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.

	Year ended 31 December			
	2006		2005	
Project	**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

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 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
	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.

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.