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# CORPORATE INFORMATION

## DIRECTORS

### *Executive Directors*

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  
Mr. Yang Yongchao

### *Independent non-executive Directors*

Mr. Lai Ming, Joseph  
Mr. Shek Lai Him, Abraham  
Mr. Tong Wui Tung, Ronald

## QUALIFIED ACCOUNTANT

Mr. Wong Tak Chuen, *FCPA, FCCA*

## COMPANY SECRETARY

Mr. Huen Po Wah, *ACIS, ACS*

## COMPLIANCE ADVISOR

Taifook Capital Limited

## AUTHORIZED REPRESENTATIVES

Ms. Yang Huiyan  
Mr. Cui Jianbo  
Mr. Wong Tak Chuen (alternate to Ms. Yang Huiyan)  
Mr. Chan Che Kan, Edward (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

Country Garden  
Beijiao Town  
Shunde District  
Foshan  
Guangdong 528312  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Agricultural Bank of China  
Bank of China Limited  
Industrial and Commercial Bank of China Limited  
China Construction Bank Corporation

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISORS

Woo Kwan Lee & Lo  
lu, Lai & Li

## STOCK CODE

The shares of Country Garden Holdings Company Limited are listed on The Stock Exchange of Hong Kong Limited (Stock code: 2007)

## CORPORATE PROFILE

Country Garden Holdings Company Limited (“Country Garden” or the “Company”) is one of the leading integrated property developers in the People’s Republic of China (the “PRC”), with substantially all of its assets and operations based in the PRC. With unique industrial model of large-scale developments and rapid asset turnover, supported by its vertically integrated operation model, which comprises construction, installation, fitting, project development, project management as well as hotel development and management, Country Garden can offer a broad range of products to cater to the different market demand. It offers various products include large-scale residential projects like villas, townhouses and apartment buildings, parking spaces and retail shops. Ancillary to its property projects and to enhance the potential for value appreciation, it also develop and manage hotels within some of its projects.

As of 31 December 2006, the Company and its subsidiaries (collectively the “Group”) have 23 projects with an aggregate completed gross floor area (“GFA”) of 6,237,192 sq.m., on which it had built 36,951 units to house an estimated 129,000 people, an aggregate GFA under development of 4,281,889 sq.m., and an aggregate GFA of 12,525,272 sq.m., relating to land held for future development.

Founded in 1997, Country Garden continues to benefit from the flourishing economy of the PRC, particularly in Guangdong Province. Country Garden residential home projects are generally located in newly urbanized areas and suburban areas of large cities, and the center of medium-sized cities. While the local residents in Guangdong Province constitute its core customer base, it has also generated demand from residents in Hong Kong, Macau and neighboring provinces. Today, Country Garden has a presence in a number of strategically selected locations beyond Guangdong Province. These are Hunan Province, Inner Mongolia, Jiangsu Province and Liaoning Province, in the PRC etc.

Country Garden has become one of the renowned brands in the property market of the PRC. “Country Garden” is named as China’s Well-Known Trademark (中國馳名商標) in the property sector awarded by the PRC State

Administration for Industry and Commerce in 2006 (only two property developers in the PRC have been given such recognition).

On 20 April 2007, Country Garden is successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with a total market capitalization of HK\$116.3 billion as at the close of its trading debut. As at 31 December 2006, the Group’s combined total assets amounted to approximately RMB15,311.4 million.

In the years to come, Country Garden will continue to leverage on its competitiveness of large scale and low-cost land bank to strengthen its existing position and strive to become one of the leading large-scale residential property developer with a national presence and brand name.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the first annual report of Country Garden upon our listing on the Main Board of the Stock Exchange on 20 April 2007.

The year of 2006 was significant to the Group in terms of growth and corporate development. During the year, the Group devoted to the preparation for the listing and fulfilled the stringent requirements of the international equity market and successfully enhanced its management standard through the listing exercise. With the dedication of all our staff and support from other professionals, the Company achieved great success during the initial public offering of its shares in April 2007. The listing has laid down a new milestone to the Company. Our Company was well received among institutional and public investors. The Hong Kong public offer tranche was oversubscribed by more than 255.7 times, it has frozen over HK\$333.5 billion from public investors, the second-largest amount in the history of the local bourse. Net proceeds raised amounted to approximately HK\$12.5 billion, a token of the confidence of the investors towards the prospects of the PRC property market and the Group. This is an important milestone of the Group's business development and is a recognition to our efforts in bringing to the market the best products ever since our inception.

During the year under review, the Group continued to leverage on its large scale and low-cost land reserve and realized the benefit of economies of scale and proven vertically integrated operation, and delivers a remarkable growth in net profit.

For the year under review, the Group recorded total revenue and gross profit of approximately RMB7,941 million and RMB2,644 million respectively, representing an increase of 53.0% and 53.6%, respectively, over the prior year. Profit for the year increased by 183.7% to RMB1,672.5 million in 2006 from RMB589.5 million in 2005.

In 2006, Country Garden was named as one of the only two national "China's Well-Known Trademarks" in the property sector by the PRC State Administration for Industry and Commerce. This demonstrates our prestigious status among our existing and prospective customers.

Looking forward, we are committed to maximize returns through large-scale developments and rapid asset turnover, while maintaining our existing operational model, replicating this in new high-growth areas and expanding our presence outside Guangdong. With the dedication of our seasoned management team and a dynamic and healthy working force, Country Garden will explore further on our competitive strengths, seeking to become one of the leading large-scale residential property developers with a strong national presence and brand name.

The outstanding results of the Group in the past decade were attributable to the concerted efforts of the management and the staff. I wish to take this opportunity to express my sincere gratitude to the local governments for their continued supports in providing us a favourable operating environment, as well as to the staff of the Group for their dedication, loyalty and contribution during the year. I would also like to thank our customers, business partners, shareholders and associates in the financial sector for their unreserved support in making this year another fruitful one for Country Garden.

**Yeung Kwok Keung**  
*Chairman*

Hong Kong, the PRC, 20 April 2007

# BUSINESS OVERVIEW

## PROPERTY DEVELOPMENT

As of 31 December 2006, the Group had twenty-three projects at various stages of development. Twenty-one of the projects are located in Guangdong Province including eight in Guangzhou, five in Foshan, four in Jiangmen, one in Yangjiang, one in Shaoguan, one in Zhaoqing and one in Huizhou. Another two projects are located in other provinces including one in Changsha in Hunan Province, and one in Manzhouli in Inner Mongolia Autonomous Region.

As of 31 December 2006, the Group's twenty-three project had an aggregate completed GFA of 6,237,192 sq.m., on which it had built 36,951 units to house an estimated 129,000 people, an aggregate GFA under development of 4,281,889 sq.m., and an aggregate GFA of 12,525,272 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 provide post-sales property management and services to the residents of each of the projects developed.

As of 31 December 2006, the Group had approximately 11,544 staff members working for its 21 property management branches. The Group aims to continue to provide to purchasers of our properties comprehensive post-sales property management and services, including public security and assisting the management of public order, maintenance of public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. The Group has established a market reputation for the quality of these services. 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.

## HOTELS DEVELOPMENT AND OPERATION

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

The development status of the Group's hotel properties is as follows:

Name of Hotel	Location	Opening Date	Number of	
			Rooms	Star-rating
Shunde Country Garden Holiday Resort (順德碧桂園度假村)	Shunde Country Garden, Foshan	February 2000	152 rooms	Four-Star
Guangzhou Country Garden Phoenix City Hotel (廣州碧桂園鳳凰城酒店)	Country Garden Phoenix City, Guangzhou	November 2003	573 rooms	Five-Star
Qingyuan Country Garden Holiday Islands Hotel (清遠市碧桂園假日半島酒店)	Qingyuan Holiday Islands Country Garden, Qingyuan	December 2004	201 rooms	According to five-star rating standard (i) (in operation)
Heshan Country Garden Phoenix Hotel (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen	July 2005	111 rooms	According to five-star rating standard (i) (in operation)
Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店)	Wuyi Country Garden, Jiangmen	December 2005	95 rooms	According to five-star rating standard (i) (in operation)

## BUSINESS OVERVIEW (CONTINUED)

Name of Hotel	Location	Opening Date	Number of Rooms	Star-rating
Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店)	Yangjiang Country Garden, Yangjiang	June 2007	349 rooms	According to five-star rating standard (i) (under construction)
Changsha Venice Palace Hotel (長沙威尼斯酒店)	Venice Palace, Changsha	October 2007	354 rooms	According to five-star rating standard (i) (under construction)
Taishan Country Garden Phoenix Hotel (台山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen	February 2008	357 rooms	According to five-star rating standard (i) (under construction)
Xinhui Country Garden Phoenix Hotel (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen	February 2009	350 rooms	According to five-star rating standard (i) (under construction)
Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan	February 2009	357 rooms	According to five-star rating standard (i) (under construction)

*Notes:*

- (i) Hotels are only allowed to apply for star hotel certification after one year of operation.
- (ii) Zhaoqing Gaoyao Country Garden Phoenix Hotel Co. Ltd. had acquired a parcel of land for the construction of a hotel.

Qingyuan Country Garden Holiday Islands Hotel and Heshan Country Garden Phoenix Hotel have commenced the process in applying for five-star rating standard in September 2005 and August 2006 respectively. Qingyuan Country Garden Holiday Islands Hotel has already received recognition from the Guangdong Province Hotel Star-rating Assessment Committee and is awaiting the final recognition from the Star-rating Committee under the China National Tourism Administration. Heshan Phoenix Hotel is in the process of applying to Jiangmen Municipal Tourism Bureau. Its application will be subject to review by the Guangdong Province Hotel Star-rating Assessment Committee and the Star-rating Committee under the China National Tourism Administration.

## BUSINESS OVERVIEW (CONTINUED)

### Business Outlook

The Board is confident of the future prospects of the Group and believes that the Group is one of the largest integrated real estate developers in China. The Group's key objectives are to build its leading position as an integrated property developer in the PRC, and to continue to invest in its land bank as appropriate opportunities arise. To accomplish these objectives, the Group plans to leverage on its leadership in residential property markets in Guangdong Province and other strategically selected districts to extend its operations into new geographical areas and to expand its project portfolio to include non-residential projects.

### Solidifying the leadership in the residential property markets in which the Group currently operate

The Group will continue to focus on the development of large-scale suburban or newly urbanized residential community projects in Guangdong Province and other city such as Changsha City in Hunan Province, the PRC. The Group plans to exploit its extensive land bank, and purchases additional parcels of land where appropriate, to launch further residential sites in these markets that it will design, construct and manage by drawing upon our substantial experience and proven track record in this area.

### Expansion into new geographical areas

The Group will identify and evaluate potential new projects in new geographical areas. The Group is looking to expand its business into other key cities outside of Guangdong

Province in the PRC to achieve a geographically diversified portfolio of projects across mainland China. It will leverage its strong brand name and extensive experience to develop high-quality properties in its chosen markets in these other areas.

### Expansion into non-residential projects

The Group intends to continue to expand its hotel segment by not only incorporating hotels into future residential developments but also identifying suitable locations where it can develop and manage hotels that are independent of its residential projects. The Group believes its existing experience in building and operating hotels that form part of its residential developments will give it a competitive advantage in implementing these plans. It also plan to broaden its property portfolio to include new sectors, such as office properties. It has plans in place for developing office space to meet its own needs and to lease to other companies. This expansion into non-residential projects should enable it to diversify its income stream and achieve higher growth.

By implementing the future plans and strategies, the Group believes that it will be able to further strengthen the "Country Garden" brand and maximize profits and returns to shareholders.

# BUSINESS OVERVIEW (CONTINUED)

## Property Development

### 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 <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	226,374	29 June 2002
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	270,799	100	54,247	53,997	53,812	13 December 2002
Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 一至五期及七期)	Guangzhou (Panyu)	1,017,401	100	683,201	629,618	565,713	30 December 2006
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	559,148	100	414,134	391,894	265,354	25 September 2006
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,973,750	100	1,701,939	1,638,497	1,397,049	27 September 2006
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	428,599	50	268,982	268,982	256,860	8 December 2006
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	505,722	100	56,581	54,992	10,863	30 November 2006
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	532,417	100	20,419	20,219	20,219	10 December 2006
Shunde Country Garden — including Country Garden West Court (順德碧桂園 — 含碧桂園西苑)	Foshan (Shunde)	2,257,458	100	1,598,907	1,556,985	1,403,992	30 December 2006
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	274,708	90	68,854	59,025	58,783	15 July 2002
Peninsula Country Garden (半島碧桂園)	Foshan (Shunde)	294,490	100	183,822	180,390	176,095	14 September 2006
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	992,358	100	194,629	189,698	167,816	29 September 2006
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,330	100	18,371	18,371	0	30 December 2006
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,156,538	100	319,005	307,675	184,149	18 October 2006
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	688,219	100	301,330	294,583	185,996	14 October 2006
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	389,734	100	112,221	97,835	35,629	3 November 2006
Total:		15,179,893		6,237,192	6,001,621	5,008,704	

Note:

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



# BUSINESS OVERVIEW (CONTINUED)

## Properties Under Development

Project	City (District)	Aggregate GFA for entire project sq.m.	Interest attributable to the Company (%)	GFA under development <sup>(1)</sup> sq.m.	Total saleable GFA under development <sup>(2)</sup> sq.m.	Actual/Estimated commencement date	Total saleable GFA pre-sold <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)	1,017,401	100	229,533	226,453	25 February 2005	90,116	1 May 2006	30 June 2009
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	559,148	100	38,958	38,958	18 October 2005	21,183	9 February 2005	10 April 2007
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,973,750	100	163,693	109,082	29 April 2006	22,371	23 September 2006	10 December 2007
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	428,599	50	139,617	137,648	15 October 2004	129,928	24 July 2005	30 August 2007
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	505,722	100	50,968	50,281	30 June 2006	0	25 December 2005	30 November 2007
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	532,417	100	192,095	190,040	11 January 2006	63,699	28 January 2006	10 December 2007
Shunde Country Garden — including Country Garden West Court (順德碧桂園 — 含碧桂園西苑)	Foshan (Shunde)	2,257,458	100	440,378	438,255	29 June 2005	100,022	1 February 2006	30 August 2008
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	274,708	90	153,284	152,739	9 December 2005	0	28 February 2007	15 May 2008
Peninsula Country Garden (半島碧桂園)	Foshan (Shunde)	294,490	100	110,668	106,922	11 April 2005	104,875	20 August 2005	30 October 2007
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	992,358	100	751,170	745,082	31 May 2006	0	1 January 2008	1 May 2009
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,330	100	397,561	390,742	28 June 2005	285,817	3 January 2006	30 September 2008
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,156,538	100	109,656	114,205	30 April 2006	23,600	1 October 2006	20 November 2007
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	688,219	100	128,223	104,383	30 April 2006	15,895	1 October 2006	30 October 2008
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	515,276	100	109,111	106,882	7 November 2005	53,045	6 August 2006	30 November 2007
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	3,421,215	100	259,095	257,844	31 March 2006	0	28 February 2007	20 May 2008
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	389,734	100	277,513	271,109	29 April 2005	10,130	7 January 2006	20 June 2009
Zhaoqing Gaoxin Lanling Residence (肇慶高新區藍領公寓)	Zhaoqing (Gaoxin)	86,517	100	86,517	86,517	5 September 2006	0	1 December 2007	1 June 2008
Changsha Country Garden (長沙碧桂園)	Changsha (Xingsha)	1,028,463	100	643,849	600,394	1 September 2005	117,029	1 October 2006	30 November 2007
Total:		19,691,343		4,281,889	4,127,536		1,037,710		

### 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.

# BUSINESS OVERVIEW (CONTINUED)

## Properties for Future Development

Project	City (District)	Aggregate GFA for entire project sq.m.	Interest attributable to the Company (%)	GFA for future development <sup>(1)</sup> sq.m.	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completion date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100	28,672	1 October 2008	1 May 2009	30 December 2010
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	270,799	100	216,552	1 October 2007	1 May 2008	30 December 2010
Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 一至五期及七期)	Guangzhou (Panyu)	1,017,401	100	104,667	1 March 2008	1 February 2009	30 December 2010
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	559,148	100	106,056	1 March 2007	1 January 2008	30 December 2009
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,973,750	100	2,108,118	10 November 2006	1 May 2007	1 December 2013
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	428,599	50	20,000	—	—	—
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	505,722	100	398,173	1 April 2007	1 May 2008	1 November 2010
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	532,417	100	319,903	1 February 2007	1 July 2007	20 November 2009
Shunde Country Garden — including Country Garden West Court (順德碧桂園 — 含碧桂園西苑)	Foshan (Shunde)	2,257,458	100	218,173	13 April 2006	30 July 2007	30 December 2009
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	274,708	90	52,570	1 August 2008	3 January 2010	1 July 2011
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	992,358	100	46,559	—	—	—
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	569,330	100	153,398	—	—	—
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,156,538	100	1,727,877	1 June 2007	1 October 2007	1 March 2016
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	688,219	100	258,666	1 November 2006	1 May 2007	30 December 2009
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	515,276	100	406,165	1 April 2007	1 October 2008	30 October 2012
Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	3,421,215	100	3,162,120	1 March 2007	1 January 2008	1 September 2019
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhengguan)	1,460,215	100	1,460,215	1 July 2007	1 October 2007	1 May 2019
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	691,974	90	691,974	—	—	—
Changsha Country Garden (長沙碧桂園)	Changsha (Xingsha)	1,028,463	100	384,614	1 January 2007	1 October 2007	1 September 2009
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier (Manzhouli)	660,800	100	660,800	—	—	—
Total:		22,273,612		12,525,272			

Note:

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

# PROJECT OVERVIEW

## DESCRIPTION OF THE PROPERTY PROJECTS

The following maps show the location of the cities where the 23 projects are located.

Project locations in China



The following sets forth brief descriptions of the 23 projects. The commencement date for a project or the commencement date for a phase of a project is the date the Group starts construction of the first building of the project or phase of development. The completion date for a project or the completion date for a phase of a project is either the date the Group obtains the completion documents or the Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表) from the local government authorities for the last building or phase of the project.

## PROJECT OVERVIEW (CONTINUED)



### GUANGZHOU CITY

- **Country Garden East Court (碧桂園東苑)**

Country Garden East Court is located at the intersection of Yushan West Road and 105 Guo Road, Panyu, Guangzhou City, the PRC. It offers low-rise apartment buildings and retail shops. This development features Country Garden Farm, a commercial pedestrian street and fountain plaza.

Country Garden East Court is being developed by Guangzhou Country Garden Property Development Co., Ltd. ("Guangzhou Country Garden Co."), a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 220,943 sq.m., and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 269,222 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 240,550 sq.m.. Construction of these properties commenced on 16 June 2000 and was completed on 29 June 2002. The completed properties had an aggregate saleable GFA of approximately 238,860 sq.m.. There was no property under development in Country Garden East Court. The properties held for future development had an expected aggregate GFA of approximately 28,672 sq.m..

As of 31 December 2006, the total development costs of Country Garden East Court (including the costs of land acquisition and construction) incurred were RMB590.6 million.

- **Shawan Country Garden (沙灣碧桂園)**

Shawan Country Garden is located at Shawan, Panyu, the PRC. It offers villas and is expected to offer townhouses and high-rise apartment buildings in the future.

It is being developed by Guangzhou Country Garden Co.. The project occupies an aggregate site area of approximately 307,266 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 270,799 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 54,247 sq.m.. Construction of these properties commenced on 14 February 2001 and was completed on 13 December 2002. The completed properties had an aggregate saleable GFA of approximately 53,997 sq.m.. There were no property under developments in Shawan Country Garden. The properties held for future development had an expected aggregate GFA of approximately 216,552 sq.m..

As of 31 December 2006, the total development costs of Shawan Country Garden (including the costs of land acquisition and construction) incurred were RMB202.4 million.

## PROJECT OVERVIEW (CONTINUED)



- **Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 — 一至五期及七期)**

Huanan Country Garden — Phases One to Five and Phase Seven is located on Ying Bin Road, Nan Cun Town, Panyu District, the PRC. Huanan Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. It features a clubhouse, an auditorium, swimming pool, tennis courts, kindergarten, primary school, badminton courts, basketball courts, Chinese restaurants, supermarket, table-tennis rooms, snooker rooms and reading rooms.

Huanan Country Garden — Phases One to Five and Phase Seven has been awarded the title of 2005 China (Guangzhou) Harmonious Residential Community (2005 中國(廣州)和諧人居社區) by Nanfang Daily (南方都市報), 2004 Creditworthy Property Sale Certificate (誠信售樓認證) by Guangdong Construction News of Yangchang Evening Post (羊城晚報報業集團廣東建設報) and Guangdong Property Enterprise Creditworthy Alliance (廣東省房地產企業誠信聯盟發起企業) and 2003 Top Ten Brand Developer (十大最佳品牌開發商) by the Real Estate Magazine (房地產導刊社). It is being developed by Guangzhou Country Garden Co.. The project occupies an aggregate site area of approximately 1,133,278 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,017,401 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 683,201 sq.m.. Construction of these properties commenced on 30 July 1999 and was completed on 30 December 2006. The completed properties had an aggregate saleable GFA of approximately 629,618 sq.m., the properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 229,533 sq.m. The properties held for future development had an expected GFA of approximately 104,667 sq.m..

