b>	<b>424,821</b>	<b>1,093,181</b>	<b>4,909,984</b>	<b>6,003,165</b>
Representing:						
2009 Proposed final dividend					740,320	
Others					4,169,664	
					<u>4,909,984</u>	

## Notes to the Consolidated Financial Statements

## 19 RESERVES (continued)

	Company		
	Conversion option reserves RMB'000 (note 21)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2008	—	1,919,211	1,919,211
Issuance of convertible bond (note 21)	424,821	—	424,821
Profit for the year (note 33)	—	211,932	211,932
Dividend (note 31)	—	(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	
Balance at 1 January 2009	<b>424,821</b>	<b>573,671</b>	<b>998,492</b>
Profit for the year (note 33)	—	<b>674,030</b>	<b>674,030</b>
Dividend (note 31)	—	<b>(490,800)</b>	<b>(490,800)</b>
Balance at 31 December 2009	<b>424,821</b>	<b>756,901</b>	<b>1,181,722</b>
Representing:			
2009 Proposed final dividend		<b>740,320</b>	
Others		<b>16,581</b>	
		<b>756,901</b>	

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 thereof.
- (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 holders in the form of bonus issue.

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

## Notes to the Consolidated Financial Statements

## 20 BANK BORROWINGS

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings included in non-current liabilities:				
— secured	<b>7,819,753</b>	4,784,100	<b>176,096</b>	—
— unsecured	<b>2,604,750</b>	3,038,584	—	234,123
Less: current portion	<b>(2,786,500)</b>	(2,819,434)	—	(36,173)
	<b>7,638,003</b>	5,003,250	<b>176,096</b>	197,950
Bank borrowings included in current liabilities:				
— secured	<b>288,065</b>	3,630	—	—
— unsecured	<b>176,096</b>	—	<b>176,096</b>	—
Current portion of non-current borrowings	<b>2,786,500</b>	2,819,434	—	36,173
	<b>3,250,661</b>	2,823,064	<b>176,096</b>	36,173

The Group's borrowings of RMB7,089,753,000 as at 31 December 2009 (2008: RMB4,787,730,000), were jointly secured by certain properties and land use rights of the Group (notes 6 and 9) with total carrying values of RMB4,210,869,000 as at 31 December 2009 (2008: RMB4,157,634,000). The Group's borrowings of RMB730,000,000 as at 31 December 2009 (2008: nil) were guaranteed by the Company and secured by the Group's equity interest in certain subsidiaries. The Group's remaining secured borrowings of RMB288,065,000 at 31 December 2009 (2008: nil) were secured by certain bank deposits of the Group (note 16).

The Company's borrowings of RMB176,096,000 as at 31 December 2009 (2008: RMB234,123,000) were guaranteed by its fellow subsidiaries.

## Notes to the Consolidated Financial Statements

**20 BANK BORROWINGS** (continued)

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

	<b>6 months or less RMB'000</b>	<b>6-12 months RMB'000</b>	<b>Group 1-5 years RMB'000</b>	<b>Over 5 years RMB'000</b>	<b>Total RMB'000</b>
Borrowings included in non-current liabilities:					
At 31 December 2009	7,638,003	—	—	—	7,638,003
At 31 December 2008	5,003,250	—	—	—	5,003,250
Borrowings included in current liabilities:					
At 31 December 2009	3,250,661	—	—	—	3,250,661
At 31 December 2008	2,823,064	—	—	—	2,823,064

	<b>6 months or less RMB'000</b>	<b>6-12 months RMB'000</b>	<b>Company 1-5 years RMB'000</b>	<b>Over 5 years RMB'000</b>	<b>Total RMB'000</b>
Borrowings included in non-current liabilities:					
At 31 December 2009	176,096	—	—	—	176,096
At 31 December 2008	197,950	—	—	—	197,950
Borrowings included in current liabilities:					
At 31 December 2009	176,096	—	—	—	176,096
At 31 December 2008	36,173	—	—	—	36,173

## Notes to the Consolidated Financial Statements

## 20 BANK BORROWINGS (continued)

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

	Group As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Between 1 and 2 years	4,348,823	3,354,474	176,096	36,173
Between 2 and 5 years	2,839,180	1,648,776	—	161,777
Over 5 years	450,000	—	—	—
	<b>7,638,003</b>	5,003,250	<b>176,096</b>	197,950

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

	Group As at 31 December		Company As at 31 December	
	2009	2008	2009	2008
— Bank borrowings	6.73%	7.37%	4.30%	4.68%

The carrying amounts of the borrowings approximate their fair values.

