Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

In preparation for the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company and its subsidiaries (collectively the "Group") underwent the reorganisation (the "Reorganisation"), which was completed on 26 March 2007. Upon completion of the Reorganisation, the Company became the holding company of the Group. Details of the Reorganisation was disclosed in note 1 of the Group's 2006 annual report dated 20 April 2007.

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

These consolidated financial statements are presented in units of Renminbi ("RMB") thousand Yuan, unless otherwise stated and have been approved for issue by the board of directors of the Company on 18 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Application of merger accounting*

These consolidated financial statements have been prepared 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 (the "HKICPA").

The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2006, or since their respective dates of incorporation/establishment. For companies acquired from (or disposed to) a third party during the period, they would be included in (excluded from) the consolidated financial statements of the Group from the date of that acquisition (disposal).

(ii) *Compliance with Hong Kong Financial Reporting Standards ("HKFRS")*

The consolidated financial statements of the Group have been prepared in accordance with HKFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 below.

(a) *Standards, amendment and interpretations effective in 2007*

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments. 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 requires by these new and revised standards.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) *Compliance with Hong Kong Financial Reporting Standards ("HKFRS")* (continued)

(a) *Standards, amendment and interpretations effective in 2007* (continued)

HK(IFRIC)-Int 8, 'Scope of HKFRS 2', 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 in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK (IFRIC)-Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

- HK (IFRIC)-Int 9, 'Re-assessment of embedded derivatives'.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HK(IFRIC)-Int 11, 'HKFRS 2 — Group and treasury share transactions' (effective from 1 March 2007), HK(IFRIC)-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) *Compliance with Hong Kong Financial Reporting Standards ("HKFRS")* (continued)

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

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to Groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC)-Int 14, HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

(d) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*
The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK (IFRIC)-Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(i) *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.

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 is recognised as an expense in the period in which it is incurred.

(ii) *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(ii) *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.

(iii) *Transactions and minority interest*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 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.

2.4 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements 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 consolidated financial statements are 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 consolidated income statement, except when defined in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(iii) *Group companies*

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement 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.

2.5 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 and are recognised within other (losses)/gains-net in the income statement.

2.6 Intangible assets

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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 14).

(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 trade and other receivables is described in note 2.13.

2.9 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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Properties under development (continued)

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.

2.10 Completed properties held for sale

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.11 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.

2.12 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.

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).

2.13 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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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.

2.15 Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.16 Trade payable

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

2.17 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.

2.18 Borrowing costs

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

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

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates 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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

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.

2.20 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits*

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a 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.

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 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 instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

(ii) ***Construction services***

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (note 2.12).

(iii) ***Hotel operation***

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

(iv) ***Property management***

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

(v) ***Decoration services***

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

(vi) ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method. 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.

(vii) ***Rental income***

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

2.23 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 consolidated income statements or capitalised in the properties under development (note 2.9) on a straight-line basis over the period of the lease.

(ii) ***The Group is the lessor***

Assets leased out under operating leases are included in property, plant and equipment and completed properties held for sale in the consolidated balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Dividend distribution

Dividend distribution to the then equity holders of the companies now comprising the Group during the year is recognised in this report 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.

2.25 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated 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.

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. The majority of assets is denominated in RMB, there are no significant non-RMB assets and liabilities. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollar. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets				
Hong Kong dollar ("H.K. dollar")	**3,515,710**	23,236	**22,704**	—
U.S. dollar	**52**	—	**—**	—
	3,515,762	23,236	**22,704**	—
Liabilities				
H.K. dollar	**1,404,570**	—	**1,404,570**	—

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) *Foreign exchange risk* (continued)

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If there is a 5% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
H.K. dollar				
Decrease in profit for the year	**315,368**	—	**13,037**	—
U.S. dollar				
Decrease in profit for the year	**3**	—	**—**	—

(ii) *Interest rate risk*

The Group

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 borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2007 and 2006, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the current/prior year would have been RMB40,456,000 and RMB38,234,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Company

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

As at 31 December 2007 and 2006, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the current/prior year would have been RMB2,657,000 and nil, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) *Price risk*

The unlisted investments in classified as available-for-sale financial assets are held for strategic rather than trading purposes. The Group does not actively trade these investments. Where appropriate, it considers exiting the investments at terms that are the most favourable to the Group.

(iv) *Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 31.