As of 31 December 2006, the total development costs of Huanan Country Garden — Phases One to Five and Phase Seven (including the costs of land acquisition and construction) incurred were RMB1,847.1 million.

- **Licheng Country Garden (荔城碧桂園)**

Licheng Country Garden is located on Fuqian Road, Licheng Town, Zengcheng City, the PRC, close to Licheng Municipal Plaza. It offers various types of products including villas, townhouses, low-rise apartment buildings, parking spaces and retail shops. It features a lake, a clubhouse, an outdoor swimming pool, tennis courts, badminton courts, basketball court, table-tennis rooms, outdoor children playground, reading rooms, supermarket, kindergarten and a commercial street.

Licheng Country Garden has been awarded the title of 2006 Excellent Real Estate Development for Mortgage (2006年優質按揭樓盤) by the Guangdong branch of China Construction Bank (中國建設銀行廣東省分行), 2004 Advanced Unit in Zengcheng for Driving Civilization in Guangdong Province (增城市創建廣東省文明城市先進單位) by the PRC Communist Party Committee of the People's Government of Zengcheng (增城市人民政府中共增城市委) and 2003 Zengcheng Model Living Community for Property Development (2003年增城市物業管理示範住宅小區) by Zengcheng State-owned Land and Property Bureau (增城市國土房產管理局).

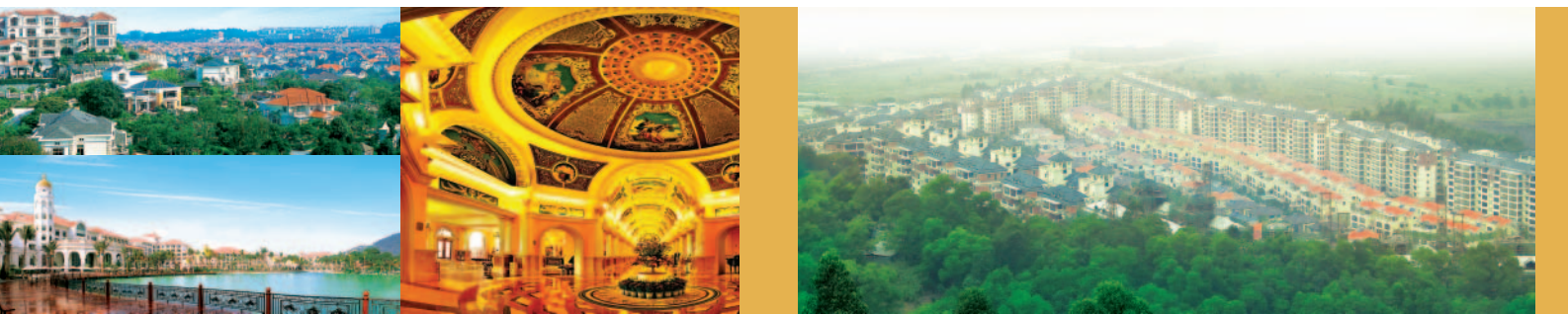
It is being developed by Zengcheng Country Garden Property Development Co. Ltd. ("Zengcheng Country Garden Co."), a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 733,666 sq.m. and has an expected aggregate GFA (including both saleable and non-saleable GFA) of approximately 559,148 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 414,134 sq.m.. Construction of these properties commenced on 31 August 2001 and was completed on 25 September 2006. The completed properties had an aggregate saleable GFA of approximately 391,894 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 38,958 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 106,056 sq.m..

As of 31 December 2006, the total development costs of Licheng Country Garden (including the costs of land acquisition and construction) incurred were RMB967.4 million.



## PROJECT OVERVIEW (CONTINUED)



- **Country Garden Phoenix City (碧桂園鳳凰城)**

Country Garden Phoenix City is located in Xintang Town, Zengcheng City, the PRC, close to Guangshen Highway. It offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, parking spaces and retail shops. This development features Phoenix Island, an international rental community tailored for foreigners, the five-star Guangzhou Country Garden Phoenix City Hotel (廣州碧桂園鳳凰城酒店), Phoenix City Bilingual School (鳳凰城英文學校), Lychee Cultural Village (荔枝文化村), a transportation hub, a recreational center, Dongmen Retail Street and clubhouses.

Phoenix City has been awarded the title of 2004–2005 Grade A Taxpayer of the Credit Ranking of Taxpayers (2004–2005年度納稅信用等級評定A級納稅人) and 2005 Top 100 Taxpaying Enterprise (廣州市2005年度稅務百強) by the Guangzhou Municipal Office of the State Administration of Taxation (廣州市國家稅務局) and Guangzhou Local Taxation Bureau (廣州市地方稅局), 2002–2006 Enterprise of Observing Contract and Valuing Credit (守合同重信用企業) by Guangzhou Industrial and Commercial Administration Bureau (廣州工商行政管理局) and 2005 Top 20 Value Guarantee and Appreciation Property Development in Guangzhou (2005年度廣州保值增值20名盤) by the Guangdong branches of the Industrial and Commerce Bank of China (中國工商銀行), Agricultural Bank of China (中國農業銀行), Bank of China (中國銀行), China Construction Bank (中國建設銀行) and Huanan Property Weekly of People's Daily (人民日報華南地產周刊).

It is being developed by Zengcheng Country Garden Co.. The project occupies an aggregate site area of approximately 6,155,199 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 3,973,750 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 1,701,939 sq.m.. Construction of these properties commenced on 5 November 2001 and was completed on 27 September 2006. The completed properties had an aggregate saleable GFA of approximately 1,638,497 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 163,693 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 2,108,118 sq.m..

As of 31 December 2006, the total development costs of Country Garden Phoenix City (including the costs of land acquisition and construction) incurred were RMB5,175.9 million.

- **Huanan Country Garden — Phase Six (華南碧桂園 — 六期)**

Huanan Country Garden — Phase Six is located on Ying Bin Road, Nan Cun Town, Panyu District, the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, parking spaces and retail shops.

It is being developed by Guangzhou Huanan Country Garden Property Development Co., Ltd., ("Huanan Country Garden Co.") a project company owned equally by the Company and Guangzhou Zhencheng Property Development Co. Ltd. (廣州真誠房地產開發有限公司). The project occupies an aggregate site area of approximately 300,030 sq.m., and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 428,599 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 268,982 sq.m.. Construction of these properties commenced on 7 July 2004 and was completed on 8 December 2006. The completed properties had an aggregate saleable GFA of approximately 268,982 sq.m. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 139,617 sq.m.. The properties held for future development were planned to be used for the construction of a primary school and kindergarten with an aggregate GFA of approximately 20,000 sq.m..

As of 31 December 2006, the total development costs of Huanan Country Garden — Phase Six (including the costs of land acquisition and construction) incurred were RMB969.8 million.

## PROJECT OVERVIEW (CONTINUED)



- **Nansha Country Garden (南沙碧桂园)**

Nansha Country Garden is located on Jingang Road, Guangzhou Nansha Development Zone, the PRC. Guangzhou Metro Line 4 will also reach Nansha directly in December 2007. It offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, parking spaces and retail shops. This development features a clubhouse, Yangguang Plaza, a supermarket and a commercial street.

It is being developed by Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 416,657 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 505,722 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 56,581 sq.m.. Construction of these properties commenced on 29 September 2004 and was completed on 30 November 2006. The completed properties had an aggregate saleable GFA of approximately 54,992 sq.m. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 50,968 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 398,173 sq.m..

As of 31 December 2006, the total development costs of Nansha Country Garden (including the costs of land acquisition and construction) incurred were RMB320.1 million.

- **Holiday Islands — Huadu (假日半島 — 花都)**

Holiday Islands — Huadu is located at Shanqian Avenue, Chini Town, Huadu District, the PRC. It offers various types of products including villas and townhouses and is expected to offer low-rise apartment buildings and high-rise apartment buildings in the future. It is being developed by Guangzhou Huadu Country Garden Property Development Co. Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 937,861 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 532,417 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 20,419 sq.m.. Construction of these properties commenced on 11 January 2006 and was completed on 10 December 2006. The completed properties had an aggregate saleable GFA of approximately 20,219 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 192,095 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 319,903 sq.m..

As of 31 December 2006, the total development costs of Holiday Islands — Huadu (including the costs of land acquisition and construction) incurred were RMB329.1 million.

## PROJECT OVERVIEW (CONTINUED)



### FOSHAN CITY

- **Shunde Country Garden — including Country Garden West Court (順德碧桂園 — 含碧桂園西苑)**

Shunde Country Garden is located at the Bridge of Zhen Bi River, Beijiao Town, Shunde District, the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings and high-rise apartment buildings, as well as retail shops. Since its development, approximately 40,000 residents have moved in. This development features a four-star resort hotel as well as four clubhouses, a fresh produce market, an international cultural plaza, Country Garden Hospital (碧桂園醫院) and Country Garden School (碧桂園學校).

Shunde Country Garden has been awarded the title of 2006 Excellent Real Estate Development for Mortgage (2006年優質按揭樓盤) by the China Construction Bank and 2005 Guangzhou Creating the National Model City of Environmental Protection Special Contribution Prize (廣州市創建國家模範城市特別貢獻獎) by Guangzhou Environmental Protection Educational Center (廣州市環境保護宣傳教育中心), and 2005 Most Reliable Brand for Consumers (2005年消費者最信賴十大質量品牌) by China Quality Leading Enterprise Expert Judging Committee (中國質量領先企業專家評審委員會).

It is being developed by Foshan Shunde Country Garden Property Development Co., Ltd. ("Shunde Country Garden Co."), a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 2,993,516 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 2,257,458 sq.m..

The completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 1,598,907 sq.m.. Construction of these properties commenced in 1992 and was completed on 30 December 2006. The completed properties had an aggregate saleable GFA of approximately 1,556,985 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 440,378 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 218,173 sq.m..

As of 31 December 2006, the total development costs of Shunde Country Garden (including the costs of land acquisition and construction) incurred were RMB3,483.0 million.

- **Jun'an Country Garden (均安碧桂園)**

Jun'an Country Garden is located on Cuihu Road, Jun'an Town, Shunde District, the PRC. It offers villas, townhouses and low-rise apartment buildings. A supermarket is in the proximity of this development.

It is being developed by Foshan Shunde Jun'an Country Garden Property Development Co., Ltd., a project company in which the Company, hold a 90% equity interest. The project occupies an aggregate site area of approximately 244,468 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 274,708 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 68,854 sq.m. Construction of these properties commenced on 13 April 2000 and was completed on 15 July 2002. The completed properties had an aggregate saleable GFA of approximately 59,025 sq.m. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 153,284 sq.m. The properties held for future development had an expected aggregate GFA of approximately 52,570 sq.m.

As of 31 December 2006, the total development costs of Jun'an Country Garden (including the costs of land acquisition and construction) incurred were RMB206.0 million.



## PROJECT OVERVIEW (CONTINUED)



- **Peninsula Country Garden (半島碧桂園)**

Peninsula Country Garden is located next to the Jin Sha Bridge, Chencun Town, Shunde District, the PRC. It offers various types of products including villas, townhouses, lowrise apartment buildings and retail shops. This development features a luxurious clubhouse, a swimming pool, tennis courts, basketball courts, poker rooms and table-tennis rooms, as well as a supermarket and commercial street.

Peninsula Country Garden has been awarded the title of 2006 Excellent Real Estate Development for Mortgage (2006年優質按揭樓盤) by the China Construction Bank, 2005 Developed Enterprise (2005年規模企業獎) and 2005 Tax Contribution Prize (2005年稅收貢獻獎) by Chencun People's Government (陳村鎮人民政府). It is being developed by Shunde Country Garden Co.. The project occupies an aggregate site area of approximately 529,948 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 294,490 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 183,822 sq.m.. Construction of these properties commenced on 28 April 2003 and was completed on 14 September 2006. The completed properties had an aggregate saleable GFA of approximately 180,390 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 110,668 sq.m.. There was no property held for future development in Peninsula Country Garden.

As of 31 December 2006, the total development costs of Peninsula Country Garden (including the costs of land acquisition and construction) incurred were RMB794.5 million.

- **Gaoming Country Garden (高明碧桂園)**

Gaoming Country Garden is located at San Zhou Bai Ling Road, Gaoming District, the PRC. It offers various types of products including villas, townhouses, low-rise apartment buildings and retail shops. This development features various amenities, such as reading rooms, poker rooms, tennis courts, basketball courts, swimming pools, table tennis rooms, supermarket and commercial streets.

Gaoming Country Garden has been awarded the title of 2005 Advanced Real Estate Developer (2005年先進房地產開發企業) by Foshan Gaoming Construction Bureau (佛山市高明區建設局).

It is being developed by Foshan Gaoming Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 1,774,595 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 992,358 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 194,629 sq.m.. Construction of these properties commenced on 28 July 2004 and was completed on 29 September 2006. The completed properties had an aggregate saleable GFA of approximately 189,698 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 751,170 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 46,559 sq.m..

As of 31 December 2006, the total development costs of Gaoming Country Garden (including the costs of land acquisition and construction) incurred were RMB521.1 million.

## PROJECT OVERVIEW (CONTINUED)



### ● Nanhai Country Garden (南海碧桂園)

Nanhai Country Garden is located in Yayao Village, Dali Town, Nanhai District, in PRC, near Guangfo Highway, Yayao Intersection and 325 Highway. It offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, parking spaces and retail shops. This development features a clubhouse with swimming pools, tennis courts, basketball courts, a library, table-tennis rooms and a supermarket.

It is being developed by Foshan Nanhai Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 494,294 sq.m. and has an expected aggregate GFA (including saleable and nonsaleable GFA) of approximately 569,330 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 18,371 sq.m. Construction of these properties commenced on 27 June 2005 and was completed on 30 December 2006. The completed properties had an aggregate saleable GFA of approximately 18,371 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 397,561 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 153,398 sq.m..

As of 31 December 2006, the total development costs of Gaoming Country Garden (including the costs of land acquisition and construction) incurred were RMB1,083.6 million.

## JIANGMEN CITY

### ● Heshan Country Garden (鶴山碧桂園)

Heshan Country Garden is located on Heshan Avenue, Shaping Town, Heshan District, across from Heshan Central Station and in the proximity of the commercial district of Heshan in the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings, parking spaces and retail shops. This development features Heshan Country Garden Phoenix Hotel (鶴山市碧桂園鳳凰酒店), a hotel built to a five-star standard, a commercial plaza and a man-made lake.

Heshan Country Garden has been awarded the title of 2005 Heshan Significant Taxpayer (2005年鶴山納稅大戶) by the Heshan People's Government (鶴山市人民政府).

It is being developed by Heshan Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 3,410,834 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 2,156,538 sq.m.

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 319,005 sq.m.. Construction of these properties commenced on 26 March 2004 and was completed on 18 October 2006. The completed properties had an aggregate saleable GFA of approximately 307,675 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 109,656 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 1,727,877 sq.m..

As of 31 December 2006, the total development costs of Heshan Country Garden (including the costs of land acquisition and construction) incurred were RMB1,126.5 million.

## PROJECT OVERVIEW (CONTINUED)



- **Wuyi Country Garden (五邑碧桂園)**

Wuyi Country Garden is located on Xihuan Road, Beixin Zone, Pengjiang District, Jiangmen, the PRC. It offers various types of products including villas, townhouses and low-rise apartment buildings. This development features Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店) a hotel built to a five-star standard, as well as kindergartens, primary schools, a supermarket and a commercial street.

Wuyi Country Garden has been awarded the title of 2005 Best Habitation Villa Community (2005年最佳居住價值別墅社區) by Jiangmen Daily (江門日報).

It is being developed by Jiangmen Wuyi Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 1,350,251 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 688,219 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 301,330 sq.m.. Construction of these properties commenced on 16 August 2004 and was completed on 14 October 2006. The completed properties had an aggregate saleable GFA of approximately 294,583 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 128,223 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 258,666 sq.m..

As of 31 December 2006, the total development costs of Wuyi Country Garden (including the costs of land acquisition and construction) incurred were RMB1,124.1 million.

- **Xinhui Country Garden (新會碧桂園)**

Xinhui Country Garden is located at the intersection of Xin Hui Avenue and Xin Gang Road, Nan Xin District, the PRC, in the city center of Xinhui and in the proximity of Xinhui Central Station. It offers various types of products, including villas, townhouses and low-rise apartment buildings, high-rise apartment buildings, parking spaces and retail shops. This development features Xinhui Country Garden Phoenix City Hotel (新會碧桂園鳳凰酒店), which has been developed to a five-star rating standard, a supermarket, Phoenix Commercial Plaza and a clubhouse.

It is being developed by Jiangmen East Coast Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 356,762 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 515,276 sq.m.

As of 31 December 2006, there was no completed property in Xinhui Country Garden. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 109,111 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 406,165 sq.m..

As of 31 December 2006, the total development costs of Wuyi Country Garden (including the costs of land acquisition and construction) incurred were RMB212.9 million.

## PROJECT OVERVIEW (CONTINUED)



- **Taishan Country Garden (台山碧桂園)**

Taishan Country Garden is located in Shagang Hu Development Zone, Taicheng Town, Taishan City, the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings and retail shops. This development features Taishan Country Garden Phoenix Hotel (台山碧桂園鳳凰酒店), a hotel built to a five-star standard, and a commercial pedestrian street.

It is being developed by Taishan Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 4,277,222 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 3,421,215 sq.m.

As of 31 December 2006, there was no completed property in Taishan Country Garden. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 259,095 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 3,162,120 sq.m..

As of 31 December 2006, the total development costs of Taishan Country Garden Property Development Co., Ltd. (including the costs of land acquisition and construction) incurred were RMB342.5 million.

### YANGJIANG CITY

- **Yangdong Country Garden (陽東碧桂園)**

Yangdong Country Garden is located at Hubin West Road, Yangdong Town, beside the Yangdong Central Station in proximity to Yangjiang City Center and Jiangcheng District in the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. This development features a hotel developed to the five-star rating standard, Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店), Yanshan Lake City Plaza, a kindergarten and a commercial street.

Yangdong Country Garden has been awarded the title of 2005 Creditworthy Enterprise (2005年守合同重信用企業) by the Yangdong Industrial and Commercial Administration Bureau (陽東縣工商行政管理局) and 2005 Top Ten Best Real Estate Development in Yangjiang (2005年陽江十佳樓盤) by the Top Ten Best Real Estate Judging Committee of Yangjiang Real Estate Conference (陽江房地產高峰論壇暨十佳樓盤評選組委會).

It is being developed by Yangdong Country Garden Property Development Co. Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 574,381 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 389,734 sq.m..

As of 31 December 2006, the completed properties had an aggregate GFA (including saleable and non-saleable GFA) of approximately 112,221 sq.m.. Construction of these properties commenced on 29 April 2005 and was completed on 3 November 2006. The completed properties had an aggregate saleable GFA of approximately 97,835 sq.m.. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 277,513 sq.m.. There was no property held for future development in Yangdong Country Garden.

As of 31 December 2006, the total development costs of Yangdong Country Garden (including the costs of land acquisition and construction) incurred were RMB497.2 million.



## PROJECT OVERVIEW (CONTINUED)



### SHAOGUAN CITY

- **Shaoguan Country Garden (韶關碧桂園)**

Shaoguan Country Garden is located in Lashi Ba, Zhen Jiang District, the PRC, in the proximity of the commercial center. It offers various types of products, including townhouses and low-rise apartment buildings and is expected to offer retail shops in the future. This development will also feature a commercial street and other amenities.

It is being developed by Shaoguan Shun Hong Property Development Co., Ltd., a wholly-owned project company of the Company. This development occupies an aggregate site area of approximately 2,324,623 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,460,215 sq.m..

As of 31 December 2006, there was no completed property or properties under development. The properties held for future development had an expected aggregate GFA of approximately 1,460,215 sq.m..

As of 31 December 2006, the total development costs of Shaoguan Country Garden (including the costs of land acquisition and construction) incurred were RMB330.0 million.

### ZHAOQING CITY

- **Zhaoqing Gaoxin Lanling Residence (肇慶高新區藍領公寓)**

Zhaoqing Gaoxin Lanling Residence is located inside the high-tech industrial park of Dawang District, the PRC. It offers various types of products, including low-rise apartment buildings for rental purpose and retail shops.

It is being developed by Zhaoqing Gaoxin Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. The project occupies an aggregate site area of approximately 56,926 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 86,517 sq.m..

As of 31 December 2006, there was no completed property in Zhaoqing Gaoxin Lanling Residence. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 86,517 sq.m.. There was no property held for future development in Zhaoqing Gaoxin Lanling Residence.