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

	Group As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
RMB	10,536,472	7,592,191	—	—
U.S. dollar	—	234,123	—	234,123
H.K. dollar	352,192	—	352,192	—
	<b>10,888,664</b>	7,826,314	<b>352,192</b>	234,123

## Notes to the Consolidated Financial Statements

### 21 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 million). At the option of bond holders, the aggregate amount of RMB4,314 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 (note 19).

## Notes to the Consolidated Financial Statements

**21 CONVERTIBLE BOND** (continued)

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

	<b>Group and Company RMB'000</b>
<b>For the year ended 31 December 2008</b>	
Face value of the convertible bond issued	4,314,000
Equity component	(424,821)
Transaction costs	(107,850)
	<hr/>
Liability component on initial recognition at 22 February 2008	3,781,329
Interest expenses (note 29)	291,078
Interest paid	(53,925)
	<hr/>
Liability component as at 31 December 2008	4,018,482
<b>For the year ended 31 December 2009</b>	
Liability component as at 1 January 2009	<b>4,018,482</b>
Interest expenses (note 29)	<b>367,879</b>
Interest paid	<b>(107,850)</b>
	<hr/>
Liability component as at 31 December 2009	<b>4,278,511</b>

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% per annum to the liability component.

The fair value of the liability component of the convertible bond at 31 December 2009 amount to RMB4,454,205,000. The fair value is calculated using the market price of the convertible bond on the balance sheet date (or the nearest day of trading).

Up to 31 December 2009, there was no conversion or redemption of the convertible bond.

## Notes to the Consolidated Financial Statements

### 22 SENIOR NOTES

On 2 September 2009, the Company issued senior notes in an aggregate principal amount of US\$ 300,000,000. On 16 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of US\$ 75,000,000 (collectively the “Notes”). The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes carry interest at the rate of 11.75% per annum, payable semi-annually on March 10 and September 10 in arrears, and will mature on 10 September 2014, unless redeemed earlier.

At any time, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus certain premium as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to September 10, 2012, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 111.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 12.11% per annum to the liability component since the Notes were issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2009.

The Notes recognised in the balance sheet were calculated as follows:

	<b>Group and Company 2009 RMB'000</b>
Initial fair value on the date of issuance	<b>2,527,698</b>
Exchange gains	<b>(1,743)</b>
Interest expenses (note 29)	<b>76,468</b>
Carrying amount as at 31 December 2009	<b>2,602,423</b>

The fair value of the Notes at 31 December 2009 amount to RMB2,568,794,000. The fair value is calculated using the market price of the Notes on the balance sheet date (or the nearest day of trading).

## Notes to the Consolidated Financial Statements

### 23 DERIVATIVE FINANCIAL INSTRUMENTS

Upon the issue of the RMB denominated USD settled 2.5% convertible bond as disclosed in note 21, 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.

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 (note 26).

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

	<b>Group and Company</b>	
	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Equity Swap	<b>990,124</b>	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 RMB1,707 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 RMB1,707 million).

## Notes to the Consolidated Financial Statements

## 24 DEFERRED INCOME TAX – GROUP

The analysis of deferred tax assets and liabilities is as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	482,912	683,757
– to be realised within 12 months	481,345	408,600
	964,257	1,092,357
Deferred income tax liabilities:		
– to be settled after more than 12 months	(383,413)	(339,196)
	580,844	753,161

	As at 31 December	
	2009 RMB'000	2008 RMB'000
The net movement on the deferred income tax account is as follows:		
Beginning of the year	753,161	389,325
Recognised in profit or loss (note 30)	(172,317)	363,836
End of the year	580,844	753,161

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

## Notes to the Consolidated Financial Statements

## 24 DEFERRED INCOME TAX — GROUP (continued)

Deferred income 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 2008	16,927	536	78,900	413,529	46,220	556,112
(Charged)/credited to profit or loss	(16,927)	—	92,618	270,228	190,326	536,245
At 31 December 2008	—	536	171,518	683,757	236,546	1,092,357
At 1 January 2009	—	536	171,518	683,757	236,546	1,092,357
(Charged)/credited to profit or loss	—	—	27,286	(200,845)	45,459	(128,100)
At 31 December 2009	—	536	198,804	482,912	282,005	964,257

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 2009 of RMB15,612,000 (2008: RMB13,871,000) in respect of accumulated losses amounting to RMB62,448,000 as at 31 December 2009 (2008: RMB55,486,000). Accumulated losses amounting to RMB690,000, RMB2,158,000, RMB15,266,000, RMB37,372,000 and RMB6,962,000 as at 31 December 2009 will expire in 2010, 2011, 2012, 2013 and 2014 respectively.

