

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.