As of 31 December 2006, the total development costs of Zhaoqing Gaoxin Lanling Residence (including the costs of land acquisition and construction) incurred were RMB18.8 million.

## PROJECT OVERVIEW (CONTINUED)



### HUIZHOU CITY

- **Huiyang Country Garden (惠陽碧桂園)**

Huiyang Country Garden is located in the industrial district of Huiyang Sanhe Economic Development Zone, Huizhou City, the PRC. It will offer various types of products, including townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops in the future. The low-rise apartment buildings will be used as rental properties. It will also feature a hotel developed to a five-star rating Standard.

It is being developed by Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd., a project company in which the Group hold a 90% equity interest. This development occupies an aggregate site area of approximately 810,025 sq.m. and has an expected aggregate GFA (including saleable and nonsaleable GFA) of approximately 691,974 sq.m. As of 31 December 2006, there was no completed property or property under development in Huiyang Country Garden. The properties held for future development had an expected aggregate GFA of approximately 691,974 sq.m.

As of 31 December 2006, the total development of Huiyang Country Garden (including the cost of land appreciation) incurred were RMB47.7 million.

### CHANGSHA CITY

- **Changsha Country Garden (長沙碧桂園)**

Changsha Country Garden is located at the north end of Xingsha Avenue, Changsha County, the PRC. It offers various types of products, including villas, townhouses, low-rise apartment buildings and retail shop and is expected to offer high-rise apartment buildings in the future. This development features a hotel built to a five-star standard, bilingual schools and a commercial plaza.

It is being developed by Changsha Venice Palace Property Development Co., Ltd., a wholly-owned project company of the Company. This project occupies an aggregate site area of approximately 1,724,298 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,028,463 sq.m..

As of 31 December 2006, there was no completed property in Changsha Country Garden. The properties under development had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 643,849 sq.m.. The properties held for future development had an expected aggregate GFA of approximately 384,614 sq.m..

As of 31 December 2006, the total development costs of Changsha Country Garden (including the costs of land acquisition and construction) incurred were RMB656.7 million.

## PROJECT OVERVIEW (CONTINUED)



### MANZHOU LI CITY

- **Manzhouli Country Garden (滿洲里碧桂園)**

Manzhouli Country Garden is located at the intersection of Xinjia East Road and Hubei Road, Manzhouli City, the PRC. It will offer townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops in the future. The development will feature a hotel developed to a five-star rating standard and a commercial street.

It is being developed by Manzhouli Country Garden Property Development Co., Ltd., a wholly-owned project company of the Company. This development occupies an aggregate site area of approximately 764,667 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 660,800 sq.m..

As of 31 December 2006, there was no completed property or property under development in Manzhouli Country Garden. The properties held for future development an expected aggregate GFA of approximately 660,800 sq.m..

As of 31 December 2006, the total development costs of Manzhouli Country Garden (including the costs of land acquisition and construction) incurred were RMB166.4 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE REORGANIZATION

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

Pursuant to a corporate reorganization (the “Corporate Reorganization”) to rationalize the structure of the Company and its subsidiaries (the “Group”) in preparation for the public listing of the Company’s shares (the “Shares”) on the Stock Exchange, the Company became the holding company of the Group. Details of Corporate Reorganization are set out in the appendix VII of the prospectus of the Company (the “Prospectus”) issued on 3 April 2007.

The Shares were listed on the Stock Exchange on 20 April 2007.

## Revenue

Revenue of the Group comprises primarily the proceeds from the sale of properties or provision of services after the elimination of transactions between the companies now comprising the Group. The revenue is primarily generated

from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue increased by approximately 53.0% to approximately RMB7,940.9 million in 2006 from approximately RMB5,191.5 million in 2005, primarily attributable to the increase in sales of property.

## Property development

Revenue generated from property development increased by approximately 70.3% to approximately RMB6,961.4 million in 2006 from approximately RMB4,086.7 million in 2005, primarily attributable to a approximately 80.3% increase in total GFA of residential properties sold to 1,318,397 sq.m. in 2006 from 731,173 sq.m. in 2005.

The increase in total GFA sold primarily reflected more favorable market conditions in the target markets, where demand for residential properties of high quality increased. The increase in total GFA of residential properties sold resulted primarily from the construction completion and delivery of properties to purchasers, including Huanan Country Garden — Phase Six, Country Garden Phoenix City, Gaoming Country Garden and Licheng Country Garden.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the revenue generated from each project and the percentage of the total revenue it represented in 2006 and 2005, respectively.

Project	Year ended 31 December			
	2006		2005	
	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
Huanan Country Garden — Phase One to Five and Phase Seven	3,912	0.1	26,754	0.6
Huanan Country Garden — Phase Six	1,404,084	20.2	—	—
Country Garden Phoenix City	2,036,523	29.2	1,697,038	41.5
Licheng Country Garden	425,513	6.1	12,173	0.3
Shawan Country Garden	3,597	0.1	—	—
Country Garden East Court	28,911	0.4	71,680	1.8
Nansha Country Garden	71,755	1.0	—	—
Holiday Island — Huadu	101,322	1.5	—	—
Shunde Country Garden — including Country Garden West Court	816,696	11.7	742,210	18.2
Peninsula Country Garden	609,725	8.7	643,715	15.8
Jun'an Country Garden	4,006	0.1	45,085	1.1
Gaoming Country Garden	420,057	6.0	125,462	3.1
Wuyi Country Garden	428,933	6.2	351,951	8.6
Heshan Country Garden	332,672	4.8	369,953	9.0
Yangdong Country Garden	144,513	2.1	—	—
Chencun Country Garden	3,369	—	658	—
Shanghai Moon River	125,777	1.8	—	—
Total	6,961,365	100.0	4,086,679	100.0

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## *Construction and decoration*

Revenue generated from the construction and decoration decreased by approximately 17.0% to approximately RMB556.1 million in 2006 from approximately RMB670.4 million in 2005, primarily attributable to a decrease in the volume of construction and decoration services rendered to Foshan Shunde Chencun Country Garden Property Development Co., Ltd. (佛山市順德區陳村鎮花城碧桂園物業發展有限公司).

## *Property management*

Revenue generated from the property management increased by approximately 26.7% to approximately RMB170.4 million in 2006 from approximately RMB134.5 million in 2005, primarily attributable to an increase in the cumulative GFA under the management resulting from the construction completion and delivery of properties such as Country Garden Phoenix City and Shunde Country Garden (including Country Garden West Court).

## *Hotel operation*

Revenue generated from the hotel operation increased by approximately 4.7% to approximately RMB194.0 million in 2006 from approximately RMB185.3 million in 2005, primarily attributable to the signing of a long-term lease agreement between Honda Motor Co., Ltd., a Japanese company, and Zengcheng Country Garden Phoenix City Hotel Co., Ltd. and the increase in corporate clients for Qingyuan Country Garden Holiday Islands Hotel Co., Ltd..

## *Cost of sales*

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

Cost of sales increased by approximately 52.7% to approximately RMB5,296.5 million in 2006 from approximately RMB3,469.3 million in 2005, primarily attributable to an approximately 93.9% increase of construction, decoration and design costs to approximately RMB3,151.9 million in 2006 from approximately RMB1,625.8 million in 2005 and, to a

lesser extent, to the increases in land use rights cost, business taxes and land appreciation tax. The increase of construction, decoration and design costs was in line with the increase in total sales of the properties.

## *Gross profit*

Gross profit of the Group increased by approximately 53.6% to approximately RMB2,644.5 million in 2006 from approximately RMB1,722.2 million in 2005, primarily attributable to the significant increase of the total GFA of the properties sold. The gross profit margin increased to approximately 33.3% from approximately 33.2%, primarily attributable to the increase of the sales price of townhouses and apartment buildings to RMB4,491.9 per sq.m. and RMB3,500.8 per sq.m., respectively, in 2006 from RMB3,911.9 per sq.m. and RMB2,959.1 per sq.m., respectively, in 2005.

## *Selling and marketing costs*

Selling and marketing costs of the Group increased by approximately 0.5% to approximately RMB214.5 million in 2006 from approximately RMB213.5 million in 2005, primarily attributable to a approximately 60.4% increase in office expenses to approximately RMB26.3 million in 2006 from approximately RMB16.4 million in 2005 due to the increase in office material consumption resulting from commencement of sales of several projects. The increase in selling and marketing costs was also attributable to an increase in total salaries paid and benefits to the selling and marketing personnel to approximately RMB68.2 million from approximately RMB48.4 million resulting from the increase of headcount to support the increase in number of projects in 2006, as well as an increase in supervision fees of the escrow accounts resulting from the increase in pre-sale proceeds as the Group sold more properties in 2006. Such increase was offset by a decrease in advertising expenses to approximately RMB83.7 million in 2006 from approximately RMB120.7 million in 2005.

## *Administrative expenses*

Administrative expenses of the Group increased by approximately 32.1% to approximately RMB361.5 million in 2006 from approximately RMB273.7 million in 2005, primarily attributable to an increase in total salaries and benefits for the administrative personnel to approximately RMB153.9 million in 2006 from approximately RMB95.8 million in 2005, and an increase in the training costs and

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

education subsidies for them, as a result of increased headcount due to the business expansion. The increase of administrative expenses was also attributable to an increase in real estate tax to approximately RMB8.1 million in 2006 from approximately RMB3.6 million resulting from the completion of construction of Zengcheng Phoenix hotel which was then subject to real estate tax.

## Other expenses

Other expenses of the Group decreased by approximately 30.2% to approximately RMB45.9 million in 2006 from approximately RMB65.8 million in 2005, primarily attributable to the decrease in donations by the Group. Such decrease was partly offset by the surcharge of approximately RMB33.4 million paid to the tax bureau in 2006 resulting from the late payment of enterprise income tax incurred in 2002, 2003 and 2004. The late payment of enterprise income tax resulted from a different interpretation of the relevant tax policies between the Group and the local tax authority. The late payment surcharge was levied as compensation to the relevant local tax authorities. On the above basis, the directors (the "Directors") of the Company believe that the late payment of enterprise income tax had no bearing on the internal control of the Group. As of May 2006, the Group had paid in full the outstanding tax and late payment surcharge. According to the relevant tax authority, such payment is final and conclusive and the issue was completely resolved.

## Finance cost

Finance costs of the Group increased by approximately 19.8% to approximately RMB264.8 million in 2006 from approximately RMB221.0 million in 2005, mainly reflecting the increase in the total interest expenses due to the increase of the total amount of the outstanding borrowings.

## Income tax expenses

Income tax expenses of the Group decreased by approximately 61.5% to approximately RMB144.3 million in 2006 from approximately RMB375.0 million in 2005, primarily attributable to the tax exemption enjoyed by a subsidiary of the Company, Guangdong Giant Leap Construction Co. Ltd. ("Giant Leap Construction Co."). In August 2006, Giant Leap Construction Co. was approved by the tax authority to be entitled to the tax holiday of two

years exemption followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward. As a result, there was a reversal of brought forward deferred tax liabilities and a reduction of current income tax expense during the year ended 2006 compared with the year ended 2005.

## Profit for the year

Profit for the year of the Group increased by approximately 183.7% to approximately RMB1,672.5 million in 2006 from approximately RMB589.5 million in 2005. The net profit margin increased to approximately 21.1% in 2006 from approximately 11.4% in 2005, as a result of the cumulative effect of the foregoing factors.

## Minority Interests

Minority interests of the Group increased to a profit of approximately RMB153.0 million in 2006 from a loss of approximately RMB25.9 million in 2005, primarily attributable to the recognition of revenue from the sales of Huanan Country Garden (Phase Six), by Guangzhou Huanan Country Garden Property Development Co., Ltd..

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash position

The Group has funded its growth principally from internal funds, borrowings from banks and proceeds from sales and pre-sales of its developed properties.

As at 31 December 2006, the Group had cash and cash equivalent of approximately RMB1,529.7 million.

Pursuant to relevant regulations, certain of the project companies are required to deposit a portion of proceeds from pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of 31 December 2006, the outstanding amount of pre-sale proceeds so deposited was approximately RMB454.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Net current assets and current ratio

The Group had net current assets of approximately RMB560.2 million as at 31 December 2006. The current ratio being current assets over current liabilities, decreased 23.4% to approximately 1.05 as of 31 December 2006 from approximately 1.37 as of 31 December 2005.

## Borrowings and charges on group assets

The Group's had an aggregate borrowings as at 31 December 2006 of approximately RMB4,081.3 million, of which approximately RMB1,223.1 million will be repayable within 1 year, approximately RMB2,044.4 million will be repayable between 1 and 2 years, and approximately RMB813.8 million will be repayable between 2 and 5 years. The Group bore an average annual interest of approximately 6.222%. As of 31 December 2006, the substantial part of the bank borrowings secured by land use rights and properties of the Group and guaranteed by Group companies. As of 31 December 2006, the bank borrowings secured by land use rights and properties of the related parties were approximately RMB80.0 million.

## Gearing ratio

Gearing ratio of the Group, being net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total capital and reserves attributable to the equity owners, increased 9.6% to approximately 1.60 as of 31 December 2006 from approximately 1.46 as of 31 December 2005.

## CONTINGENT LIABILITIES

As of 31 December 2006, the Group provided guarantees of approximately RMB5,822.7 million to banks in the PRC in respect of the mortgaged loans provided by the banks to purchasers of its developed properties. The majority of the guarantees are short-term guarantees which are discharged upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank which will generally be available within three months after the Group delivers the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchaser. Certain of these guarantees are long-term guarantees that the Group provided prior to 2003 which are discharged two years from the day the mortgaged loans become due. The Group also provided guarantees to banks in the PRC in respect of the bank

loans provided by the banks to one of the related companies which were already released from the relevant banks by the end of 2006. As of 31 December 2006, the Group provided no guarantees in respect of such bank loans.

## CONTRACTUAL OBLIGATIONS

As of 31 December 2006, the contractual obligations in connection with the property development activities amounted to approximately RMB710.7 million, of which approximately RMB688.1 million will be payable within 1 year and approximately RMB22.6 million will be payable between 1 and 2 years. This amount is primarily arising from contracted construction fees or other capital commitments for future property developments. The Company expects to fund such contractual obligations principally from pre-sale proceeds of the properties and partly from bank borrowings.

## INTEREST RATE

The business is sensitive to fluctuations in interest rates. An increase in interest rates would adversely affect the prospective purchasers' ability to obtain financing and depress the overall housing demand. Higher interest rates may adversely affect the revenue, gross profits and net income. The People's Bank of China published benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) for the year 2006 was 6.12%. On 17 March 2005, the People's Bank of China raised the minimum property mortgage loan rate to 90% of the respective benchmark lending rates and further changed to 85% of the respective benchmark lending rates on 19 August 2006.

## FOREIGN EXCHANGE RATE

The Company conducts the business almost exclusively in RMB except that certain receipts of sales proceeds are in foreign currencies. The value of RMB against the U.S. dollar and other foreign currencies may fluctuate and is affected by factors such as changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

currencies. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of RMB against the U.S. dollar. Fluctuation in the value of RMB to the U.S. dollar may adversely affect the cash flows, revenue, earnings and financial position.

## INFLATION

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on the business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.8% in 2005, respectively. Deflation could negatively affect the business as it would be a disincentive for prospective property buyers to make a purchase. As of the date of this report, the Company has not been materially affected by any inflation or deflation.

## PROPERTY INTEREST AND VALUATION

As at 31 January 2007, the total amount of the valuation of the property, plant and equipment as disclosed in the Prospectus, was RMB54,309,767,000, of which the valuation for the property interests held by the Group for occupation in the PRC, the valuation for the property held by the Group for sale in the PRC, the valuation for the property interests held by the Group under development in the PRC, and the valuation for the property interests held in the Group for future development in the PRC were RMB3,576,640,000, RMB6,164,958,000, RMB18,057,510,000 and RMB26,510,659,000 respectively.

## PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders (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.

## EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2006, the Group had 17,968 full-time employees. An analysis of employees by function as the same date is as follows:

Chairman's Office	12
Administration and Human Resources	
Management	94
Marketing and Sales	676
Finance Management	214
Property Project Management	435
Construction and Decoration Management	3,595
Property Management	11,544
Hotel	1,398
	<hr/>
	17,968

As of 31 December 2006, approximately 2,815 of the full-time employees had post secondary education. The remuneration package of the employees includes salary, bonus and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary raise, 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 are 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 of the date of the annual report, no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the business occurred.

The Company has adopted a share option scheme for the senior management and employees. As at the date of this report, the Company has not granted any share option to any person.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

The Company was just listed on the Stock Exchange on 20 April 2007. The net proceeds from the Company's issue of new Shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the Listing of the Company before the exercise of the

over-allotment option) amounted to approximately HK\$12,537 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. The net proceeds have been temporarily placed in deposits with a licensed bank in Hong Kong.

# BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Yeung Kwok Keung (楊國強)**, aged 52, is the chairman of the Company and an executive Director. He is also the chairman of remuneration committee of the Company. Mr. Yeung graduated from the School of Economic Management of Jinan University (暨南大學). Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning. From 1992 to 1997, he was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司). From 1986 to 1997, Mr. Yeung served as the general manager of Shunde Beijiao Construction Company Limited (順德市北濠建築工程有限公司) and also served as the general manager of the Group from 1997 to 2003. He had been the chairman of the Group from 2003 to 2005 and became chairman of the Company after its formation in 2006. Mr. Yeung has over 30 years of experience in construction and approximately 16 years of 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 Foshan (佛山市政協常務委員).

**Cui Jianbo (崔健波)**, aged 42, is the president of the Company and an executive Director. He is also a member of remuneration committee of the Company. Mr. Cui graduated from the Beijing Institute of Technology (北京理工大學), majoring in accounting and is a qualified PRC accountant. He is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group in 2003 as the president, Mr. Cui was the deputy secretary of Shunde Local Taxation Bureau (順德市地方稅局) from 1995 to 2000 and the mayor of Beijiao Town Government (北濠鎮政府) from 2000 to 2003. Mr. Cui is also currently the deputy chairman of the Guangdong Real Estate Association (廣東省房地產協會).

**Yang Huiyan (楊惠妍)**, aged 25, is an executive Director. Ms. Yang graduated from Ohio State University with a degree in marketing and logistic. She joined the Group in 2005 and served as the manager of the procurement department. She is primarily responsible for the overall

supervision on procurement, enterprise resources management and formulation of development strategies. Ms. Yang is the daughter of Mr. Yeung Kwok Keung.

**Yang Erzhu (楊貳珠)**, aged 56, is an executive Director. Mr. Yang graduated from the School of Economic Management of Jinan University. He is primarily responsible for managing the design and decoration of the property development projects and assisting the chairman in investment planning. From 1994 to 1997, Mr. Yang served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd.. From 1986 to 1997, Mr. Yang served as a deputy general manager of Shunde Beijiao Construction Company Limited and has served as a director and deputy general manager of Giant Leap Construction Co., Ltd. ("Giant Leap Construction Co.") and Foshan Shunde Country Garden Property Development Co., Ltd. ("Shunde Country Garden Co.") since 1997. Since 1999, he has been serving as a director and deputy general manager of Foshan Shunde Finest Decoration & Design Enterprise. Mr. Yang has over 30 years of experience in construction and approximately 13 years of experience in property development.

**Su Rubo (蘇汝波)**, aged 52, is an executive Director. Mr. Su graduated from the School of Economic Management of Jinan University. He is primarily responsible for construction management, supervision and coordination of the property development projects in Jiangmen, Heshan, Taishan, Gaoming, Xinhui, Zhaoqing and Yangdong. From 1994 to 1997, Mr. Su served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. Su served as deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. Su has over 30 years of experience in construction and approximately 13 years of experience in property development and approximately ten years of experience in procurement of construction materials.

**Zhang Yaoyuan (張耀垣)**, aged 61, is an executive Director. He is primarily responsible for construction management, supervision and coordination of the property development projects in Guangzhou, Zengcheng, Nansha and Shaoguan. From 1994 to 1997, Mr. Zhang served as a



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

deputy general manager of Shunde Sanhe Property Development Co., Ltd.. From 1986 to 1997, Mr. Zhang served as manager and deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. Zhang has over 40 years of experience in construction and approximately 13 years of experience in the management of property development.

**Ou Xueming (區學銘)**, aged 58, is an executive Director. He is primarily responsible for construction management, supervision and coordination of the property development projects in Nanhai and Shunde. From 1994 to 1997, Mr. Ou served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd.. From 1986 to 1997, Mr. Ou served as deputy general manager of Shunde Beijiao Construction Company Limited and has been acting as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. Ou has over 30 years of experience in construction and approximately 13 years of experience in the operation and management of property development.