Deferred income tax liabilities:

	Fair value gain on assets acquired RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Withholding tax on profit to be distributed in future RMB'000 (note)	Total RMB'000
At 1 January 2008	(70,021)	(96,766)	—	(166,787)
Credited/(charged) to profit or loss	5,062	(122,158)	(55,313)	(172,409)
At 31 December 2008	(64,959)	(218,924)	(55,313)	(339,196)
At 1 January 2009	(64,959)	(218,924)	(55,313)	(339,196)
Credited/(charged) to profit or loss (note)	1,373	3,297	(48,887)	(44,217)
At 31 December 2009	(63,586)	(215,627)	(104,200)	(383,413)

## Notes to the Consolidated Financial Statements

**24 DEFERRED INCOME TAX – GROUP** (continued)

Note:

The RMB48,887,000 of withholding tax charged to profit or loss represented the RMB85,148,000 of current year's charge net off of RMB36,261,000 of reversal of prior year's charge representing the portion of dividends in the form of the Company's ordinary shares which is not subject to withholding tax (note 18 (b)).

**25 TRADE AND OTHER PAYABLES**

	Group As at 31 December		Company As at 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables (note)	4,170,017	3,851,857	—	—
Other payables — third parties	1,652,528	971,931	—	—
Other taxes payable	283,111	285,609	—	—
Staff welfare benefit payable	409,546	324,607	—	—
Accrued expenses	48,029	51,670	—	176
	<b>6,563,231</b>	5,485,674	—	176

The carrying amounts of trade and other payables approximate their fair values.

Note:

The aging analysis of trade payables was as follows:

	Group As at 31 December	
	2009 RMB'000	2008 RMB'000
Within 90 days	3,948,097	3,733,858
Over 90 days and within 180 days	94,430	35,656
Over 180 days and within 365 days	57,531	34,849
Over 365 days	69,959	47,494
	<b>4,170,017</b>	3,851,857

## Notes to the Consolidated Financial Statements

## 26 OTHER GAINS — NET

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Gain on disposal of available-for-sale financial assets (note)	113,996	—
Forfeiture income	16,925	18,411
Gain/(loss) on disposals of property, plant and equipment (note 32)	8,513	(660)
Return on equity swap (note 23)	8,582	27,006
Others	40,729	6,497
	<b>188,745</b>	51,254

Note:

Available-for-sale financial assets represented the Group's investment in The Rural Credit Cooperatives Union of Shunde ("RCCS") in the PRC which was stated at cost at 31 December 2008. On 15 October 2009, the Group entered into an agreement with Guangdong Elite Architectural Co., Ltd. ("Elite Architectural"), a related party of the Group, to sell its 29,999,000 shares of RCCS at a consideration of RMB1.28 per share to Elite Architectural (the "Share Transfer Agreement") as a result of the restructuring of RCCS to Shunde Commercial Bank ("SCB"). The RMB1.28 per share was determined with reference to the price which RCCS bought back its shares. It was the understanding between the parties at the time of signing of the Share Transfer Agreement that if the restructuring of RCCS was finally approved by China Banking Regulatory Committee ("CBRC") and the promoter shares of SCB were to be issued at the issue price of RMB4.8 per share (the "Issue Price"), Elite Architectural would make up the shortfall amount with reference to the Issue Price. The Restructuring was approved by CBRC in December 2009. On 19 January 2010, the Group entered into an side agreement with Elite Architectural and pursuant to the side agreement, Elite Architectural Co. agreed to make a payment of RMB105,596,480, being the shortfall amount with reference to the Issue Price, to the Group. The total consideration of RMB143,995,200 has been received by the Group as of the date of this report.