**Yang Zhicheng (楊志成)**, aged 33, is an executive Director and the director and general manager of Changsha Venice Palace Property Development Co., Ltd.. He is primarily responsible for the overall development and management of property project in Changsha. Prior to joining the Group in 1997, Mr. Yang had worked in Shunde Sanhe Property Development Co., Ltd. as project manager. He had also served as the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. and project general manager of the Group. Mr. Yang has approximately 13 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung.

**Yang Yongchao (楊永潮)**, aged 32, is an executive Director and the general manager of sales center. He is primarily responsible for the overall sales management. He has been responsible for the management of the operation and sales center of Shunde Country Garden Co. since 1997. Mr. Yang has approximately ten years of experience in property sales management, market research, product planning

proposal, pricing, marketing, sales and customer resource management. Mr. Yang is a nephew of Mr. Yeung Kwok Keung.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Lai Ming, Joseph (黎明)**, aged 62, is an independent non-executive Director, chairman of audit committee and a member of remuneration committee of the Company. Mr. Lai is a fellow member of the HKICPA, CPA Australia and the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. He was the president of HKICPA in 1986 and the president of the Hong Kong Branch of CIMA in 1974 to 1975 and 1979 to 1980. Mr. Lai was the managing director of Hsin Chong International Holdings Ltd., a substantial shareholder of Hsin Chong Construction Group Ltd which is a listed company in Hong Kong engages primarily in construction and related business in Hong Kong, Macau and the PRC, from November 2001 until December 2003. He was also a non-executive director of Synergis Holdings Ltd, a listed Hong Kong company which is a property and facility management service provider in Hong Kong from August 2003 until August 2005 and an independent non-executive director of SNP Leefung Holdings Ltd. (a company previously listed on the Stock Exchange) from August 2004 until its privatization in September 2006. 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, a company mainly engaged in property development in the PRC, all of which are companies whose shares are listed on the Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development. Mr. Lai is also a founding member and a director of Opera Hong Kong Ltd. and a director of the Hong Kong University of Science and Technology R & D Corporation Limited. He is currently a member of the investigation panel of the HKICPA. He is also an adviser to the corporate governance committee of the Hong Kong China Division of CPA Australia.

**Shek Lai Him, Abraham (石禮謙)**, aged 61, is an independent non-executive Director. He is also a member of audit committee and remuneration committee of the Company. Mr. Shek is a member of the Hong Kong Legislative Council and was appointed a Justice of the Peace in 1995. He is also a member of the managing board



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

of Kowloon-Canton Railway Corporation. He was previously an independent non-executive director of New World TMT Limited whose shares are listed on the Stock Exchange. Mr. Shek is an independent non-executive director of Midas International Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, See Corporation Limited, ITC Corporation Limited and Hop Hing Holdings Limited, all of which are companies whose shares are listed on the Stock Exchange. He is also an independent non-executive director of Paliburg Holdings Limited and Chuang's Consortium International Limited, both of which are listed companies in Hong Kong which engage in property investment. Mr. Shek is currently an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, a real estate investment fund formed primarily to own and invest in a portfolio of office and retail properties in Hong Kong and the units of which are listed on the Stock Exchange. He is also an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, a real estate investment fund formed primarily to own and invest in a portfolio of hotels in Hong Kong and the units of which are listed on the Stock Exchange. Mr. Shek also holds directorships in several property-related private companies. He is a director of The Hong Kong Mortgage Corporation Limited.

**Tong Wui Tung, Ronald** (唐滙棟), aged 56, is an independent non-executive Director, a member of audit committee and a member of remuneration committee of the Company. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. Tong was a non-executive director of Multifield International Holdings Limited from September 1997 to September 2004, an independent non-executive director of Beauforte Investors Corporation Limited from November 2000 to March 2004 and an independent non-executive director of Wonson International Holdings Limited from December 1999 to November 2006.

Mr. Tong is currently a non-executive director of Perfectech International Holdings Limited and Yip's Chemical Holdings Limited. All of these companies are listed on the Stock Exchange. Mr. Tong was a non-executive director of Innovative International (Holdings) Limited (subsequently renamed as Carico (Holdings) Limited, also listed on the Stock Exchange) from August 1995 to December 2002. Innovative International (Holdings) Limited entered into a debt restructuring agreement in July, 2001 for an amount of debt of approximately HK\$660 million. Receivers and managers of all the property and assets of Innovative International (Holdings) Limited were appointed in October, 2001 pursuant to terms of a composite guarantee and debenture granted to its secured creditors. Thereafter, Innovative International (Holdings) Limited entered into schemes of arrangement for restructuring in both Hong Kong and Bermuda. Mr. Tong remained as a non-executive director of Innovative International (Holdings) Limited until the restructuring was completed on 20 December 2002. Mr. Tong has confirmed that there was no wrongful act on his part leading to the debt restructuring of Innovative International (Holdings) Limited and that, as far as Mr. Tong is aware, no actual or potential claim has been or will be made against him as a result of such debt restructuring.

### QUALIFIED ACCOUNTANT

**Wong Tak Chuen** (黃德銓), aged 42, is the chief financial officer and qualified accountant of the Company on a full-time basis. Mr. Wong joined the Group in September 2006. Mr. Wong graduated from the Hong Kong Polytechnic University with a professional diploma in accountancy. Mr. Wong is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Wong has over 18 years of experience in auditing, financial management, mergers and acquisitions gained through his past employments with an international accounting firm in Hong Kong, companies listed in Hong Kong and a company listed in the United States.

### COMPANY SECRETARY

**Huen Po Wah** (禰寶華), aged 58, is company secretary of the Company. Mr. Huen joined the Group in March 2007. Mr. Huen is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Institute of Chartered Secretaries and Administrators. Mr. Huen is also a director of Fair Wind Secretarial Services Limited. Mr. Huen has over 25 years of experience in company management and secretarial fields and has served in many listed companies over the years.

### SENIOR MANAGEMENT

**Song Jun (宋軍)**, aged 39, 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 the overall management and supervision of property development projects. Prior to joining the Group in 1997, he worked in Xianxi Construction Institute (湘西自治州建築規劃勘察設計院) and Elite Architectural Co. with responsibility for architectural design work. Since 1997, he has been serving in Shunde Country Garden Co. as project manager and project supervisor responsible for the management of property development. Mr. Song has approximately ten years of experience in the management of property development.

**Xie Shutai (謝樹太)**, aged 42, 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. He is responsible for the overall management of hotels and property management companies of the Group. Prior to joining the Group in 1997, he had worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 with responsibility for structural design work and worked in Shunde Sanhe Property Development Co., Ltd. from 1992 to 1997 with responsibility for property management. Since 1997, he has been working in Shunde Country Garden Co. and Guangdong Country Garden Property Management Co., Ltd. responsible for the overall property and hotel management of the Group. Mr. Xie has approximately 15 years of experience in property management and approximately ten years of experience in hotel management.

**Wang Zhidun (王志敦)**, aged 37, 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 and legal matters of the Group.

He joined the Group in 2003 and prior to joining the Group, Mr. Wang was a partner in Guangdong Bowen Law Offices (廣東博文律師事務所) from 1996 to 2003.

**Hu Ran (胡冉)**, aged 37, is a vice-president of the Company. Mr. Hu graduated from Tsing Hua University (清華大學), majoring in hydraulic-engineering and corporate management. He also studied a master degree in industrial external trading and is now studying a doctoral degree in finance at the National Sun Yat-Sen University (中山大學). Mr. Hu is responsible for capital management and the management of the finance department and audit department of the Group. He joined the Group in 2006 and prior to joining the Group, Mr. Hu was the vice-head of China Citic Bank Guangzhou Branch Beixiu Sub-branch (中信銀行廣州分行北秀支行) as well as the general manager of China Southern Airline Group Finance Company (中國南航集團財務公司).

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders' interests.

The Company will comply with the provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") upon the Shares are listed on the Stock Exchange on 20 April 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Special enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ending 31 December 2007.

## THE BOARD

The Board currently consists of nine executive Directors, namely, Mr. Yeung Kwok Keung, Mr. Cui Jianbo, Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan, Mr. Ou Xueming, Mr. Yang Zhicheng and Mr. Yang Yongchao; and three independent non-executive Directors, namely, Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Yeung Kwok Keung, being the Chairman, is responsible for the formulation of the development strategies, investment planning and overall project planning of the Group and while Mr. Cui Jianbo, the president of the Company, is responsible for the management of the daily operation and general administration of the Group. The roles of the Chairman and the president of the Company are segregated.

Biographical details of the Directors and their relationship with each other are set out in the section headed "Biographical details of the Directors and senior management".

All of the independent non-executive Directors are appointed for a term of two years commencing from 1 January 2007, which 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 shall be subject to retirement at an annual general meeting at least once every three years. The Company 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. The Company considers all of the independent non-executive Directors are independent.

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company.

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 independent non-executive Directors.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

## BOARD MEETINGS

Board meetings will be held at least four times a year (about one per quarter) upon the listing of the Company and will convene meetings when necessary. Before a board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the CG Code.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

Since the Company was only incorporated in November 2006, during the year, only one meeting was held by the Board and the attendance of each of the Directors is set out as below:

<b>Directors</b>	<b>No. of meeting(s) attended/No. of meeting(s) held</b>
Mr. Yeung Kwok Keung	1/1
Mr. Cui Jianbo	1/1
Ms. Yang Huiyan	1/1
Mr. Yang Erzhu	1/1
Mr. Su Rubo	1/1
Mr. Zhang Yaoyuan	1/1
Mr. Ou Xueming	1/1
Mr. Yang Zhicheng	1/1
Mr. Yang Yongchao	1/1
Mr. Lai Ming, Joseph	0/1
Mr. Shek Lai Him, Abraham	0/1
Mr. Tong Wui Tung, Ronald	0/1

## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2006 with terms of references in compliance with the CG Code set out in Appendix 14 of the Listing Rules. Since the Company was only listed on the Stock Exchange on 20 April 2007, for the year ended 31 December 2006, no committee meeting has been held.

The members of the audit committee are all of the independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Lai Ming, Joseph is the chairman of the audit committee.

The audit committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor (where an internal audit function exists) 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 determine from time to time. The audit committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk

management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

## REMUNERATION COMMITTEE

The Company established a remuneration committee on 5 December 2006 with terms of reference in compliance with the CG Code set out in Appendix 14 of the Listing Rules. Since the Company was only listed on the Stock Exchange on 20 April 2007, for the year ended 31 December 2006, no committee meeting has been held.

The remuneration committee consists of five members, of whom two are executive Directors being Mr. Yeung Kwok Keung and Mr. Cui Jianbo, and three are independent non-executive Directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Yeung Kwok Keung is the chairman of the remuneration committee.

The primary duty of the remuneration committee 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.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2006, the fee paid/payable to the auditor of the Company in respect of the audit services provided amounted to approximately RMB1,204,000.

## INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the Audit Committee of the Company and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2006, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibility of the external auditor of the Company on the combined financial statements of the Group are set out in the independent auditor's report on pages 48 to 49.

## GOING CONCERN

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

# REPORT OF THE DIRECTORS

The Directors are pleased to present the first annual report together of the Company with the audited combined financial statements of the Group for the year ended 31 December 2006.

## CORPORATE REORGANIZATION

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

Pursuant to a corporate reorganization (the “Corporate Reorganization”) to rationalize the structure of the Company and its subsidiaries (collectively, the “Group”) in preparation for the public listing of the Company’s Shares on the Stock Exchange, the Company became the holding company of the Group. Details of Corporate Reorganization are set out in the Appendix VII of the prospectus of the Company (the “Prospectus”) issued on 3 April 2007.

The Shares were listed on the Stock Exchange on 20 April 2007.

## 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 and theme park.

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

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, revenue attributable to the largest customer of the Group amounted to approximately 4.8% 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 2006, purchases attributable to the largest supplier of the Group amounted to approximately 3.8% 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.

# REPORT OF THE DIRECTORS (CONTINUED)

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

As at the date of this report, so far as the Directors are aware, the following persons who are Directors and will be interested in more than 5% of the issued share capital of the Company immediately upon the listing of the Company (assuming the over-allotment option is not exercised) had interest in the five largest customers and suppliers of the Group as follows:

### Name of Director and person

#### interested in more than 5% of the

Company's issued share capital	Name of customer of the Group	Type of interest
Ms. Yang Huiyan	Qingyuan Country Garden Property Development Co., Ltd.	52% equity interest
Mr. Yang Erzhu	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Su Rubo	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Zhang Yaoyuan	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Ou Xueming	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest

### Name of Director and person

#### interested in more than 5% of the

Company's issued share capital	Name of supplier of the Group	Type of interest
Ms. Yang Huiyan	Foshan Shunde Elite Architectural Co., Ltd.	52% equity interest
Mr. Yang Erzhu	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Su Rubo	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Zhang Yaoyuan	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Ou Xueming	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest

## RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the combined income statement of the Group on page 52.

## DIVIDENDS

For the year ended 31 December 2006, the Group distributed dividends of approximately RMB2,513.7 million to the then Shareholders. Subsequent to 31 December 2006, the Group declared and paid all the distributable profits as of 31 December 2006 as special dividends approximately RMB512.6 million to the then Shareholders before listing of the Company on 20 April 2007.

The Directors do not recommend the payment of the final dividend in respect of the year.

## PROPERTY, PLANT AND EQUIPMENT

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

## BORROWINGS

Details of the borrowings are set out in note 17 to the combined financial statements of the Group.

## RESERVES

Details of the movements in reserves during the year are set out in note 16 to the combined financial statements of the Group. As at 31 December 2006, the Company did not have any distributable reserves.

## SHARE CAPITAL

On 10 November 2006, the date of incorporation of the Company, one Share was allotted and issued to Codan Trust Company (Cayman) Limited for cash at par and such Share was transferred to Mr. Yang Erzhu on the same date. Subsequent to the balance sheet date, on 19 March 2007, Mr. Yang Erzhu transferred his one Share to Automic Group Limited ("Automic") at par value, and 70 Shares, 11 Shares, 6 Shares, 6 Shares and 6 Shares were allotted and issued as fully paid up to Concrete Win Limited ("Concrete Win"), Automic, Easy Hope Holdings Ltd. ("Easy Hope"),

# REPORT OF THE DIRECTORS (CONTINUED)

Acura International Global Limited (“Acura”) and Highlander Group Limited (“Highlander”) respectively. Pursuant to the Corporate Reorganization, on 26 March 2007, the Company acquired the entire issued share capital of Smart World Development Holdings Ltd. (“Smart World”) from Concrete Win, Automic, Easy Hope, Acura and Highlander, the consideration of which was satisfied by the issue and allotment of 699,999,930 Shares, 119,999,988 Shares, 59,999,994 Shares, 59,999,994 Shares and 59,999,994 Shares to Concrete Win, Automic, Easy Hope, Acura and Highlander respectively, credited as fully paid. On 20 March 2007, conditional on the share premium account of the Company being credited as a result of the listing of the Company, an amount of HK\$1,260,000,000 from the share premium was applied in paying up in full at par 12,600,000,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to Concrete Win, Automic, Easy Hope, Acura and Highlander, being Shareholders appearing on the register of members of the Company on the date of the

Prospectus. On 19 April 2007, additional 2,400,000,000 Shares were issued pursuant to the Global Offering (as defined in the Prospectus) of the Company. Details of the combined capital of the Company are set out in note 15 to the combined financial statements of the Group.

## DONATIONS

The donations made by the Group during the year amounted to approximately HK\$9,089,000 (2005: approximately HK\$61,447,000).

## DISPOSAL OF SUBSIDIARIES

Details of the disposal of subsidiaries made by the Group are set out in note 33 to the combined financial statements of the Group.

## FINANCIAL SUMMARY

A financial summary of the Group is set out on page 126 of this annual report.

## DIRECTORS AND DIRECTORS’ SERVICE CONTRACTS

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

### Executive Directors

Mr. Yeung Kwok Keung	(appointed on 4 December 2006)
Mr. Cui Jianbo	(appointed on 4 December 2006)
Ms. Yang Huiyan	(appointed on 4 December 2006)
Mr. Yang Erzhu	(appointed on 10 November 2006)
Mr. Su Rubo	(appointed on 4 December 2006)
Mr. Zhang Yaoyuan	(appointed on 4 December 2006)
Mr. Ou Xueming	(appointed on 4 December 2006)
Mr. Yang Zhicheng	(appointed on 4 December 2006)
Mr. Yang Yongchao	(appointed on 4 December 2006)

### Independent non-executive Directors

Mr. Lai Ming, Joseph	(appointed on 4 December 2006)
Mr. Shek Lai Him, Abraham	(appointed on 4 December 2006)
Mr. Tong Wui Tung, Ronald	(appointed on 4 December 2006)



# REPORT OF THE DIRECTORS (CONTINUED)

In accordance with the Articles of Association, Mr. Yang Erzhu and one-third of the rest of the Directors shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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' INTERESTS IN CONTRACTS

The Company only became listed on the Stock Exchange on 20 April 2007 and had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 December 2006. Save as aforesaid, no contracts of significance in relation to the Company's business to which the Company, many of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming (all being Directors) respectively owned 52%, 12%, 12%, 12% and 12% interest in Qingyuan Country Garden Property Development Co., Ltd. and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan Country Garden Property Development Co., Ltd. is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments. While Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. As at 31 December 2006, 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.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2006, 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 34 "Related party transactions" to the combined financial statements of the Group for the year ended 31 December 2006.

## SHARE OPTIONS

As at 31 December 2006, the Company had not adopted any share option scheme. On 20 March 2007, a share option scheme (the "Share Option Scheme") was adopted and approved by the then Shareholders. 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 the people working for the interest of the Group with incentives to perform better for the interest of the Group contributing to the success of the Group's business and to attract high quality staff for the purpose of enhancing competitiveness of the Group.

### (ii) Who may join

The Board may, at its absolute discretion, invite any executive or non-executive directors including independent non-executive directors of each member of the Group and their associates and any full-time employees of each member of the Group (together, the "Participants" and each "Participant"), to take up options ("Options") to subscribe for Shares at a price calculated in accordance with paragraph (v) below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

### (iii) Grant of Options

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time, within 10 years after the date on which the Share Option Scheme is conditionally adopted by the Shareholders to make an offer of the grant of an Option by the Board (the "Offer") to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the subscription price.

## REPORT OF THE DIRECTORS (CONTINUED)

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

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

### (v) Subscription price of Shares

Subject to any adjustments made as stipulated in the Share Option Scheme, the subscription price in respect of each Share issued under the Share Option Scheme will be a price solely determined by the Board and notified to a Participant and will be at least the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Participant, which must be a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (a "Business Day");
- (2) a price being the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the date of offer to the Participant (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where the Company has been listed for less than 5 Business Days as at the date of offer to the Participant); and
- (3) the nominal value of a Share.

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

- (1) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed approximately 10% of the total number of Shares in issue immediately following completion of the Global Offering and Capitalization Issue (as defined in the Prospectus), being 1,600,000,000 Shares,

unless the Company obtains an approval from its Shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such approximately 10% limit.

- (2) The Company may seek approval of its Shareholders in general meeting for refreshing the approximately 10% limit set out in sub-paragraph (1) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed approximately 10% of the total number of Shares in issue as at the date of approval to refresh such limit excluding Options previously granted under the Share Option Scheme and any other share option schemes. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised Options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.
- (3) The Company may seek separate approval by its shareholders in general meeting for granting Options beyond the approximately 10% limit set out in sub-paragraph (1) or sub-paragraph (2) (as the case may be) provided the Options in excess of such limit are granted only to participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

Notwithstanding the above and subject to the terms stipulated in the Share Option Scheme, the maximum number of Shares which may be issued

## REPORT OF THE DIRECTORS (CONTINUED)

upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

As at the date of this report, a total of 1,600,000,000 Shares (representing 10% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

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

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting. The number and terms (including the exercise price) of the Options to be granted to such Participants shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case,

the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (each as defined in the Listing Rules) of the Company or their respective associates (as defined in the Listing Rules) must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the relevant grantee). Where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant:

- (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.

Such proposed grant of Options must be approved by the Shareholders by poll in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting (except that any connected person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll and the applicable requirements of the Listing Rules must be complied with.

## REPORT OF THE DIRECTORS (CONTINUED)

### (viii) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board at its discretion and notified by the Board to each grantee as being the period during which an Option may be exercised any in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

Unless otherwise determined by the Board and specified in the Offer Letter at the time of the Offer of the Option, there is neither any performance target that needs to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter and in the Share Option Scheme by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance, and where

appropriate, receipt of the certificate of the independent financial advisor or auditor pursuant to terms set out in the Offer Letter, the Company shall allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS' IN THE SHARES OF THE COMPANY

As at 31 December, 2006, the Company had not received any notice of interest to be recorded under Section 352 of the Securities and Futures Ordinance ("SFO") as the Shares had not been listed on the Stock Exchange as at that date.

Immediately following the listing of the Company and assuming that the over-allotment option is not exercised, the interest or short position of Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (i) Interest in the Company

Name of Director	Capacity	Number of class of securities	Approximate shareholding percentage
Ms. Yang Huiyan	interest of a controlled corporation	9,520,000,000 Shares	59.5%
Mr. Yang Erzhu	interest of a controlled corporation	1,632,000,000 Shares	10.2%
Mr. Su Rubo	interest of a controlled corporation	816,000,000 Shares	5.1%
Mr. Zhang Yaoyuan	interest of a controlled corporation	816,000,000 Shares	5.1%
Mr. Ou Xueming	interest of a controlled corporation	816,000,000 Shares	5.1%

# REPORT OF THE DIRECTORS (CONTINUED)

Notes:

1. Ms. Yang Huiyan owns the entire issued share capital of Concrete Win Limited and will be deemed to be interested in the 9,520,000,000 Shares held by Concrete Win Limited. These 9,520,000,000 Shares represent the same shareholding interest and are therefore duplicated between Concrete Win Limited and Ms. Yang Huiyan.
2. Mr. Yang Erzhu owns the entire issued share capital of Automic Group Limited and will be deemed to be interested in the 1,632,000,000 Shares held by Automic Group Limited. These 1,632,000,000 Shares represent the same shareholding interest and are therefore duplicated between Automic Group Limited and Mr. Yang Erzhu.
3. Mr. Su Rubo owns the entire issued share capital of Easy Hope Holdings Ltd. and will be deemed to be interested in the 816,000,000 Shares held by Easy Hope Holdings Ltd.. These 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Easy Hope Holdings Limited and Mr. Su Rubo.
4. Mr. Zhang Yaoyuan owns the entire share capital of Acura International Global Limited and will be deemed to be interested in the 816,000,000 Shares held by Acura International Global Limited. The 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Acura International Global Limited and Mr. Zhang Yaoyuan.
5. Mr. Ou Xueming owns the entire share capital of Highlander Group Limited and will be deemed to be interested in the 816,000,000 Shares held by Highlander Group Limited. These 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Highlander Group Limited and Mr. Ou Xueming

## (ii) Interest in an associated corporation of the Company

Name of Director	Name of the associated corporation	Number of class of securities	Shareholding percentage
Ms. Yang Huiyan	Concrete Win Limited	2 share of US\$1.00	100%

## SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2006, the Company had not received any notice of interests to be recorded under Section 336 of the SFO as the Shares had not been listed on the Stock Exchange as at that date.

So far as the Directors are aware, immediately following the listing of the Company (but without taking into account Shares to be issued pursuant to the exercise of the over-

allotment option), the interests and short positions of persons, other than the Directors or chief executive of the Company in the Shares and the underlying Shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

## (i) Interest in the Company

Name of shareholder	Capacity	Number of Shares held	Approximate shareholding percentage
Concrete Win Limited	beneficial owner	9,520,000,000	59.5%
Automic Group Limited	beneficial owner	1,632,000,000	10.2%
Easy Hope Holdings Ltd.	beneficial owner	816,000,000	5.1%
Acura International Global Limited	beneficial owner	816,000,000	5.1%
Highlander Group Limited	beneficial owner	816,000,000	5.1%

# REPORT OF THE DIRECTORS (CONTINUED)

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

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

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Shares.

## PRE-EMPTIVE RIGHTS

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuer as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Special enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ending 31 December 2007.

## CORPORATE GOVERNANCE

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

## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2006 with terms of references adopted on 20 March 2007 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The members of the audit committee are the independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Lai Ming, Joseph is the chairman of the audit committee.

The audit committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor (where an internal audit function exists) 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. The audit committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The audit committee has reviewed the Group's combined financial statements for the year ended 31 December 2006, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

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

The Company was just listed on the Stock Exchange on 20 April 2007. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the Listing of the Company before the exercise of the over-allotment option) amounted to approximately HK\$12,537 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. The net proceeds have been temporarily placed in deposits with a licensed bank in Hong Kong.

## 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.



## REPORT OF THE DIRECTORS (CONTINUED)

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 has confirmed that it will exercise, 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 Over-allotment 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 Over-allotment 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 this prospectus and confirm sufficiency of public float in the successive annual reports after listing. At the time of the Listing of the Company, 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, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules since the Shares are listed on the Stock Exchange.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 35 to the combined financial statements of the Group.

### AUDITOR

The 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 ensuring year is to be proposed at the forthcoming annual general meeting.

### CLOSURE OF REGISTER OF MEMBERS

The register of Shareholders will be closed from Monday, 21 May 2007 to Monday, 28 May 2007, both days inclusive, during which period no transfer of Shares will be registered. In order 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, 18 May 2007.

For and on behalf of the Board

**Yeung Kwok Keung**

*Chairman*

Hong Kong, 20 April 2007

# INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS



羅兵咸永道會計師事務所

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED *(incorporated in the Cayman Islands with limited liability)*

We have audited the combined financial statements of Country Garden Holdings Company Limited (the "Company") and the Smart World group (as defined in note 1 to the combined financial statements) (collectively, the combining entities are referred to as the "Group"), set out on pages 50 to 115, which comprise the combined balance sheet of the Group as at 31 December 2006, and the combined income statement, the combined statement of changes in equity and the combined cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company (the "Directors") are responsible for the preparation and the true and fair presentation of these combined 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 combined financial statements based on our audit and report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

# INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
COUNTRY GARDEN HOLDINGS COMPANY LIMITED  
(incorporated in the Cayman Islands with limited liability)

## OPINION

In our opinion, the combined financial statements give a true and fair view of the combined state of affairs of the Group as at 31 December 2006 and of the Group's combined 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, 20 April 2007

# COMBINED BALANCE SHEET

		31 December	
	Note	2006 RMB'000	2005 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	944,571	996,540
Land use rights	7	2,171,614	2,108,815
Available-for-sale financial assets	8	20,000	25,000
Properties under development	9	212,573	113,842
Deferred income tax assets	18	555,566	723,852
		<b>3,904,324</b>	3,968,049
<b>Current assets</b>			
Land use rights	7	1,584,777	1,607,841
Properties under development	9	3,725,848	3,245,454
Completed properties held for sale	10	1,641,029	1,295,393
Inventories	11	89,955	114,041
Trade and other receivables	12	1,439,064	2,571,351
Prepaid taxes		942,012	264,070
Restricted cash	13	454,669	135,810
Cash and cash equivalents	14	1,529,689	824,707
		<b>11,407,043</b>	10,058,667
<b>Total assets</b>		<b>15,311,367</b>	14,026,716
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity owners</b>			
Combined capital	15	764,568	764,568
Reserves	16	545,259	1,540,216
		<b>1,309,827</b>	2,304,784
<b>Minority interests</b>		<b>165,535</b>	17,054
<b>Total equity</b>		<b>1,475,362</b>	2,321,838

## COMBINED BALANCE SHEET (CONTINUED)

	Note	31 December	
		2006 RMB'000	2005 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	<b>2,858,200</b>	3,723,210
Deferred income tax liabilities	18	<b>130,957</b>	634,692
		<b>2,989,157</b>	4,357,902
<b>Current liabilities</b>			
Advanced proceeds received from customers		<b>7,481,986</b>	3,830,050
Trade and other payables	19	<b>1,848,859</b>	2,287,533
Income tax payable		<b>292,911</b>	627,893
Borrowings	17	<b>1,223,092</b>	601,500
		<b>10,846,848</b>	7,346,976
<b>Total liabilities</b>		<b>13,836,005</b>	11,704,878
<b>Total equity and liabilities</b>		<b>15,311,367</b>	14,026,716
<b>Net current assets</b>		<b>560,195</b>	2,711,691
<b>Total assets less current liabilities</b>		<b>4,464,519</b>	6,679,740

Approved by the Board of Directors on 20 April 2007.

**Cui Jianbo**  
Director

**Yang Erzhu**  
Director

The notes on pages 55 to 115 form an integral part of these combined financial statements.

## COMBINED INCOME STATEMENT

	Note	Year ended 31 December	
		2006 RMB'000	2005 RMB'000
Revenue	5	<b>7,940,937</b>	5,191,485
Cost of sales	22	<b>(5,296,485)</b>	(3,469,277)
<b>Gross profit</b>		<b>2,644,452</b>	1,722,208
Other gains — net	20	<b>59,008</b>	16,315
Selling and marketing costs		<b>(214,497)</b>	(213,521)
Administrative expenses		<b>(361,504)</b>	(273,681)
Other expenses	21	<b>(45,884)</b>	(65,808)
<b>Operating profit</b>	22	<b>2,081,575</b>	1,185,513
Finance costs	23	<b>(264,776)</b>	(220,981)
<b>Profit before income tax</b>		<b>1,816,799</b>	964,532
Income tax expense	26	<b>(144,320)</b>	(375,019)
<b>Profit for the year</b>		<b>1,672,479</b>	589,513
<b>Attributable to:</b>			
Equity owners		<b>1,519,473</b>	615,425
Minority interests		<b>153,006</b>	(25,912)
		<b>1,672,479</b>	589,513
Earnings per share for profit attributable to the equity owners (RMB)	29	<b>N/A</b>	N/A
Dividends	27	<b>2,513,704</b>	382,792

The notes on pages 55 to 115 form an integral part of these combined financial statements.



## COMBINED STATEMENT OF CHANGES IN EQUITY

	<b>Capital and reserves attributable to the equity owners</b>		<b>Minority interests</b> RMB'000	<b>Total</b> RMB'000
	<b>Combined capital</b>	<b>Reserves</b>		
	RMB'000 (note 15)	RMB'000 (note 16)		
Balance at 1 January 2005	764,568	899,977	82,699	1,747,244
Capital injections to subsidiaries by their then shareholders	—	407,606	1,584	409,190
Profit/(loss) for the year	—	615,425	(25,912)	589,513
Dividends (note 27)	—	(382,792)	(41,317)	(424,109)
Balance at 31 December 2005/1 January 2006	764,568	1,540,216	17,054	2,321,838
Capital injections to subsidiaries by their then shareholders	—	9,551	11,450	21,001
Acquisition of subsidiaries (note 32)	—	—	11,345	11,345
Disposals of subsidiaries and businesses (note 33)	—	(10,277)	(27,320)	(37,597)
Profit for the year	—	1,519,473	153,006	1,672,479
Dividends (note 27)	—	(2,513,704)	—	(2,513,704)
Balance at 31 December 2006	764,568	545,259	165,535	1,475,362

The notes on pages 55 to 115 form an integral part of these combined financial statements.

# COMBINED CASH FLOW STATEMENT

		Year ended 31 December	
	Note	2006 RMB'000	2005 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	4,826,996	853,419
Income tax paid		(1,107,279)	(507,446)
Interest paid		(264,776)	(220,981)
<b>Net cash generated from operating activities</b>		<b>3,454,941</b>	124,992
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	32	(17,741)	(16,076)
Disposals of subsidiaries and businesses, net of cash received	33	(6,307)	—
Purchases of property, plant and equipment		(332,264)	(216,889)
Purchases of land use rights		(10,997)	(30,774)
Purchases of available-for-sale financial assets	8	—	(20,000)
Proceeds from disposals of property, plant and equipment	28	67,638	—
Proceeds from disposals of available-for-sale financial assets		5,000	—
Interest received	20	20,192	7,844
Cash advances made to related parties		(247,592)	(1,579,350)
Repayments of cash advances from related parties		1,021,557	899,397
<b>Net cash generated from/(used in) investing activities</b>		<b>499,486</b>	(955,848)
<b>Cash flows from financing activities</b>			
Capital contributions from the then shareholders of subsidiaries		21,001	409,190
Proceeds from borrowings		3,436,632	3,176,486
Repayments of borrowings		(3,690,050)	(1,466,500)
Cash advances from related parties		—	43,955
Repayments of cash advances to related parties		(503,324)	(629,786)
Dividends paid to the equity owners		(2,513,704)	(382,792)
Dividends paid to minority shareholders		—	(41,317)
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,249,445)</b>	1,109,236
<b>Net increase in cash and cash equivalents</b>		<b>704,982</b>	278,380
Cash and cash equivalents at the beginning of the year		824,707	546,327
<b>Cash and cash equivalents at the end of the year</b>	14	<b>1,529,689</b>	824,707

The notes on pages 55 to 115 form an integral part of these combined financial statements.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION

### Group reorganisation

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 Company and its subsidiaries underwent the following reorganisation (the “Reorganisation”) in preparation for the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):

- (i) Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming (hereinafter collectively referred to as the “Existing Shareholders”) and/or their respective family members established various companies in the People’s Republic of China (the “PRC”) engaging in property development, construction, fitting and decoration, property management and hotel operation and theme park. As part of the Reorganisation, the Existing Shareholders incorporated each of Angel View International Limited (“Angel View”), Boavista Investments Limited (“Boavista”), United Gain Group Ltd. (“United Gain”), Estonia Development Ltd. (“Estonia”), Falcon Investments Development Ltd. (“Falcon”), Infiniti Holdings Development Limited (“Infiniti”), Wise Fame Group Ltd. (“Wise Fame”), Impreza Group Limited (“Impreza”), Smart World Development Holdings Ltd. (“Smart World”) and Great Best Group Holdings Limited (“Great Best”) in the percentage of equity interests of approximately 70%, 12%, 6%, 6%, and 6%, respectively.
- (ii) As of 31 December 2006, each of Falcon, Infiniti, Wise Fame and Impreza had acquired Angel View, Boavista, United Gain and Estonia from the Existing Shareholders respectively, and had allotted and issued their respective new shares to the Existing Shareholders in the ratio of approximately 70%, 12%, 6%, 6% and 6% as consideration. Smart World then have acquired Falcon, Infiniti, Wise Fame and Impreza from the Existing Shareholders, and had allotted and issued new shares to the Existing Shareholders in the ratio of approximately 70%, 12%, 6%, 6% and 6% as consideration. Smart World also has acquired Country Garden (Hong Kong) Development Company Limited (“HK Co”) from Mr. Yeung Kwok Keung and paid approximately HK\$1,124,000, (the net asset value of HK Co as at 31 August 2006), as consideration. Great Best then acquired Smart World from the Existing Shareholders, and had allotted and issued new shares to the Existing Shareholders in the ratio of approximately 70%, 12% 6%, 6% and 6% as consideration. Great Best then provided the consideration for the acquisitions of the equity interest in the PRC project companies, hotel companies, property management company, construction companies, fitting and decoration companies and theme park companies now comprising the Group from the Existing Shareholders to Angel View, Boavista, United Gain and Estonia through a loan arrangement for an aggregate amount of approximately HK\$62 million and the subscription of new shares in Smart World, the sums were in turn applied for the subscription of new shares in Falcon, Infiniti, Wise Fame and Impreza by Smart World and the subscription of new shares in Angel View, Boavista, United Gain and Estonia by Falcon, Infiniti, Wise Fame and Impreza respectively.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (continued)

Particulars of Smart World and its subsidiaries (collectively, the “Smart World group”) are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
Incorporated in Hong Kong, a limited liability company and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HK\$10,000	—	100%	General trading
Incorporated in the BVI, all of which are limited liability companies and operate in the PRC:					
Angel View International Limited	7 April 2006	US\$200	—	100%	Investment holding
Boavista Investments Limited	7 April 2006	US\$200	—	100%	Investment holding
United Gain Group Ltd.	28 March 2006	US\$200	—	100%	Investment holding
Estonia Development Ltd.	21 March 2006	US\$200	—	100%	Investment holding
Falcon Investments Development Ltd.	21 March 2006	US\$300	—	100%	Investment holding
Infiniti Holdings Development Limited	7 April 2006	US\$300	—	100%	Investment holding
Wise Fame Group Ltd.	28 March 2006	US\$300	—	100%	Investment holding
Impreza Group Limited	7 April 2006	US\$300	—	100%	Investment holding
Smart World Development Holdings Ltd.	28 March 2006	US\$300	100%	—	Investment holding
Established and operate in the PRC, all of which are foreign investment enterprises:					
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	RMB5,000,000	—	100%	Hotel operation
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	RMB32,500,000	—	100%	Property development

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (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
			Directly	Indirectly	
Established and operate in the PRC, all of which are foreign investment enterprises: (continued)					
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	RMB50,000,000	—	100%	Property development
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	RMB5,000,000	—	100%	Hotel 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	RMB62,500,000	—	100%	Property development
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	RMB50,000,000	—	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	RMB3,000,000	—	100%	Decoration and design
Guangdong Country Garden Property Management Co., Ltd. 廣東碧桂園物業管理有限公司	19 April 2004	RMB12,100,000	—	100%	Property management
Guangdong Giant Leap Construction Co., Ltd. (“Giant Leap Construction Co.”) 廣東騰越建築工程有限公司	25 March 1997	RMB27,750,000	—	100%	Construction
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB12,000,000	—	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	RMB55,994,938	—	100%	Property development

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (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
			Directly	Indirectly	
Established and operate in the PRC, all of which are foreign investment enterprises: (continued)					
Guangzhou Panyu Huanan Country Garden Club Co., Ltd. 廣州市番禺區華南碧桂園俱樂部有限公司	18 September 2000	RMB500,000	—	100%	Club operation
Guangzhou Lychee Cultural Park Co., Ltd. 廣州市紅荔文化村有限公司	7 December 2004	RMB300,000	—	100%	Theme park operation
Guangzhou Huadou 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	RMB16,415,554	—	100%	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	RMB5,000,000	—	100%	Hotel operation
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	9 July 2003	RMB10,000,000	—	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	RMB10,637,941	—	100%	Property development
Jiangmen Jinyi Housing Co., Ltd. 江門市金怡置業有限公司*	13 August 2003	RMB16,647,284	—	100%	Hotel operation
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	RMB5,000,000	—	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	RMB10,000,000	—	100%	Property development



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (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
			Directly	Indirectly	
Established and operate in the PRC, all of which are foreign investment enterprises: (continued)					
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	RMB5,000,000	—	100%	Hotel operation
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	RMB9,089,990	—	100%	Property development
Taishan Country Garden Phoenix Hotel Co., Ltd. 台山市碧桂園鳳凰酒店有限公司	4 August 2005	RMB8,681,231	—	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	US\$6,250,000	—	100%	Property development
Yangjiang Country Garden Phoenix Hotel Co., Ltd. 陽江市碧桂園鳳凰酒店有限公司	2 February 2005	US\$625,000	—	100%	Hotel operation
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	RMB10,000,000	—	100%	Hotel 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	RMB200,000,000	—	100%	Property development
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	RMB10,000,000	—	90%	Property development
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***	15 October 2003	RMB8,000,000	—	50%	Property development

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (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
			Directly	Indirectly	
Established and operate in the PRC, all of which are foreign investment enterprises: (continued)					
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB30,000,000	—	100%	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	RMB5,000,000	—	100%	Property development
Tianjin Phoenix Investment Development Co., Ltd. 天津鳳凰投資發展有限公司	5 July 2006	RMB30,000,000	—	70%	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	RMB10,000,000	—	90%	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	RMB20,000,000	—	51%	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	RMB5,000,000	—	51%	Hotel operation
Tianjin Country Garden Phoenix Hotel Co., Ltd. 天津碧桂園鳳凰酒店有限公司	26 December 2006	RMB10,000,000	—	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	RMB10,000,000	—	100%	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	RMB10,000,000	—	100%	Property development

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (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
			Directly	Indirectly	
Established and operate in the PRC, all of which are foreign investment enterprises: (continued)					
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	RMB10,000,000	—	100%	Property development

\* Acquired by the Group on 20 April 2005, see note 32 for details.

\*\* Acquired by the Group on 31 December 2006, see note 32 for details.

\*\*\* The Directors 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 have been registered or available.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 1. GROUP REORGANISATION, BASIS OF PREPARATION AND GENERAL INFORMATION (CONTINUED)

### Group reorganisation (continued)

- (iii) Concrete Win Limited (“Concrete Win”), Automic Group Ltd. (“Automic”), Easy Hope Holdings Ltd. (“Easy Hope”), Acura International Global Limited (“Acura”) and Highlander Group Limited (“Highlander”), were set up in the British Virgin Islands (“BVI”) and wholly owned by Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming respectively. On 21 March 2007, Concrete Win, Automic, Easy Hope, Acura and Highlander acquired the existing shares of Smart World from Great Best and the debt of approximately HK\$62 million owed by Angel View, Boavista and Estonia to Great Best at the total consideration of HK\$747,656,986, which was equivalent to the net asset value of Smart World as at 30 September 2006. After the above acquisition, Smart World was then owned by Concrete Win, Automic, Easy Hope, Acura and Highlander as to approximately 70%, 12%, 6%, 6% and 6% respectively.
- (iv) On 26 March 2007, the Company acquired Smart World from Concrete Win, Automic, Easy Hope, Acura and Highlander, and allotted and issued 999,999,900 shares to them as consideration.