## Notes to the Consolidated Financial Statements

## 27 EXPENSES BY NATURE

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Auditor's remuneration	6,500	6,750
Advertising costs	97,066	234,862
Amortisation of intangible assets (note 8)	3,722	3,415
Business taxes and other levies (note)	1,035,904	1,112,778
Costs of completed properties sold	9,465,266	4,942,207
Donations	74,948	81,304
Depreciation (notes 6 and 7)	219,103	167,844
Employee benefit expenses (note 28)	2,104,736	2,623,052
Land use rights amortisation (note 9)	186,634	160,395
Surveillance charges	12,529	14,543
Rental expenses	19,193	18,562
Land usage taxes	31,551	99,901
Others	858,657	796,506
Total cost of sales, selling and marketing costs and administrative expenses	14,115,809	10,262,119

Note:

#### 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%

## Notes to the Consolidated Financial Statements

## 28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Wages and salaries	2,023,465	2,521,768
Retirement scheme contribution (note a)	13,875	17,292
Staff welfare	31,716	39,526
Medical benefits	27,751	34,585
Other allowances and benefits	7,929	9,881
	<b>2,104,736</b>	<b>2,623,052</b>

## (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.

## (b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of director	Employer's Compensation							Total RMB'000
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	contribution to pension scheme RMB'000	for loss of office as director RMB'000	
Mr. Yeung Kwok Keung	—	3,500	—	—	—	9	—	3,509
Mr. Cui Jianbo	—	2,000	—	—	—	6	—	2,006
Mr. Yang Erzhu	—	2,000	—	—	—	9	—	2,009
Ms. Yang Huiyan	—	1,700	—	—	—	6	—	1,706
Mr. Su Rubo	—	2,000	—	—	—	9	—	2,009
Mr. Zhang Yaoyuan	—	1,900	—	—	—	—	—	1,900
Mr. Ou Xueming	—	1,800	—	—	—	—	—	1,800
Mr. Yang Zhicheng	—	1,700	—	—	—	6	—	1,706
Mr. Yang Yongchao	—	1,900	—	—	—	6	—	1,906
Mr. Lai Ming, Joseph	300	—	—	—	—	—	—	300
Mr. Shek Lai Him, Abraham	300	—	—	—	—	—	—	300
Mr. Tong Wui Tung, Ronald	300	—	—	—	—	—	—	300
	<b>900</b>	<b>18,500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>51</b>	<b>—</b>	<b>19,451</b>

## Notes to the Consolidated Financial Statements

**28 EMPLOYEE BENEFIT EXPENSES** (continued)**(b) Directors' and senior management's emoluments** (continued)

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 contribution to pension scheme RMB'000	Compensation for loss of office as director RMB'000	Total 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

During 2009 and 2008, 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.

## Notes to the Consolidated Financial Statements

**28 EMPLOYEE BENEFIT EXPENSES** (continued)**(c) Five highest individuals**

The five individuals whose emoluments were the highest in the Group for the year including two (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three(2008: one) individual during the year are as follows:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Salaries and other benefits	7,844	3,351
Retirement scheme contributions	347	167
	<b>8,191</b>	<b>3,518</b>

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
HK\$2,000,000 to HK\$3,000,000	2	—
HK\$3,000,000 to HK\$4,000,000	1	1

**29 FINANCE COSTS — NET**

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Interest expense:		
— Bank borrowings	680,381	541,252
— Convertible bond (note 21)	367,879	291,078
— Senior notes (note 22)	76,468	—
Net foreign exchange loss on financing activities	1,056	241,502
Finance costs	<b>1,125,784</b>	1,073,832
Less: amounts capitalised on qualifying assets (note 10)	<b>(403,359)</b>	—
	<b>722,425</b>	1,073,832
Finance income:		
— Interest income on short-term bank deposits	<b>(70,505)</b>	(74,762)
Finance costs — net	<b>651,920</b>	999,070

## Notes to the Consolidated Financial Statements

## 30 INCOME TAX EXPENSES

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Current income tax		
– PRC enterprise income tax (note (a))	684,687	1,334,277
– Hong Kong profits tax (note (b))	—	—
– Land appreciation tax (note (c))	275,394	875,869
Deferred income tax (note 24)		
– PRC enterprise income tax	123,430	(419,149)
– Withholding tax on profit to be distributed in future	48,887	55,313
	<b>1,132,398</b>	1,846,310

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	
	2009 RMB'000	2008 RMB'000
Profit before income tax	3,258,126	3,261,325
Tax calculated at PRC corporate income tax rate of 25% (2008: 25%)	814,532	815,331
Land appreciation tax deductible for calculation of income tax purpose	(68,849)	(218,967)
Effect of different tax rate	(45)	(77)
Effect of tax exemption	(64,040)	(196,644)
Tax losses not recognised as deferred income tax assets	15,612	13,871
Income not subject to tax	(62,877)	(4,092)
Expenses not deductible for tax	173,784	505,706
Withholding tax on profit to be distributed in future	48,887	55,313
	<b>857,004</b>	970,441
Land appreciation tax	<b>275,394</b>	875,869
	<b>1,132,398</b>	1,846,310

## Notes to the Consolidated Financial Statements

### 30 INCOME TAX EXPENSES (continued)

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.