After the Reorganisation, the Company became the holding company of Smart World group. Concrete Win also became the immediate and ultimate holding company of the Company.

### Basis of preparation

For the purpose of these combined financial statements, the combining entities are the Company and the Smart World group (collective referred to as the “Group”). The combined financial statements have been prepared to reflect the aggregation of the financial statements of the Company and the consolidated financial statements of the Smart World group (the “Smart World Consolidated Financial Statements”), both are ultimately controlled by Mr. Yeung Kwok Keung and his certain family members (collectively the “Yeung’s Family”) as a result of contractual arrangements made among the Yeung’s Family.

The Smart World Consolidated Financial Statements include the financial position, results and cash flows of the companies comprising the Smart World group using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

### General information

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

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

These combined 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 20 April 2007.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of combined 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 combined financial statements are disclosed in note 4 below.

The following new standard, amendment and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods and the Group has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures, will be effective for the Group's accounting periods beginning on or after 1 January 2007. HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in HKAS 32 Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The Amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of these new and revised standards and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by these new and revised standards;
- HK(IFRIC)-Interpretation 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). This interpretation requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the combined financial statements; and
- HK(IFRIC)-Interpretation 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the combined financial statements.

### (a) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Merger accounting for common control combination (continued)

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

### (b) 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

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



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) *Subsidiaries (continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) *Segment reporting*

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

### (d) *Foreign currency translation*

#### (i) *Functional and presentation currency*

Items included in the accounts of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). For the purpose of this report, the combined financial statements is presented in RMB, which is the functional and presentation currency of the Company.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement.

#### (iii) *Group companies*

The results and financial positions of all the companies now comprising the Group (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 of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property, plant and equipment

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### (f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets

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

### (i) Loans and receivables

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

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

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of loans and other receivables is described in note 2(l).

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Properties under development

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

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

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

### (i) Completed properties held for sale

Completed properties remaining unsold at the balance sheet date 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.

### (j) 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.

### (k) Construction contracts

Contract costs are recognised when incurred.

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

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Construction contracts (continued)

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

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

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

### (l) Trade and other receivables

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

### (m) Cash and cash equivalents

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

### (n) Borrowings

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

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

### (o) Borrowing costs

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) *Deferred income tax*

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

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

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

### (q) *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 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.



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Employee benefits (continued)

#### (ii) *Retirement benefits (continued)*

The Group also participates in a pension 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 pension 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.

### (r) Provisions and contingent liabilities

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

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

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

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

### (s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales with the companies now comprising the Group. 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 installments received on properties sold prior to the date of revenue recognition are included in the combined balance sheet as advanced proceeds received from customers under current liabilities.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Revenue recognition (continued)

#### (ii) *Property management*

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

#### (iii) *Construction services*

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (note 2(k)).

#### (iv) *Decoration services*

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

#### (v) *Interest income*

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

#### (vi) *Rental income*

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

#### (vii) *Hotel operation*

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

#### (viii) *School fee income*

Fee income from school as ancillary facility to the property development business is recognised in the accounting period in which the services are rendered.

### (t) Leases

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

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

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the combined income statement or capitalised in the properties under development (note 2(h)) on a straight-line basis over the period of the lease.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Leases (continued)

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

### (u) Dividend distribution

Dividend distribution to the then equity holders of the companies now comprising the Group during the year is recognised in these combined financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant companies now comprising the Group.

### (v) 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 income statement.

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 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.

### (a) Financial risk factors

#### (i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds are in other foreign currencies. As at 31 December 2006, most of the Group's assets and liabilities were denominated in RMB and in the opinion of the Directors, the Group would not have significant foreign currency risk exposure.

#### (ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

#### (iii) *Credit risk*

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank and trade and other receivables.

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 30.

#### (iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments.

### (b) Fair value estimation

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the combined 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) Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

### (c) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 2(k), 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 needs 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 are of the opinion that there were no expected losses, where the estimated total construction contract costs exceed the total construction contract revenue, which need to be recognised in the income statement.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The costs of property, plant and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

## 5. SEGMENT INFORMATION

The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation and theme park businesses. Other businesses of the Group mainly represent operation of schools as ancillary facilities to the property development business, which were disposed of in 2006 (see note 33). As less than 10% of the Group's combined turnover and results are attributable to the market outside the PRC and less than 10% of the Group's combined assets are located outside the PRC, no geographical segment data is presented.

Revenue consists of the following:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Sales of properties	<b>6,961,365</b>	4,086,679
Rendering of construction services	<b>514,240</b>	535,757
Rendering of hotel services	<b>193,956</b>	185,264
Rendering of property management services	<b>170,368</b>	134,494
Rendering of school services	<b>59,100</b>	114,659
Rendering of decoration services	<b>41,908</b>	134,632
	<b>7,940,937</b>	5,191,485

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 5. SEGMENT INFORMATION (CONTINUED)

Segment information is as follows:

### Primary reporting format — business segments

The segment results for the year ended 31 December 2006 are as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	6,961,365	3,445,118	187,767	201,012	59,100	—	10,854,362
Inter-segment revenue	—	(2,888,970)	(17,399)	(7,056)	—	—	(2,913,425)
Revenue	6,961,365	556,148	170,368	193,956	59,100	—	7,940,937
Segment results	1,557,451	550,773	26,878	14,262	8,107	(102,393)	2,055,078
Gains on disposals of subsidiaries and businesses (note 33)	—	—	—	—	—	—	26,497
Finance costs							(264,776)
Profit before income tax							1,816,799
Income tax expense							(144,320)
Profit for the year							1,672,479

The segment results for the year ended 31 December 2005 are as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,086,679	4,146,177	159,486	192,008	114,659	—	8,699,009
Inter-segment revenue	—	(3,475,788)	(24,992)	(6,744)	—	—	(3,507,524)
Revenue	4,086,679	670,389	134,494	185,264	114,659	—	5,191,485
Segment results	892,901	756,069	12,547	(4,246)	14,638	(486,396)	1,185,513
Finance costs							(220,981)
Profit before income tax							964,532
Income tax expense							(375,019)
Profit for the year							589,513



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 5. SEGMENT INFORMATION (CONTINUED)

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

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

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

Year ended 31 December 2006							
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Depreciation (note 6)	27,126	33,824	7,054	69,296	5,642	(5,778)	137,164
Amortisation (note 7)	37,519	1,440	—	688	—	—	39,647
Impairment of property, plant and equipment (note 6)	—	—	—	3,267	154	—	3,421
Capital expenditure (note 6)	286,686	6,819	5,352	78,451	535	(45,229)	332,614

Year ended 31 December 2005							
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Depreciation (note 6)	26,142	43,269	6,314	53,786	11,030	(6,906)	133,635
Amortisation (note 7)	37,008	2,288	—	3,023	—	—	42,319
Impairment of property, plant and equipment (note 6)	—	—	—	3,007	1,354	—	4,361
Capital expenditure (note 6)	46,954	69,569	2,208	174,210	3,632	(59,052)	237,521

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 5. SEGMENT INFORMATION (CONTINUED)

Primary reporting format — business segments (continued)

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

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	20,227,493	4,367,792	119,137	986,482	—	(10,945,103)	14,755,801
Unallocated							555,566
Total assets							15,311,367
Segment liabilities	15,662,588	2,559,287	83,899	966,359	—	(9,941,288)	9,330,845
Unallocated							4,505,160
Total liabilities							13,836,005

The segment assets and liabilities at 31 December 2005 are as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation and theme park RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	13,713,182	5,061,062	169,935	825,486	420,861	(6,887,662)	13,302,864
Unallocated							723,852
Total assets							14,026,716
Segment liabilities	7,544,670	2,514,463	157,198	803,592	388,466	(5,290,806)	6,117,583
Unallocated							5,587,295
Total liabilities							11,704,878

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 5. SEGMENT INFORMATION (CONTINUED)

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

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

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

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through business combinations (notes 6 and 32).

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 6. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fitting and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2005</b>						
Cost	566,429	259,312	223,743	94,232	138,512	1,282,228
Accumulated depreciation	(94,964)	(128,607)	(116,079)	(34,001)	—	(373,651)
Accumulated impairment	—	(1,219)	(2,907)	(7,246)	—	(11,372)
<b>Net book amount</b>	<b>471,465</b>	<b>129,486</b>	<b>104,757</b>	<b>52,985</b>	<b>138,512</b>	<b>897,205</b>
<b>Year ended 31 December 2005</b>						
Opening net book amount	471,465	129,486	104,757	52,985	138,512	897,205
Acquisition of subsidiaries (note 32)	—	—	—	—	20,632	20,632
Additions	32,958	46,116	35,984	31,397	70,434	216,889
Reclassification	100,627	6,141	—	—	(106,768)	—
Disposals	—	—	(71)	(119)	—	(190)
Depreciation	(39,075)	(46,555)	(30,959)	(17,046)	—	(133,635)
Impairment charge	(3,007)	(87)	—	(1,267)	—	(4,361)
<b>Closing net book amount</b>	<b>562,968</b>	<b>135,101</b>	<b>109,711</b>	<b>65,950</b>	<b>122,810</b>	<b>996,540</b>
<b>At 31 December 2005</b>						
Cost	700,014	311,569	259,618	125,511	122,810	1,519,522
Accumulated depreciation	(134,039)	(175,162)	(147,000)	(51,048)	—	(507,249)
Accumulated impairment	(3,007)	(1,306)	(2,907)	(8,513)	—	(15,733)
<b>Net book amount</b>	<b>562,968</b>	<b>135,101</b>	<b>109,711</b>	<b>65,950</b>	<b>122,810</b>	<b>996,540</b>
<b>Year ended 31 December 2006</b>						
Opening net book amount	562,968	135,101	109,711	65,950	122,810	996,540
Additions	10,902	30,075	21,280	33,769	236,238	332,264
Reclassification	9,280	—	—	—	(9,280)	—
Acquisition of subsidiaries (note 32)	—	—	126	224	—	350
Disposals of subsidiaries and businesses (note 33)	(105,120)	(51,705)	(11,800)	(4,031)	(4,969)	(177,625)
Disposals	(10,991)	(21,799)	(13,200)	(20,383)	—	(66,373)
Depreciation	(45,372)	(39,177)	(29,201)	(23,414)	—	(137,164)
Impairment charge	—	(3,268)	—	(153)	—	(3,421)
<b>Closing net book amount</b>	<b>421,667</b>	<b>49,227</b>	<b>76,916</b>	<b>51,962</b>	<b>344,799</b>	<b>944,571</b>
<b>At 31 December 2006</b>						
Cost	521,906	137,096	201,583	98,096	344,799	1,303,480
Accumulated depreciation	(97,232)	(83,782)	(124,667)	(46,084)	—	(351,765)
Accumulated impairment	(3,007)	(4,087)	—	(50)	—	(7,144)
<b>Net book amount</b>	<b>421,667</b>	<b>49,227</b>	<b>76,916</b>	<b>51,962</b>	<b>344,799</b>	<b>944,571</b>

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge was capitalised or expensed in the following categories in the combined balance sheet and income statement:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Properties under development	33,289	33,007
Cost of sales	76,214	78,035
Selling and marketing costs	8,490	3,581
Administrative expenses	19,171	19,012
	<b>137,164</b>	133,635

As at 31 December 2006, buildings with net book amounts totalling RMB357,745,000 (2005: RMB346,868,000) and construction in progress with net book amounts totalling RMB64,913,000 (2005: Nil) were pledged as collateral for the Group's borrowings.

As at 31 December 2006, title certificates of buildings with net book amounts totalling RMB19,324,000 (2005: RMB155,918,000) were still in the progress of being obtained.

Included in buildings are the hotels located in the PRC which are classified as property, plant and equipment, the net book value of which amounted to RMB381,837,000 as at 31 December 2006 (2005: RMB475,095,000).

In May 2006, certain buildings with net book amounts totalling RMB36,556,000 were pledged as collateral for the borrowings of Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden"), a related company controlled by the Existing Shareholders (note 30), which had been released as at 31 December 2006.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 7. LAND USE RIGHTS

	31 December	
	2006 RMB'000	2005 RMB'000
Opening net book amount	<b>3,716,656</b>	3,210,959
Acquisition of subsidiaries (note 32)	<b>89,200</b>	59,748
Additions	<b>781,598</b>	752,448
Amortisation:		
— expensed in administrative expenses	<b>(39,647)</b>	(42,319)
— capitalised in properties under development (note 9)	<b>(23,152)</b>	(18,998)
Disposals of subsidiaries and businesses (note 33)	<b>(282,527)</b>	—
Transfer to cost of sales	<b>(485,737)</b>	(245,182)
	<b>3,756,391</b>	3,716,656
Amount expected to be transferred to cost of sales within normal operating cycle included under current assets	<b>(1,584,777)</b>	(1,607,841)
Closing net book amount	<b>2,171,614</b>	2,108,815
Outside Hong Kong, held on leases of:		
Between 50 to 70 years	<b>3,636,535</b>	3,628,799
Between 10 to 50 years	<b>119,856</b>	87,857
	<b>3,756,391</b>	3,716,656

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

As at 31 December 2006, land use rights with net book amounts totalling RMB1,427,365,000 (2005: RMB1,450,298,000) were pledged as collateral for the Group's borrowings, respectively. As at 31 December 2005, land use rights with net book amounts totalling RMB179,672,000 were pledged as collateral for the borrowings of Qingyuan Country Garden (note 30), which had been released as at 31 December 2006.

As at 31 December 2006, certificates of land use rights with net book amounts totalling RMB7,264,000 (2005: RMB6,682,000) were still in the progress of being obtained.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December	
	2006 RMB'000	2005 RMB'000
Unlisted securities without active market	20,000	25,000

The carrying amounts of the above available-for-sale financial assets approximate their fair value.

### 9. PROPERTIES UNDER DEVELOPMENT

	31 December	
	2006 RMB'000	2005 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	3,725,848	3,245,454
Beyond normal operating cycle included under non-current assets	212,573	113,842
	3,938,421	3,359,296
Amount comprises:		
Construction costs	3,915,269	3,340,298
Amortisation of land use rights (note 7)	23,152	18,998
	3,938,421	3,359,296

The properties under development are located in the PRC.

### 10. COMPLETED PROPERTIES HELD FOR SALE

	31 December	
	2006 RMB'000	2005 RMB'000
Completed properties held for sale, at cost	1,641,029	1,295,393

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



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 11. INVENTORIES

	31 December	
	2006 RMB'000	2005 RMB'000
Construction materials, at cost	<b>89,955</b>	114,041

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB1,898,271,000 for the year ended 31 December 2006 (2005: RMB2,199,154,000).

## 12. TRADE AND OTHER RECEIVABLES

	31 December	
	2006 RMB'000	2005 RMB'000
Trade receivables: (note (a)):	<b>49,937</b>	96,109
Related parties (note 34(d))	—	26,055
Third parties	<b>49,937</b>	70,054
Other receivables:	<b>818,499</b>	1,867,114
Related parties (note 34(d))	<b>638,797</b>	1,719,844
Third parties	<b>182,659</b>	169,487
Provision for impairment of receivables	<b>(2,957)</b>	(22,217)
Amounts due from customers for contract work (note (b))	<b>103,694</b>	401,401
Prepayments — third parties	<b>466,934</b>	206,727
	<b>1,439,064</b>	2,571,351

Notes:

- (a) Trade receivables are mainly arisen from rendering of construction services and sales of properties. Customers are generally granted credit terms of 1 to 3 months for construction business and no credit terms for property development business. The ageing analysis of trade receivables was as follows:

	31 December	
	2006 RMB'000	2005 RMB'000
Within 90 days	<b>32,918</b>	51,060
Over 90 days and within 180 days	<b>7,589</b>	12,870
Over 180 days and within 365 days	<b>3,277</b>	26,547
Over 365 days	<b>6,153</b>	5,632
	<b>49,937</b>	96,109

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	31 December	
	2006	2005
	RMB'000	RMB'000
Cost incurred	2,700,866	1,894,612
Recognised profits (less recognised losses)	1,363,660	759,504
	4,064,526	2,654,116
Less: progress billings	(3,960,832)	(2,252,715)
	103,694	401,401
Represented by:		
Amounts due from customers	103,694	401,401
Including: Related companies (note 34(d))	92,623	401,395
Third parties	11,071	6

## 13. RESTRICTED CASH

In accordance with relevant documents issued by local 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 payments of construction fee of the relevant property projects when approval from local 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.

## 14. CASH AND CASH EQUIVALENTS

	31 December	
	2006	2005
	RMB'000	RMB'000
Cash at bank and in hand:		
Denominated in RMB	1,961,122	958,781
Denominated in other currencies	23,236	1,736
	1,984,358	960,517
Less: Restricted cash (note 13)	(454,669)	(135,810)
	1,529,689	824,707

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 COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 15. COMBINED CAPITAL

As disclosed in note 1 above, the combined financial statements have been prepared to reflect the aggregation of the financial statements of the Company and the Smart World Consolidated Financial Statements, which have been prepared under the merger accounting method. Accordingly, the initial issued ordinary shares plus share premium totalling RMB764,568,000 of Smart World were assumed to have been issued on 1 January 2005, and the difference between that amount and the aggregate amounts of the respective registered capital (if applicable) of the companies comprising the Group as at 31 December 2005 and 2006 had been captured under the merger reserve account.

For the presentation of the combined financial statements, the combined capital of the Group as at 2006 represented the share capital including share premium of Smart World and the Company.

## 16. RESERVES

	<b>Merger reserve (note (b)) RMB'000</b>	<b>Statutory reserves (note (a)) RMB'000</b>	<b>Retained earnings RMB'000</b>	<b>Total RMB'000</b>
Balance at 1 January 2005	(557,908)	58,074	1,399,811	899,977
Capital injections to subsidiaries by their then shareholders	407,606	—	—	407,606
Profit for the year	—	—	615,425	615,425
Transfer to statutory reserves	—	58,189	(58,189)	—
Dividends (note (27))	—	—	(382,792)	(382,792)
Balance at 31 December 2005/1 January 2006	(150,302)	116,263	1,574,255	1,540,216
Capital injections to subsidiaries by their then shareholders	9,551	—	—	9,551
Profit for the year	—	—	1,519,473	1,519,473
Transfer to statutory reserves	—	67,470	(67,470)	—
Disposals of subsidiaries and businesses (note 33)	(9,050)	(1,227)	—	(10,277)
Dividends (note 27)	—	—	(2,513,704)	(2,513,704)
Balance at 31 December 2006	(149,801)	182,506	512,554	545,259

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 16. RESERVES (CONTINUED)

Notes:

- (a) In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, before the Reorganisation, were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to a statutory surplus reserve and a statutory public welfare fund respectively. These reserves are required to be retained in the PRC companies now comprising the Group for designated purposes.

After the PRC companies now comprising the Group were converted into foreign investment enterprises pursuant to the Reorganisation (described in note 1), these companies are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the revised Articles of Association of these companies, to make appropriations from net profit to the reserve fund, staff and workers' bonus and welfare fund and enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above three funds are solely determined by the board of directors of the PRC companies now comprising the Group, except for those which are also wholly foreign owned enterprises, their transfer of 10% of the profit of each year to the reserve fund is mandatory until the accumulated total of the fund reaches 50% of their registered capital.

- (b) Merger reserve of the Group represents the difference between the nominal value of combined capital of the Group and the fair value of the subsidiaries transferred to the Group pursuant to the Reorganisation.

## 17. BORROWINGS

	<b>31 December</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	<b>3,876,700</b>	3,410,505
Borrowings from related parties (note 34(d))	<b>—</b>	644,205
Less: current portion of non-current borrowings	<b>(1,018,500)</b>	(331,500)
	<b>2,858,200</b>	3,723,210
Borrowings included in current liabilities:		
Bank borrowings — secured	<b>140,000</b>	270,000
Borrowings from related parties (note 34(d))	<b>64,592</b>	—
Current portion of non-current borrowings	<b>1,018,500</b>	331,500
	<b>1,223,092</b>	601,500

The Group's borrowings of RMB4,016,700,000 at 31 December 2006 (2005: RMB3,680,505,000) were jointly secured by certain properties and land use rights of the Group (notes 6 and 7) and of certain related companies, and also jointly guaranteed by the group companies and certain related companies.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 17. BORROWINGS (CONTINUED)

The details of guarantee and security given by the related companies are as follows:

As at	Borrowing amount RMB'000	Guarantee details	Security details
31 December 2006	80,000	None	Certain land use rights of Guangzhou Zhencheng Property Development Co., Ltd.
31 December 2005	149,000	None	Certain land use rights of Panyu Country Garden
	340,000	None	Certain land use rights of Qingyuan Country Garden
	200,000	Panyu Country Garden, Floral City Country Garden and Qingyuan Country Garden	None
	100,000	None	Certain land use rights of Qingyuan Golf
	88,000	Qingyuan Country Garden	Certain land use rights of Qingyuan Country Garden
	12,000	Qingyuan Country Garden	None

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

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
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Borrowings included in non-current liabilities:

At 31 December 2006	2,858,200	—	—	—	2,858,200
At 31 December 2005	3,723,210	—	—	—	3,723,210

Borrowings included in current liabilities:

At 31 December 2006	1,223,092	—	—	—	1,223,092
At 31 December 2005	601,500	—	—	—	601,500

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 17. BORROWINGS (CONTINUED)

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

	<b>31 December</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<b>RMB'000</b>
Between 1 and 2 years	<b>2,044,400</b>	2,306,000
Between 2 and 5 years	<b>813,800</b>	1,417,210
	<b>2,858,200</b>	3,723,210

The weighted average effective interest rates at the balance sheet date were as follows:

	<b>31 December</b>	
	<b>2006</b>	2005
Borrowings	<b>6.222%</b>	6.270%

The carrying amounts of all the Group's borrowings are denominated in RMB and approximate their fair value.