As approved by the local tax authority in August 2006, Giant Leap Construction Co., a subsidiary of the Group, 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 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 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.

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.

- (b) No Hong Kong profits tax was provided for the year 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.

### 31 DIVIDENDS

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Proposed final dividend of RMB4.50 cents per share (2008: RMB3.00 cents) (note)	<b>740,320</b>	490,800

Note:

The dividends paid in 2009 and 2008 were RMB490,800,000 (RMB3.00 cents per ordinary share) and RMB1,557,472,000 (RMB9.52 cents per ordinary share) respectively. The directors recommend the payment of a 2009 final dividend of RMB4.50 cents per ordinary share, totalling RMB740,320,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 20 May 2010. These financial statements do not reflect this dividend payable.

## Notes to the Consolidated Financial Statements

## 32 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Profit for the year	<b>2,125,728</b>	1,415,015
Adjustments for:		
Income tax expense (note 30)	<b>1,132,398</b>	1,846,310
Interest income (note 29)	<b>(70,505)</b>	(74,762)
Interest expense (note 29)	<b>721,369</b>	832,330
Net foreign exchange loss (note 29)	<b>1,056</b>	241,502
Depreciation (notes 6 and 7)	<b>219,103</b>	167,844
Amortisation of land use rights (note 9)	<b>186,634</b>	160,395
Amortisation of intangible assets (note 8)	<b>3,722</b>	3,415
(Gain)/Loss on disposals of property, plant and equipment (note below)	<b>(8,513)</b>	660
Gain on disposal of available-for-sale financial assets (note 26)	<b>(113,996)</b>	—
Fair value changes on derivative financial instruments	<b>(251,406)</b>	1,241,530
Changes in working capital (excluding the effects of acquisition of subsidiaries):		
Property under development and completed properties held for sale	<b>(585,081)</b>	(11,162,027)
Inventories	<b>(175,009)</b>	(37,649)
Land use rights	<b>(2,404,099)</b>	(3,142,347)
Restricted cash	<b>(1,087,219)</b>	(1,714,600)
Trade and other receivables	<b>(3,575,884)</b>	1,651,369
Prepaid taxes	<b>146,111</b>	60,844
Trade and other payables	<b>501,084</b>	2,855,670
Deferred government grants	<b>107,780</b>	—
Advanced proceeds received from customers	<b>4,926,084</b>	1,944,937
Cash generated from/(used in) operations	<b>1,799,357</b>	(3,709,564)

## Notes to the Consolidated Financial Statements

### 32 CASH GENERATED FROM/(USED IN) OPERATIONS (continued)

Note:

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Net book amount disposed	29,534	2,509
Less: Gain/(Loss) on disposals	8,513	(660)
Proceeds from disposal of property, plant and equipment	38,047	1,849

#### Non-cash transaction:

The principal non-cash transaction is the issue of shares to settle partial 2008 final dividend as a result of the scrip dividend scheme (note 18(b)).

### 33 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB674,030,000 (2008: RMB211,932,000).

### 34 EARNINGS PER SHARE

#### (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 year, excluding ordinary shares purchased by the Company and held as treasury shares (note 18(a)).

	Year ended 31 December	
	2009 (RMB cents per share)	2008 (RMB cents per share)
Profit attributable to equity holders of the Company — Basic	12.73	8.45
Weighted average number of ordinary shares in issue (thousands)	16,337,278	16,314,691

## Notes to the Consolidated Financial Statements

**34 EARNINGS PER SHARE** (continued)**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only dilutive potential ordinary shares is the convertible bond. The convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses. Since the impact of conversion of convertible bond on earnings per share is anti-dilutive for the years ended 31 December 2009 and 2008, diluted earnings per share equaled to basic earnings per share.

**35 CONTINGENCIES**

The Group had the following contingent liabilities:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note)	13,540,342	10,450,826

Note:

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 2009 of RMB256,375,000 (2008: RMB392,219,000) was to be discharged two years from the day the mortgaged loans become due; and RMB13,283,967,000 (2008: RMB10,058,607,000), 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.