## 18. DEFERRED INCOME TAX

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

	<b>31 December</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<b>RMB'000</b>
Deferred income tax assets:		
— to be realised after more than 12 months	<b>391,386</b>	363,951
— to be realised within 12 months	<b>164,180</b>	359,901
	<b>555,566</b>	723,852
Deferred income tax liabilities:		
— to be settled after more than 12 months	<b>(130,957)</b>	(409,228)
— to be settled within 12 months	<b>—</b>	(225,464)
	<b>(130,957)</b>	(634,692)
	<b>424,609</b>	89,160

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 18. DEFERRED INCOME TAX (CONTINUED)

The net movement on the deferred taxation is as follows:

	<b>31 December</b>	
	<b>2006</b>	2005
	<b>RMB'000</b>	<b>RMB'000</b>
Beginning of the year	<b>89,160</b>	(114,999)
Acquisition of subsidiaries (note 32)	<b>(15,195)</b>	—
Disposals of subsidiaries and businesses (note 33)	<b>(4,472)</b>	—
Recognised in the combined income statements (note 26)	<b>355,116</b>	204,159
End of the year	<b>424,609</b>	89,160

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

Deferred tax assets:

	<b>Recognition of sales of property and related cost of sales</b>	<b>Impairment of assets</b>	<b>Recognition of expenses</b>	<b>Elimination of unrealised profits</b>	<b>Tax losses</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2005	162,310	7,063	44,336	217,476	152	431,337
Credited to the combined income statements	113,330	—	31,203	146,475	1,507	292,515
At 31 December 2005	275,640	7,063	75,539	363,951	1,659	723,852
(Charged)/credited to the combined income statements	(242,350)	(6,356)	32,468	27,435	24,989	(163,814)
Disposals of subsidiaries and businesses (note 33)	—	—	(4,472)	—	—	(4,472)
At 31 December 2006	33,290	707	103,535	391,386	26,648	555,566

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 of RMB4,095,000 as at 31 December 2006 (2005: RMB14,220,000) in respect of accumulated losses amounting to RMB12,408,000 as at 31 December 2006 (2005: RMB43,091,000), respectively. Accumulated losses amounting to RMB3,440,000, RMB4,474,000, RMB1,646,000, RMB690,000 and RMB2,158,000 as at 31 December 2006 will expire in 2007, 2008, 2009, 2010 and 2011, respectively.



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 18. DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities:

	Revaluation surplus on land use rights RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Total RMB'000
At 1 January 2005	—	(546,336)	(546,336)
Charged to the combined income statements	—	(88,356)	(88,356)
At 31 December 2005	—	(634,692)	(634,692)
Acquisition of subsidiaries (note 32)	(15,195)	—	(15,195)
Credited to the combined income statements (note)	—	518,930	518,930
At 31 December 2006	(15,195)	(115,762)	(130,957)

Note:

The amount mainly represents the effect of the granting of a tax holiday concession to Giant Leap Construction Co., a subsidiary of the Group, during the year ended 31 December 2006 (see also note 26).

## 19. TRADE AND OTHER PAYABLES

	31 December	
	2006 RMB'000	2005 RMB'000
Trade payables: (note (a))	517,018	526,613
Related parties (note 34(d))	37,567	154,255
Third parties	479,451	372,358
Other payables:	279,129	714,709
Related parties (note 34(d))	—	464,841
Third parties	279,129	249,868
Staff welfare benefit payable	120,853	197,972
Accrued expenses	42,845	20,277
Other taxes payable (note (b))	889,014	573,794
Tuition deposits (note (c))	—	254,168
	1,848,859	2,287,533

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 19. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	31 December	
	2006 RMB'000	2005 RMB'000
Within 90 days	407,915	329,323
Over 90 days and within 180 days	35,967	48,231
Over 180 days and within 365 days	15,407	43,366
Over 365 days	57,729	105,693
	<b>517,018</b>	<b>526,613</b>

(b) Other taxes payable mainly represent land appreciation tax payable (note 22(b)).

(c) Tuition deposits represent the deposits received from the students, which are unsecured, interest-free and repayable on demand.

## 20. OTHER GAINS — NET

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Forfeiture income	5,476	7,482
Interest income	20,192	7,844
Gains/(losses) on disposals of property, plant and equipment (note 28)	1,265	(190)
Gains on disposals of subsidiaries and businesses (note 33)	26,497	—
Negative goodwill recognised as income (note 32)	10,360	—
Others	(4,782)	1,179
	<b>59,008</b>	<b>16,315</b>

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 21. OTHER EXPENSES

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Donations	9,089	61,447
Impairment charges of property, plant and equipment (note 6)	3,421	4,361
Late payment surcharges	33,374	—
	45,884	65,808

## 22. OPERATING PROFIT

Operating profit is stated after charging the following:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Auditors' remuneration	1,204	73
Advertising costs	83,653	120,701
Business taxes and other levies (a)	506,745	387,088
Costs of completed properties sold	3,637,652	1,870,996
Depreciation (note 6)	137,164	133,635
Land appreciation tax (b)	373,903	329,339
Land use rights amortisation (note 7)	39,647	42,319
Staff costs — excluding directors' emoluments (note 24)	1,184,310	1,020,505

### (a) Business tax

The PRC companies now comprising the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%
Hotel services	5%

### (b) PRC land appreciation tax

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 23. FINANCE COSTS

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Interest expense:		
— bank borrowings	237,895	164,369
— borrowings from related parties (note 34(b))	26,881	56,612
	<b>264,776</b>	220,981

## 24. STAFF COSTS — EXCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Wages and salaries	1,138,550	987,347
Retirement scheme contribution	7,943	13,029
Staff welfare	18,046	7,545
Medical benefits	15,020	4,884
Other allowances and benefits	4,751	7,700
	<b>1,184,310</b>	1,020,505

## 25. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

The remuneration of each Director of the Company for the year ended 31 December 2006 is set out below:

Name of Director	Fees		Discretionary		Inducement		Other		Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	bonuses	fees	fees	benefits	RMB'000	RMB'000			
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Mr. Yeung Kwok Keung	—	1,326	133	—	—	—	2	—	2	—	1,461
Mr. Cui Jianbo	—	600	388	—	—	—	2	—	2	—	990
Mr. Yang Erzhu	—	869	75	—	88	—	2	—	2	—	1,034
Ms. Yang Huiyan	—	367	12	—	—	—	1	—	1	—	380
Mr. Su Rubo	—	869	75	—	88	—	2	—	2	—	1,034
Mr. Zhang Yaoyuan	—	894	75	—	—	—	—	—	—	—	969
Mr. Ou Xueming	—	869	75	—	144	—	2	—	2	—	1,090
Mr. Yang Zhicheng	—	150	197	—	—	—	2	—	2	—	349
Mr. Yang Yongchao	—	1,430	139	—	—	—	2	—	2	—	1,571
Mr. Lai Ming, Joseph	—	—	—	—	—	—	—	—	—	—	—
Mr. Shek Lai Him, Abraham	—	—	—	—	—	—	—	—	—	—	—
Mr. Tong Wui Tung, Ronald	—	—	—	—	—	—	—	—	—	—	—

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 25. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

### (a) Directors' emoluments (continued)

The remuneration of each Director of the Company for the year ended 31 December 2005 is set out 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 retirement scheme RMB'000	Compensation for loss of office as Director RMB'000	Total RMB'000
Mr. Yeung Kwok Keung	—	600	—	—	108	2	—	710
Mr. Cui Jianbo	—	600	388	—	—	2	—	990
Mr. Yang Erzhu	—	285	—	—	186	2	—	473
Ms. Yang Huiyan	—	607	100	—	—	—	—	707
Mr. Su Rubo	—	600	—	—	83	2	—	685
Mr. Zhang Yaoyuan	—	600	—	—	—	1	—	601
Mr. Ou Xueming	—	600	—	—	13	2	—	615
Mr. Yang Zhicheng	—	150	187	—	—	1	—	338
Mr. Yang Yongchao	—	1,170	329	—	—	1	—	1,500
Mr. Lai Ming, Joseph	—	—	—	—	—	—	—	—
Mr. Shek Lai Him, Abraham	—	—	—	—	—	—	—	—
Mr. Tong Wui Tung, Ronald	—	—	—	—	—	—	—	—

Except Mr. Yang Erzhu who was appointed by the Company on 10 November 2006, other Directors were appointed by the Company on 4 December 2006. During 2006, no Director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in the year ended 31 December 2006 include four directors (2005: two), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: three) individual in the year ended 31 December 2006, are as follows:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Salaries and other benefits	1,278	2,651
Retirement scheme contributions	1	3
	1,279	2,654

The emoluments fell within the following bands:

	Year ended 31 December	
	2006	2005
Nil to HK\$1,000,000	—	2
HK\$1,000,000 to HK\$1,500,000	1	1

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 26. INCOME TAX EXPENSE

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Current income tax		
— PRC enterprise income tax	499,057	579,178
— Hong Kong profits tax	379	—
Deferred income tax (note 18)	(355,116)	(204,159)
	<b>144,320</b>	375,019

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 companies now comprising the Group as follows:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Profit before income tax	1,816,799	964,532
Calculated at PRC enterprise income tax rate of 33%	599,544	318,296
Effect of different tax rate	(373)	—
Effect of tax exemption*	(106,594)	—
Tax losses not recognised as deferred income tax assets	708	4,142
Utilisation of previous tax losses	(552)	(139)
Expenses not deductible for tax	47,655	52,720
Change in tax rate of Giant Leap Construction Co.*	(396,068)	—
Income tax expense	<b>144,320</b>	375,019

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

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year ended 31 December 2006. No Hong Kong profits tax was provided for the year ended 31 December 2005 as the Group did not have any assessable profits.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 26. INCOME TAX EXPENSE (CONTINUED)

- \* Giant Leap Construction Co. provides for deferred taxation on temporary differences arising between the tax bases of assets and liabilities in relation to the construction business and their corresponding carrying amounts in the accounts. The tax bases of the relevant assets and liabilities were determined based on the billing schedules pursuant to the construction contracts while the carrying amounts in the accounts were recognised based on the accounting policy of percentage of completion of the Group (note 2(k)). In August 2006, upon the conversion into a foreign investment enterprise, Giant Leap Construction Co. was granted by the local tax authority the income tax holiday of "two years exemption and followed by three years of a 50% tax reduction" and in this context, 2006 has been considered as the first profit-making year of Giant Leap Construction Co. with full income tax exemption. As a result of the granting of the tax holiday, the deferred taxation on the temporary differences brought forward from 2005 has been recalculated and accordingly, the change in deferred taxation has been accounted for as a deferred tax credit in the year ended 31 December 2006.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group's combined financial statements will depend on the implementation details that have not been issued as of the date of the approval of these combined financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

## 27. DIVIDENDS

The following dividends were declared by the companies now comprising the Group to their then equity holders:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Dividends	2,513,704	382,792

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful due to the preparation of the financial statements on combined basis as disclosed in Note 1 above.



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 28. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Profit for the year	<b>1,672,479</b>	589,513
Adjustments for:		
Income tax expense (note 26)	<b>144,320</b>	375,019
Interest income (note 20)	<b>(20,192)</b>	(7,844)
Interest expense (note 23)	<b>264,776</b>	220,981
Depreciation (note 6)	<b>137,164</b>	133,635
Amortisation of land use rights (note 7)	<b>39,647</b>	42,319
(Gains)/losses on disposals of property, plant and equipment (note)	<b>(1,265)</b>	190
Negative goodwill recognised as income (note 32)	<b>(10,360)</b>	—
Gains on disposals of subsidiaries (note 33)	<b>(26,497)</b>	—
Impairment charges of property, plant and equipment (note 6)	<b>3,421</b>	4,361
Changes in working capital (excluding the effects of acquisition and disposals of subsidiaries):		
Property under development and completed properties held for sale	<b>(1,035,472)</b>	(2,001,005)
Inventories	<b>(13,417)</b>	(9,583)
Land use rights	<b>(261,711)</b>	(457,494)
Restricted cash	<b>(359,382)</b>	(5,809)
Trade and other receivables	<b>535,394</b>	(170,543)
Prepaid taxes	<b>(402,227)</b>	(132,979)
Trade and other payables	<b>347,692</b>	422,269
Advanced proceeds received from customers	<b>3,812,626</b>	1,850,389
Cash generated from operations	<b>4,826,996</b>	853,419

Note:

(Gains)/losses on disposals of property, plant and equipment are as follows:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Net book amount disposed of	<b>66,373</b>	190
Proceeds received	<b>(67,638)</b>	—
(Gains)/losses on disposals	<b>(1,265)</b>	190

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 29. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the preparation of the results on combined basis as disclosed in Note 1 above.

### 30. CONTINGENCIES

The Group had the following contingent liabilities:

	31 December	
	2006 RMB'000	2005 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	<b>5,822,731</b>	3,213,766
Guarantees provided to a related company for bank borrowings (note (b))	—	230,600
	<b>5,822,731</b>	3,444,366

Notes:

- (a) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 31 December 2006, RMB764,414,000 (2005: RMB945,660,000) was to be discharged two years from the day the mortgaged loans become due; and RMB5,058,317,000 (2005: RMB2,268,106,000) 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.

- (b) It represented guarantees provided to Qingyuan Country Garden for obtaining bank borrowings, which had been released as at 31 December 2006.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 31. COMMITMENTS

### (a) Commitments for capital and property development expenditures

	31 December	
	2006 RMB'000	2005 RMB'000
Contracted but not provided for		
Property, plant and equipment	32,265	8,324
Property development expenditure	678,423	857,727
	710,688	866,051

### (b) Operating lease commitments

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

	31 December	
	2006 RMB'000	2005 RMB'000
Not later than one year	4,028	1,390
Later than one year and not later than five years	6,659	1,313
Later than five years	8,621	4,452
	19,308	7,155

### (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:

	31 December	
	2006 RMB'000	2005 RMB'000
Not later than one year	16,558	13,710
Later than one year and not later than five years	55,091	25,251
Later than five years	134,103	25,040
	205,752	64,001

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 32. BUSINESS COMBINATIONS

On 20 April 2005, the Existing Shareholders acquired all the equity interest in Jiangmen East Coast Country Garden Property Development Co., Ltd. ("Jiangmen East Coast") and Jiangmen Jinyi Housing Co., Ltd. ("Jiangmen Jinyi Housing") from third parties at a consideration of RMB3,280,000 and RMB12,800,000, respectively. For the year ended 31 December 2005, Jiangmen East Coast and Jiangmen Jinyi Housing did not generate any revenue and incur any operating results.

Details of net assets acquired and goodwill are as follows:

	<b>Total</b> RMB'000
Total purchase consideration — in cash	16,080
Fair value of net assets acquired — as shown below	(16,080)
Goodwill	—

The assets and liabilities as of 20 April 2005 arising from the acquisition are as follows:

	<b>Fair value</b> RMB'000	<b>Acquiree's carrying amount</b> RMB'000
Cash and cash equivalents	4	4
Construction in progress (note 6)	20,632	20,632
Land use rights (note 7)	59,748	59,748
Properties under development	41,823	41,823
Trade and other payables	(106,127)	(106,127)
Net assets acquired	16,080	16,080
Purchase consideration settled in cash	16,080	
Cash and cash equivalents in subsidiaries acquired	(4)	
Cash outflow on acquisition	16,076	

On 31 December 2006, the Group acquired 95% equity interest in Huizhou Huiyang Qishan Resorts Development Co., Ltd. ("Qishan Development") from a third party at a consideration of RMB19,000,000, and 51% equity interest in Gaoyao Biyi Property Development Co., Ltd. ("Gaoyao Development") together with Zhaoqing Gaoyao Country Garden Phoenix Hotel Co., Ltd., a wholly-owned subsidiary of Gaoyao Development, from Mr. Yang Zhigang, a close family member of the Existing Shareholders, at a consideration of RMB10,200,000. For the year ended 31 December 2006, Qishan Development and Gaoyao Development did not generate any revenue and incur any operating results.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 32. BUSINESS COMBINATIONS (CONTINUED)

Details of net assets acquired and goodwill are as follows:

	<b>Total</b> RMB'000
Purchase consideration	
— Cash paid	25,200
— Consideration payable	4,000
Total purchase consideration	29,200
Fair value of net assets acquired — shown as below	(39,560)
Negative goodwill recognised as income (note 20)	(10,360)

The assets and liabilities as of 31 December 2006 arising from the acquisition are as follows:

	<b>Fair value</b> RMB'000	<b>Acquiree's carrying amount</b> RMB'000
Cash and cash equivalents	7,459	7,459
Trade and other receivables	279,772	279,772
Property, plant and equipment (note 6)	350	350
Land use rights (note 7)	89,200	43,154
Trade and other payables	(310,681)	(310,681)
Deferred income tax liabilities (note 18)	(15,195)	—
Net assets	50,905	20,054
Minority interests	(11,345)	
Net assets acquired	39,560	
Purchase consideration settled in cash	25,200	
Cash and cash equivalents in subsidiaries acquired	(7,459)	
Cash outflow on acquisition	17,741	

Subsequent to 31 December 2006 and on 9 February 2007, the Group disposed of 5% equity interest in Qishan Development to a third party at a consideration of RMB1,000,000 and accordingly, the Group currently holds 90% equity interest in Qishan Development.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 33. DISPOSALS OF SUBSIDIARIES AND BUSINESSES

On 31 May 2006, the Group disposed of its entire equity interest in Foshan Shunde Chengcun Country Garden Co., Ltd. (“Chengcun”) and Foshan Shunde Jun’an Country Garden Hotel Co., Ltd. (“Jun’an Hotel”) at their respective original investment costs to a third party; and Foshan Shunde Grand Cement Co., Ltd. (“Grand Cement”) and Foshan Shunde Jun’an Country Garden Golf Co., Ltd. (“Jun’an Golf”) at their respective original investment costs to Foshan Shunde Lida Investment Co., Ltd., a related company controlled by the Existing Shareholders and their close family members. On 30 June 2006, the Group disposed of its entire interest in the schools (“Schools”) which were ancillary facilities to the property development business at a consideration of RMB1 to the Existing Shareholders. On 31 July 2006, the Group disposed of its entire equity interest in Shanghai Songjiang Moon River Property Development Co., Ltd. (“Shanghai Moon River”) at its original investment cost to a third party.

Details of the net assets of the above subsidiaries and schools disposed of and the relevant gains or losses on disposals are as follows:

	<b>Chengcun</b>	<b>Jun’an</b>	<b>Jun’an</b>	<b>Grand</b>	<b>Shanghai</b>		<b>Total</b>
	RMB’000	Hotel	Golf	Cement	Moon River	Schools	RMB’000
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cash received	7,500	400	29,058	8,967	—	—	45,925
Amounts not yet settled, included in other receivables	—	—	—	—	8,000	—	8,000
Total consideration	7,500	400	29,058	8,967	8,000	—	53,925
Net (liabilities)/assets disposed	(5,694)	1,512	7,317	81,292	(51,705)	(5,294)	27,428
Gains/(losses) on disposals	13,194	(1,112)	21,741	(72,325)	59,705	5,294	26,497

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 33. DISPOSALS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

The aggregated assets and liabilities in respect of the above disposals were as follows:

	Total RMB'000
Cash and cash equivalents	52,232
Restricted cash	40,522
Trade and other receivables	132,942
Inventories	37,504
Properties under development	106,510
Completed properties held for sale	4,201
Property, plant and equipment (note 6)	177,625
Land use rights (note 7)	282,527
Deferred income tax assets (note 18)	4,472
Entrusted loan	283,020
Borrowings	(273,020)
Trade and other payables	(761,000)
Income tax payable	(22,510)
Reserves disposed	(10,277)
	54,748
Less: minority interests disposed	(27,320)
Net assets disposed	27,428
Gains on disposals	26,497
Total consideration	53,925
Less: included in other receivables	(8,000)
Cash received	45,925
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(52,232)
Cash outflow on disposals	(6,307)

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS

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

#### *Existing Shareholders*

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

#### *Close family members of Existing 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 Jieliang and Mr. Wu Weizhong.