## Notes to the Consolidated Financial Statements

**36 COMMITMENTS – GROUP****(a) Commitments for capital and property development expenditures**

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Contracted but not provided for		
Property, plant and equipment	35,384	23,625
Property development expenditure (including land premium)	16,269,548	6,000,788
	<b>16,304,932</b>	<b>6,024,413</b>

**(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	
	2009 RMB'000	2008 RMB'000
Not later than one year	3,361	13,634
Later than one year and not later than five years	29,442	17,938
Later than five years	8,503	16,313
	<b>41,306</b>	<b>47,885</b>

**(c) 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	
	2009 RMB'000	2008 RMB'000
Not later than one year	37,662	31,140
Later than one year and not later than five years	158,674	122,990
Later than five years	63,131	152,476
	<b>259,467</b>	<b>306,606</b>

## Notes to the Consolidated Financial Statements

### 37 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 Ziyang, Ms. Ou Jieping, Ms. Ou Jieling and Mr. Wu Weizhong.

##### *Controlled by Shareholders*

Guangdong Elite Architectural Co., Ltd.  
Qingyuan Country Garden

廣東博意建築設計院有限公司  
清遠碧桂園物業發展有限公司

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

Foshan Shunde Jiangkou Water Plant Co., Ltd.  
Zengcheng Crystal Water Plant Co., Ltd.  
Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.  
Grand Cement

佛山市順德區江口自來水有限公司  
增城市清源自來水廠有限公司  
佛山市順德區樂而康玻璃鋼製品有限公司  
佛山市順德區鴻業水泥製品有限公司

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.

## Notes to the Consolidated Financial Statements

**37 RELATED PARTY TRANSACTIONS** (continued)**(b) Transactions with related parties**

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

	Year ended 31 December	
	2009	2008
<b>(i) 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	<b>366,825</b>	335,109

	Year ended 31 December	
	2009	2008
<b>(ii) 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.	<b>226,385</b>	180,955

	Year ended 31 December	
	2009	2008
<b>(iii) 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
佛山市順德區江口自來水有限公司		
Foshan Shunde Jiangkou Water Plant Co., Ltd.	<b>1,966</b>	5,327
增城市清源自來水廠有限公司		
Zengcheng Crystal Water Plant Co., Ltd.	<b>11,941</b>	11,964
佛山市順德區鴻業水泥製品有限公司		
Grand Cement	<b>81,945</b>	190,651
	<b>95,852</b>	208,058

## Notes to the Consolidated Financial Statements

**37 RELATED PARTY TRANSACTIONS** (continued)**(b) Transactions with related parties** (continued)

	Year ended 31 December	
	2009	2008
<b>(iv) Disposal of available-for-sale financial assets</b> <b>(note 26):</b>		
<b>Controlled by Shareholders:</b>		
廣東博意建築設計院有限公司		
Guangdong Elite Architectural Co., Ltd.	<b>143,995</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.

**(c) Key management compensation**

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Salaries and other short-term employee benefits	<b>26,946</b>	20,889
Retirement scheme contributions	<b>399</b>	48
	<b>27,345</b>	20,937

## Notes to the Consolidated Financial Statements

## 37 RELATED PARTY TRANSACTIONS (continued)

## (d) Balances with related parties

As at 31 December 2009 and 2008, the Group had the following significant trading balances with related parties:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
<b>(i) Balance due from related parties</b>		
<b>– included in amount due from customers of contract work:</b>		
<b>Controlled by Shareholders:</b>		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	<b>175,110</b>	292,624
<b>– included in other receivables:</b>		
<b>Controlled by Shareholders:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	<b>144,403</b>	—
<b>(ii) 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.	<b>134,050</b>	41,801
<b>Controlled by Shareholders and their close family members:</b>		
佛山市順德區鴻業水泥製品有限公司 Grand Cement	<b>39,643</b>	7,923
	<b>173,693</b>	49,724

Trading balances due from/to related parties are unsecured, interest-free and settled according to the contract terms.