#### *Controlled by Existing Shareholders*

Great Best	偉嘉集團控股有限公司
Foshan Shunde Elite Architectural Co., Ltd.	佛山市順德區博意建築設計院有限公司
Qingyuan Country Garden	清遠碧桂園物業發展有限公司
Qingyuan Country Cultural Development Co., Ltd.	清遠市故鄉里文化發展有限公司
Guangdong Country Garden School*	廣東碧桂園學校

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

Foshan Shunde Guohua Memorial High School	佛山市順德區國華紀念中學
Foshan Shunde Hongye Property Development Co., Ltd.**	佛山市順德區鴻業房產有限公司
Foshan Shunde Quality Growth Investment Co., Ltd.	佛山市順德區高品投資有限公司
Foshan Yilian Fiber Cable Co., Ltd.**	佛山市毅聯電纜有限公司
Foshan Shunde Kexing Fiber Cable Plastic Co., Ltd.**	佛山市順德區科興電纜塑料有限公司
Guangzhou Yaoyuanhui Electronic Appliances Co., Ltd.	廣州市耀恒輝電器有限公司
Foshan Shunde Boya Furniture Co., Ltd.**	佛山市順德區博雅家具有限公司
Foshan Shunde Lida Investment Co., Ltd.	佛山市順德區利達投資有限公司
Qingyuan Golf	清遠碧桂園假日半島高爾夫球會有限公司



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Foshan Shunde Floral City Country Garden Property Development Co., Ltd.**	佛山市順德區陳村鎮花城碧桂園物業發展有限公司
Panyu Country Garden	廣州番禺碧桂園物業發展有限公司
Foshan Shunde Teng'an Fire Protection Engineering Co., Ltd.**	佛山市順德區騰安消防設計工程有限公司
Shanghai Xinqiao Moon River Property Development Co., Ltd.	上海莘橋月亮河房地產開發有限公司
Shanghai Moon River Property Development Co., Ltd.	上海月亮河房地產開發有限公司
Foshan Shunde Jiangkou Water Plant Co., Ltd.	佛山市順德區江口自來水有限公司
Zengcheng Crystal Water Plant Co., Ltd.	增城市清源自來水廠有限公司
Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	佛山市順德區樂而康玻璃鋼製品有限公司
Grand Cement*	佛山市順德區鴻業水泥製品有限公司

#### *Minority shareholders*

Guangzhou Zhencheng Property Development Co., Ltd.	廣州真誠房地產開發有限公司
Foshan Shunde Yihengxin Shoe Manufacturing Co., Ltd.**	佛山市順德區藝恒信製鞋廠有限公司

\* These companies were subsidiaries of the Group before they were disposed of in 2006 (see note 33 for details).

\*\* These companies became third parties in 2006 due to the changes in their ownership as a result of the group reorganisation.

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

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties

Apart from those related party transactions disclosed in notes 7, 17, 32 and 33 above, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Construction and decoration service income:		
Controlled by Existing Shareholders:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	380,845	314,264
清遠市故鄉里文化發展有限公司 Qingyuan Country Cultural Development Co., Ltd.	9,324	11,872
廣東碧桂園學校 Guangdong Country Garden School	14,371	—
Controlled by close family members of Existing Shareholders:		
清遠碧桂園假日半島高爾夫球會有限公司 Qingyuan Golf	14,956	1,206
Controlled by Existing Shareholders and their close family members:		
佛山市順德區陳村鎮花城碧桂園物業發展有限公司 Floral City Country Garden	497	187,788
佛山市順德區鴻業水泥製品有限公司 Grand Cement	13,330	—
	433,323	515,130

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Sales of properties:		
Existing Shareholders:		
Ms. Yang Huiyan	8,713	—
Close family members of Existing Shareholders:		
Ms. Zhang Yingyan	886	—
Mr. Zhang Chibiao	6,735	—
Mr. Yang Minsheng	5,763	—
Ms. Yang Ziying	1,458	—
Mr. Su Zhixian	5,385	—
Ms. Ou Jieling	4,708	—
Ms. Ou Jieping	—	3,794
	33,648	3,794

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties (continued)

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Purchase of design service:		
Controlled by Existing Shareholders:		
佛山市順德區博意建築設計院有限公司 Foshan Shunde Elite Architectural Co., Ltd.	70,928	51,146
Purchase of construction materials and water:		
Controlled by Existing Shareholders and their close family members:		
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.	1,084	301
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	3,389	3,355
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	7,923	16,410
佛山市順德區鴻業水泥製品有限公司 Grand Cement	55,513	—
	67,909	20,066
Purchase of construction materials:		
Controlled by close family members of Existing Shareholders:		
佛山市順德區博雅家具有限公司 Foshan Shunde Boya Furniture Co., Ltd.	7,657	6,612
佛山市毅聯電纜有限公司 Foshan Yilian Fiber Cable Co., Ltd.	19,540	36,760
佛山市順德區科興電纜塑料有限公司 Foshan Shunde Kexing Fiber Cable Plastic Co., Ltd.	23,658	39,950
廣州市耀恒輝電器有限公司 Guangzhou Yaoyuanhui Electronic Appliances Co., Ltd.	789	3,353
	51,644	86,675

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties (continued)

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Loan interest charged by related parties:		
Existing Shareholders:		
Mr. Yang Erzhu	1,993	4,756
Ms. Yang Huiyan	824	376
Mr. Su Rubo	1,998	4,756
Mr. Zhang Yaoyuan	1,998	4,756
Mr. Ou Xueming	1,998	4,756
Controlled by Existing Shareholders:		
廣東碧桂園學校 Guangdong Country Garden School	1,403	—
偉嘉集團控股有限公司 Great Best Group Holdings Ltd.	1,241	—
Close family members of Existing Shareholders:		
Mr. Yeung Kwok Keung	7,683	20,442
Mr. Yang Minsheng	27	48
Ms. Ou Jieping	27	48
Mr. Su Zhixian	27	48
Mr. Zhang Chibiao	27	48
Controlled by close family members of Existing Shareholders:		
佛山市順德區國華紀念中學 Foshan Shunde Guohua Memorial High School	7,635	16,578
	26,881	56,612

- (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) Properties were sold at discount to the then prevailing market price, the discount of which is determined on a discretionary basis.
- (iv) 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.
- (v) Interest on loans from related parties were charged at interest rate of bank borrowings in similar terms.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Key management compensation

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Salaries and other short-term employee benefits	10,672	7,730
Retirement scheme contributions	18	15
	10,690	7,745

### (d) Balances with related parties

As at 31 December 2006, the Group had the following significant trading balances with related parties:

	31 December	
	2006 RMB'000	2005 RMB'000
Balances due from related parties		
— included in trade receivables:		
Controlled by Existing Shareholders:		
清遠市故鄉里文化發展有限公司 Qingyuan Country Cultural Development Co., Ltd.	—	4,087
Controlled by Existing Shareholders and their close family members:		
佛山市順德區陳村鎮花城碧桂園物業發展有限公司 Floral City Country Garden	—	21,968
	—	26,055
— included in amounts due from customers for contract work:		
Controlled by Existing Shareholders:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	80,799	390,110
清遠市故鄉里文化發展有限公司 Qingyuan Country Cultural Development Co., Ltd.	—	7,785
廣東碧桂園學校 Guangdong Country Garden School	11,824	—
Controlled by close family members of Existing Shareholders:		
清遠碧桂園假日半島高爾夫球會有限公司 Qingyuan Golf	—	2,072
Controlled by Existing Shareholders and their close family members:		
廣州番禺碧桂園物業發展有限公司 Panyu Country Garden	—	1,428
	92,623	401,395

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (continued)

	31 December	
	2006 RMB'000	2005 RMB'000
Balances due to related parties		
— included in trade payables:		
Controlled by Existing Shareholders:		
佛山市順德區博意建築設計院有限公司 Foshan Shunde Elite Architectural Co., Ltd.	33,418	146,825
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	—	3,944
Controlled by close family members of Existing Shareholders:		
佛山市順德區博雅家具有限公司 Foshan Shunde Boya Furniture Co., Ltd.	—	2,154
Controlled by Existing Shareholders and their close family members:		
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.	1,122	1,332
佛山市順德區鴻業水泥製品有限公司 Grand Cement	3,027	—
	37,567	154,255

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (continued)

As at 31 December 2006, the Group had the following significant non-trading balances with related parties:

	31 December	
	2006	2005
	RMB'000	RMB'000
— included in other receivables:		
Controlled by Existing Shareholders:		
佛山市順德區博意建築設計院有限公司 Foshan Shunde Elite Architectural Co., Ltd.	—	2,530
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	—	442,094
Controlled by close family members of Existing Shareholders:		
佛山市順德區國華紀念中學 Foshan Shunde Guohua Memorial High School	—	2,180
佛山市順德區高品投資有限公司 Foshan Shunde Quality Growth Investment Co., Ltd.	250,797	628,028
佛山市順德區鴻業房產有限公司 Foshan Shunde Hongye Property Development Co., Ltd.	—	47,235
清遠碧桂園假日半島高爾夫球會有限公司 Qingyuan Golf	—	59,903
Controlled by Existing Shareholders and their close family members:		
上海莘橋月亮河房地產開發有限公司 Shanghai Xinqiao Moon River Property Development Co., Ltd.	—	5,000
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	—	62,804
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	—	30,422
廣州番禺碧桂園物業發展有限公司 Panyu Country Garden	—	45,782
佛山市順德區陳村鎮花城碧桂園物業發展有限公司 Floral City Country Garden	—	54,997
Minority shareholders:		
廣州真誠房地產開發有限公司 Guangzhou Zhencheng Property Development Co., Ltd.	388,000	308,000
Close family members of Existing Shareholders:		
Mr. Yang Zhicheng	—	2,166
Mr. Wu Weizhong	—	28,543
Existing Shareholders:		
Mr. Zhang Yaoyuan	—	160
	638,797	1,719,844

# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (continued)

	31 December	
	2006 RMB'000	2005 RMB'000
— included in other payables:		
Controlled by Existing Shareholders:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	—	299,208
Controlled by close family members of Existing Shareholders:		
佛山市順德區鴻業房產有限公司 Foshan Shunde Hongye Property Development Co., Ltd.	—	41,200
Controlled by Existing Shareholders and their close family members:		
上海莘橋月亮河房地產開發有限公司 Shanghai Xinqiao Moon River Property Development Co., Ltd.	—	15,200
佛山市順德區騰安消防設計工程有限公司 Foshan Shunde Teng'an Fire Protection Engineering Co., Ltd.	—	2,900
上海月亮河房地產開發有限公司 Shanghai Moon River Property Development Co., Ltd.	—	13,772
佛山市順德區陳村鎮花城碧桂園物業發展有限公司 Floral City Country Garden	—	17,825
廣州番禺碧桂園物業發展有限公司 Panyu Country Garden	—	72,236
Minority shareholder:		
佛山市順德區藝恒信製鞋廠有限公司 Foshan Shunde Yihengxin Shoe Manufacturing Co., Ltd.	—	2,500
	—	464,841

Notes:

- (i) Trading balances due from/to related parties are unsecured, interest-free and settled in accordance with the relevant contract terms.
- (ii) Non-trading balances due from/to related parties were unsecured, interest-free and repayable on demand, which have been settled as of the date of the approval of these combined financial statements.



# NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (continued)

	31 December	
	2006 RMB'000	2005 RMB'000
Loans from related parties		
— included in borrowings:		
Existing Shareholders:		
Mr. Yang Erzhu	—	51,326
Ms. Yang Huiyan	—	20,013
Mr. Su Rubo	—	51,326
Mr. Zhang Yaoyuan	—	51,326
Mr. Ou Xueming	—	51,326
Controlled by Existing Shareholders:		
Great Best Group Holdings Ltd	64,592	—
Close family members of Existing Shareholders:		
Mr. Yang Minsheng	—	778
Mr. Yeung Kwok Keung	—	205,776
Mr. Su Zhixian	—	778
Ms. Ou Jieping	—	778
Mr. Zhang Chibiao	—	778
Controlled by close family members of Existing Shareholders:		
佛山市順德區國華紀念中學 Foshan Shunde Guohua Memorial High School	—	210,000
	64,592	644,205

Loans from related parties were unsecured, interest-bearing (note 34(b)) and with fixed repayment terms.

## 35. EVENTS AFTER THE BALANCE SHEET DATE

On 26 March 2007, the Group has completed the Reorganisation in preparing for a listing of shares of the Company on the Main Board of the Stock Exchange, details of which are set out in note 1.

Subsequent to 31 December 2006 and up to the date of approval of these combined financial statements, Smart World has declared and paid a special dividend of approximately RMB512.6 million.

On 20 April 2007, the Company completed its global offering of 2,400,000,000 shares, which were listed on the Stock Exchange on the same date. The net proceeds from the Company's global offering amounted to approximately HK\$12,537 million.

# INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S FINANCIAL STATEMENTS



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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED (incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Country Garden Holdings Company Limited (the "Company") set out on pages 118 to 125, which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the period from 10 November 2006 (date of incorporation) to 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company (the "Directors") are responsible for the preparation and the true and fair presentation of these 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 financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

# INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
COUNTRY GARDEN HOLDINGS COMPANY LIMITED  
(incorporated in the Cayman Islands with limited liability)

## OPINION

In our opinion, the Company's financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2006 and of the Company's loss and cash flows for the period from 10 November 2006 to 31 December 2006 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, 20 April 2007

## COMPANY'S BALANCE SHEET

	Note	As at 31 December 2006 RMB'000
<b>ASSETS</b>		
Current assets		
Prepayments		653
<b>Total assets</b>		<b>653</b>
<b>EQUITY</b>		
Capital and reserves attributable to the Company's equity owner		
Share capital	3	—
Accumulated loss		(1,349)
<b>Total equity</b>		<b>(1,349)</b>
<b>LIABILITIES</b>		
Current liabilities		
Other payables		2,002
<b>Total liabilities</b>		<b>2,002</b>
<b>Total equity and liabilities</b>		<b>653</b>
<b>Net current liabilities</b>		<b>(1,349)</b>
<b>Total assets less current liabilities</b>		<b>(1,349)</b>

Approved by the Board of Directors on 20 April 2007

**Cui Jianbo**

Director

**Yang Erzhu**

Director

The notes on pages 122 to 125 form an integral part of these financial statements.

## COMPANY'S INCOME STATEMENT

	Note	For the period from 10 November 2006 (date of incorporation) to 31 December 2006 RMB'000
Revenue		—
Administrative expenses	4	(1,349)
Loss for the period attributable to the equity owner of the Company		(1,349)
Loss per share for loss attributable to the equity owner of the Company during the period	5	(1,349)
Dividend	6	—

The notes on pages 122 to 125 form an integral part of these financial statements.

## COMPANY'S STATEMENT OF CHANGES IN EQUITY

	For the period from 10 November 2006 (date of incorporation) to 31 December 2006		
	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Issue of share capital on 10 November 2006	—	—	—
Loss for the period	—	(1,349)	(1,349)
Balance at 31 December 2006	—	(1,349)	(1,349)

The notes on pages 122 to 125 form an integral part of these financial statements.

## COMPANY'S CASH FLOW STATEMENT

	For the period from 10 November 2006 (date of incorporation) to 31 December 2006 RMB'000
Loss for the period	(1,349)
Increase in prepayments	(653)
Increase in other payables	2,002
<b>Net cash flows generated from operating activities</b>	<b>—</b>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of ordinary share (Note)	—
<b>Net cash generated from financing activities</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>—</b>
<b>Cash and cash equivalents at end of the period</b>	<b>—</b>

Note: It represents the proceeds amounting to HK\$0.10 from issuance of 1 ordinary share at par on 10 November 2006 (Note 3).

The notes on pages 122 to 125 form an integral part of these financial statements.

# NOTES TO THE COMPANY'S 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 of Cayman Islands. The Company is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

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

These financial statements are presented in Renminbi ("RMB") thousand Yuan, unless otherwise stated. These financial statements covered the period from 10 November 2006 (date of incorporation) to 31 December 2006 (the "Period") and have been approved for issue by the Board of Directors on 20 April 2007.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 2.1 Basis of preparation

These financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The following new standard, amendment and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 May 2006 or later periods and the Company has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures, will be effective for the Company's accounting periods beginning on or after 1 January 2007. HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in HKAS 32 Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The Amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company has assessed the impact of these new and revised standards and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by these new and revised standards;
- HK(IFRIC)-Interpretation 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). This interpretation requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Company will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the financial statements; and
- HK(IFRIC)-Interpretation 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the financial statements.



# NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Rmb Yuan, which is the Company’s functional currency and presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### 2.3 Share capital

Ordinary shares are classified as equity.

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

## 3 SHARE CAPITAL

The authorised share capital of the Company as of the date of its incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.

On 10 November 2006, one share of the Company was allotted and issued to Codan Trust Company (Cayman) Limited for cash at par and such share was transferred to Mr. Yang Erzhu on the same date. On 19 March 2007, Mr. Yang Erzhu transferred his one share to Automic Group Ltd. (“Automic”) at par value, and 70 shares, 11 shares, 6 shares, 6 shares and 6 shares were allotted and issued as fully paid up to Concrete Win Limited (“Concrete Win”), Automic, Easy Hope Holdings Ltd. (“Easy Hope”), Acura International Global Limited (“Acura”) and Highlander Group Limited (“Highlander”) respectively.

On 20 March 2007, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000,000.

Pursuant to the group reorganisation, on 26 March 2007, the Company acquired the entire issued share capital of Smart World Development Ltd. from Concrete Win, Automic, Easy Hope, Acura and Highlander, the consideration of which was satisfied by the issue and allotment of 699,999,930 shares, 119,999,988 shares, 59,999,994 shares, 59,999,994 shares and 59,999,994 shares to Concrete Win, Automic, Easy Hope, Acura and Highlander respectively, credited as fully paid. Concrete Win became the immediate and ultimate holding company of the Company.

## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4 EXPENSES BY NATURE

Expenses included in administrative expenses are analysed as follows:

	2006 RMB'000
Auditor's remuneration	1,204
Business registration expenses	43
Others	102
	1,349

### 5 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the equity owner of the Company by the weighted average number of ordinary shares in issue during the Period.

	For the period from 10 November 2006 to 31 December 2006 RMB'000
Loss attributable to the equity owner of the Company	(1,349)
Weighted average number of ordinary shares in issue	1
Basic loss per share	(1,349)

The Company has no dilutive potential shares.

## NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 6 DIVIDEND

No dividend has been declared during the Period.

### 7 DIRECTORS' EMOLUMENTS

During the Period, no Director received any emolument from the Company.

### 8 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed in Note 3 above, on 20 April 2007, the Company completed its global offering of 2,400,000,000 shares, which were listed on the Main Board of the Stock Exchange on the same date. The net proceeds from the Company's global offering amounted to approximately HK\$12,537 million.

# FINANCIAL SUMMARY

## COMBINED RESULTS

	Year ended 31 December		
	2004 RMB'000	2005 RMB'000	2006 RMB'000
Revenue	3,240,347	5,191,485	<b>7,940,937</b>
Profit before income tax	408,158	964,532	<b>1,816,799</b>
Income tax expense	(171,064)	(375,019)	<b>(144,320)</b>
<b>Profit for the year</b>	<b>237,094</b>	<b>589,513</b>	<b>1,672,479</b>
Attributable to:			
Owners	254,983	615,425	<b>1,519,473</b>
Minority interests	(17,889)	(25,912)	<b>153,006</b>
	<b>237,094</b>	<b>589,513</b>	<b>1,672,479</b>
Earning per Share			
Basic	N/A	N/A	<b>N/A</b>

## COMBINED ASSETS, EQUITY AND LIABILITIES

	As of 31 December		
	2004 RMB'000	2005 RMB'000	2006 RMB'000
<b>ASSETS</b>			
Non-current assets	3,524,060	3,968,049	<b>3,904,324</b>
Current assets	6,331,687	10,058,667	<b>11,407,043</b>
<b>Total assets</b>	<b>9,855,747</b>	<b>14,026,716</b>	<b>15,311,367</b>
<b>EQUITY AND LIABILITIES</b>			
Total equity	1,747,244	2,321,838	<b>1,475,362</b>
Non-current liabilities	2,646,060	4,357,902	<b>2,989,157</b>
Current liabilities	5,462,443	7,346,976	<b>10,846,848</b>
<b>Total liabilities</b>	<b>8,108,503</b>	<b>11,704,878</b>	<b>13,836,005</b>
<b>Total equity and liabilities</b>	<b>9,855,747</b>	<b>14,026,716</b>	<b>15,311,367</b>

\* The historical financial information of the Group for the year ended 31 December 2004 was extracted from the Prospectus.

\*\* No financial information of the Group for each of the two years ended 31 December 2002 and 2003 has been published.