## Notes to the Consolidated Financial Statements

**38 PARTICULARS OF PRINCIPAL SUBSIDIARIES**

The following is a list of principal subsidiaries at 31 December 2009:

<b>Name</b>	<b>Date of incorporation/ establishment</b>	<b>Nominal value of issued and fully paid share capital/paid-in capital</b>	<b>Percentage of attributable equity interest</b>	<b>Principal activities</b>
<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) Development 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

## Notes to the Consolidated Financial Statements

## 38 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
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 International Limited	7 April 2006	US\$200	100%	Investment holding
Boavista Investments Limited	7 April 2006	US\$200	100%	Investment holding
Impreza Group Limited	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 (騰越建築公司)	25 March 1997	RMB 700,000,000	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 1,387,491,620	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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
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 107,871,900	100%	Decoration and design
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 Services 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 924,656,773	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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
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 Real Estate 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

## Notes to the Consolidated Financial Statements

## 38 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
Guangzhou Huanan Country Garden Property Development Co., Ltd. (“Huanan Property Development”) 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
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 1,162,500,000	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 Huarui 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

## Notes to the Consolidated Financial Statements

## 38 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 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
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 220,284,585	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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 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. 肇慶市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

## Notes to the Consolidated Financial Statements

## 38 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
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
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 1,350,000,000	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

## Notes to the Consolidated Financial Statements

## 38 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 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 158,537,947	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 218,812,923	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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 Shenbei Xincheng Yidong Real Estate Co., Ltd 瀋陽沈北新城伊東置業有限公司	18 May 2007	RMB 750,000,000	100%	Property development
Tianjin Xinbi Investment Development 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
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 72,431,243	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 420,000,000	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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
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 224,305,214	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

## Notes to the Consolidated Financial Statements

## 38 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
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 26,971,140	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
Keyouqianqi 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
Keyouqianqi 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

## Notes to the Consolidated Financial Statements

## 38 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
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 Phoenix Hot Spring Hotel Co., Ltd 咸寧碧桂園鳳凰溫泉酒店有限公司	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

## Notes to the Consolidated Financial Statements

## 38 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 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
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 1,000,000	100%	Hotel operation

## Notes to the Consolidated Financial Statements

## 38 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
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 580,000,000	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

## Notes to the Consolidated Financial Statements

## 38 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 180,000,000	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 Dedi Real Estate Co., Ltd 瀋陽德地置業有限公司	9 October 2007	RMB 369,851,683	100%	Property development
Tianjin Shunyin Greenery 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

## Notes to the Consolidated Financial Statements

## 38 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
Wuhu Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB 800,000,000	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 Development 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
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 110,316,223	100%	Manufacturing of furniture
Shenyang Bifeng Greenery Co., Ltd 瀋陽市碧豐綠化工程有限公司	25 December 2007	RMB 500,000	100%	Environmental protection

## Notes to the Consolidated Financial Statements

## 38 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
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
Guangdong Guoliang Construction Co., Ltd. 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

## Notes to the Consolidated Financial Statements

## 38 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
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 100,000,000	100%	Property development
Chaohu Zhongmiao Countrygarden Water Services 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
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 60,000,000	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 183,000,000	100%	Property development
Hexian Country Garden Water Services Co., Ltd 和縣碧桂園水務有限公司	9 October 2008	RMB 500,000	100%	Water Service

## Notes to the Consolidated Financial Statements

## 38 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 Bijing Electronic 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 for household appliance
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
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發 有限公司	25 September 2009	RMB 600,000,000	100%	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產 開發有限公司	13 November 2009	RMB 860,000,000	100%	Property development
Shenyang Qipanshan Country Garden Property Development Co., Ltd. 瀋陽市棋盤山碧桂園房地產 開發有限公司	28 September 2009	RMB 176,134,163	100%	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資 有限公司	4 December 2009	RMB 100,000,000	55%	Property development

## Notes to the Consolidated Financial Statements

## 38 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
Kaiping Xinzhihe Property Development Co., Ltd. 開平市新智合房地產開發有限公司	6 November 2006	RMB 40,000,000	100%	Property development
Foshan Nanhai Wonderland Property Development Co., Ltd. 佛山市南海山水桃園房地產開發有限公司	22 March 2004	RMB 60,000,000	100%	Property development
Huaiji Country Garden Property Development Co., Ltd. 懷集碧桂園房地產開發有限公司	2 November 2009	RMB 30,000,000	100%	Property development
Zhongshan Country Garden Property Development Co., Ltd. 中山市碧桂園房地產開發有限公司	28 October 2009	RMB 20,000,000	100%	Property development
Deqing Country Garden Property Development Co., Ltd. 德慶碧桂園房地產開發有限公司	24 November 2009	RMB 30,000,000	100%	Property development
Beiliu Country Garden Property Development Co., Ltd. 北流市碧桂園房地產開發有限公司	1 December 2009	RMB 50,000,000	100%	Property development

## Notes to the Consolidated Financial Statements

## 38 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
Yunfu Country Garden Property Development Co., Ltd. 雲浮市碧桂園房地產開發有限公司	18 December 2009	RMB 50,000,000	100%	Property development
Zhongshan Henglan Country Garden Property Development Co., Ltd. 中山橫欄碧桂園房地產開發有限公司	24 December 2009	RMB 20,000,000	100%	Property development
Foshan Shunde Xinbi Trading Co., Ltd. 佛山市順德區新碧貿易有限公司	16 January 2009	RMB 40,000,000	100%	Trading
Shenyang Qipanshan Country Garden Hotel Co., Ltd. 瀋陽市棋盤山碧桂園酒店有限公司	27 November 2009	RMB 1,000,000	100%	Hotel operation
Foshan Shunde Longjiang Country Garden Phoenix Hotel Co., Ltd. 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2009	RMB 30,000,000	100%	Hotel operation
Fogang Huaxin Real Estate Co., Ltd. 佛岡華欣置業有限公司	26 October 2009	RMB 52,818,000	100%	Decoration afforestation land consolidation

## Notes to the Consolidated Financial Statements

## 38 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
Qingyuan Holiday Islands Country Garden Real Estate Development Co., Ltd. 清遠假日半島碧桂園置業 發展有限公司	7 July 2009	RMB 100,000,000	100%	Property development

- <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.

## 39 SUBSEQUENT EVENTS

Apart from the subsequent event as disclosed in note 26, the Group has the following subsequent events:

On 25 February 2010, the Company announced a solicitation of consents (the "Consent Solicitation") to certain proposed amendments (the "Proposals") to the Indenture, dated as of 10 September 2009 (as supplemented or amended to the date hereof, the "Indenture"), by and between the Company, its Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon, as trustee (the "Trustee"), governing its 11.750% senior notes due 2014 (the "Notes").

On 10 March 2010, the Company has received the requisite number of unrevoked consents from the holders of the Notes necessary for the Proposals. On 12 March 2010, the Company and its Subsidiary Guarantors executed a supplemental Indenture with the Trustee to give effect to the Proposals.

# Financial Summary

## CONSOLIDATED RESULTS

	Year ended 31 December				2009 RMB'000
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	
Revenue	5,191,485	7,940,937	17,735,011	15,712,790	<b>17,585,704</b>
Profit before income tax	1,293,871	2,190,703	6,810,882	3,261,325	<b>3,258,126</b>
income tax expense	(704,358)	(518,224)	(2,607,141)	(1,846,310)	<b>(1,132,398)</b>
<b>Profit for the year</b>	<b>589,513</b>	<b>1,672,479</b>	<b>4,203,741</b>	<b>1,415,015</b>	<b>2,125,728</b>
<b>Attributable to:</b>					
Owners	615,425	1,519,473	4,135,908	1,378,207	<b>2,079,796</b>
Minority interests	(25,912)	153,006	67,833	36,808	<b>45,932</b>
	<b>589,513</b>	<b>1,672,479</b>	<b>4,203,741</b>	<b>1,415,015</b>	<b>2,125,728</b>
<b>Earnings per Share</b>					
Basic	N/A	11.17 cents	26.63 cents	8.45 cents	<b>12.73 cents</b>

## CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As of 31 December				2009 RMB'000
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	
<b>ASSETS</b>					
Non-current assets	3,968,049	3,904,324	14,088,504	15,672,621	<b>21,041,265</b>
Current assets	10,058,667	11,407,043	24,545,511	34,442,439	<b>42,657,275</b>
Total assets	<b>14,026,716</b>	<b>15,311,367</b>	<b>38,634,015</b>	<b>50,115,060</b>	<b>63,698,540</b>
<b>EQUITY AND LIABILITIES</b>					
Total equity	2,321,838	1,475,362	19,399,120	19,380,669	<b>21,299,674</b>
Non-current liabilities	4,357,902	2,989,157	4,394,187	10,602,458	<b>16,000,254</b>
Current liabilities	7,346,976	10,846,848	14,840,708	20,131,933	<b>26,398,612</b>
Total liabilities	<b>11,704,878</b>	<b>13,836,005</b>	<b>19,234,895</b>	<b>30,734,391</b>	<b>42,398,866</b>
Total equity and liabilities	<b>14,026,716</b>	<b>15,311,367</b>	<b>38,634,015</b>	<b>50,115,060</b>	<b>63,698,540</b>

# 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

## AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan  
 Mr. CUI Jianbo  
 Ms. NG Yi Kum, Estella (alternate to Ms. YANG Huiyan)  
 Ms. NG Chi Man (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

## Corporate Information

### 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>