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

(v) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term and long term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(v) *Liquidity risk* (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2007					
Borrowings	**2,764,370**	**2,527,400**	**1,700,000**	**—**	**6,991,770**
Trade and other payables (excluding other tax payables)	**2,319,042**	**18,129**	**—**	**—**	**2,337,171**
Total	**5,083,412**	**2,545,529**	**1,700,000**	**—**	**9,328,941**
At 31 December 2006					
Borrowings	1,223,092	2,044,400	813,800	—	4,081,292
Trade and other payables (excluding other tax payables)	902,116	57,729	—	—	959,845
Total	2,125,208	2,102,129	813,800	—	5,041,137

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The gearing ratios at 31 December 2007 and 2006 were as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Total borrowings (note 19)	**6,991,770**	4,081,292
Less: cash and bank balances (note 16)	**(8,483,420)**	(1,529,689)
Net debt	**(1,491,650)**	2,551,603
Total equity	**19,158,252**	1,309,827
Total capital	**17,666,602**	3,861,430
Gearing ratio	**-7.8%**	194.8%

The decrease in gearing ratio at 31 December 2007 is due to significant increase cash and cash equivalent derived from the net proceeds from the global offering of approximately RMB14,225,000,000.

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flow.

The carrying value less impairment provisions of trade and other receivables and the carrying 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 2.12, the Group uses the "percentage of completion method" to determine the appropriate revenues to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Upon applying the percentage of completion method, the Group need to estimate the gross profit margin of each construction contract, which was determined based on the estimated total construction contract costs and total construction contract sum. If the actual gross profit margin of each construction contract differs from the management's estimates, the construction contract revenue to be recognised within the next year will need to be adjusted accordingly.

In addition, the directors of the Company are of the opinion that there were no expected losses, where the estimated total construction contract costs exceed the total construction contract revenue, which need to be recognised in the income statement.

5 SEGMENT INFORMATION — GROUP

The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation 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 of 2006 annual report for details). As less than 10% of the Group's consolidated turnover and results are attributable to the market outside the PRC and less than 10% of the Group's consolidated assets are located outside the PRC, no geographical segment data is presented.

Revenue consists of the followings:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Sales of properties	**16,666,941**	6,961,365
Rendering of construction services	**597,516**	514,240
Rendering of hotel services	**215,305**	193,956
Rendering of property management services	**221,662**	170,368
Rendering of decoration services	**33,587**	41,908
Rendering of school services	**—**	59,100
	17,735,011	7,940,937

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION — GROUP (continued)

Primary reporting format — business segments

The segment results for the year ended 31 December 2007 are as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	**16,666,941**	**6,428,778**	**239,631**	**222,286**	**—**	**—**	**23,557,636**
Inter-segment revenue	**—**	**(5,797,675)**	**(17,969)**	**(6,981)**	**—**	**—**	**(5,822,625)**
Revenue	**16,666,941**	**631,103**	**221,662**	**215,305**	**—**	**—**	**17,735,011**
Segment results	**5,860,537**	**1,283,844**	**17,876**	**(44,091)**	**—**	**(153,474)**	**6,964,692**
Finance costs — net							**(153,810)**
Profit before income tax							**6,810,882**
Income tax expense							**(2,607,141)**
Profit for the year							**4,203,741**

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 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	1,931,355	550,773	26,878	14,262	8,107	(122,585)	2,408,790
Gains on disposal of subsidiaries and businesses							26,497
Finance costs — net							(244,584)
Profit before income tax							2,190,703
Income tax expense							(518,224)
Profit for the year							1,672,479

5 SEGMENT INFORMATION — GROUP (continued)

Primary reporting format — business segments (continued)

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Other segment items included in the consolidated income statements and capital expenditure are as follows:

	Year ended 31 December 2007						
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Depreciation (note 6)	**36,047**	**27,053**	**8,404**	**63,817**	**—**	**(8,047)**	**127,274**
Amortisation of land use rights and intangible assets (note 7 and 8)	**78,994**	**477**	**—**	**6,111**	**—**	**—**	**85,582**
Capital expenditure (note 6 and 7)	**309,278**	**44,056**	**11,078**	**531,867**	**—**	**(85,271)**	**811,008**

	Year ended 31 December 2006						
	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation 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 of land use rights and intangible assets (note 7 and 8)	37,519	1,440	—	688	—	—	39,647
Impairment of property, plant and equipment (note 6)	—	—	—	3,267	154	—	3,421
Capital expenditure (note 6 and 7)	286,686	6,819	5,352	78,451	535	(45,229)	332,614

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION — GROUP (continued)

Primary reporting format — business segments (continued)

The segment assets and liabilities at 31 December 2007 are as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	36,021,313	3,047,340	164,414	1,876,542	—	(3,031,706)	38,077,903
Unallocated assets							556,112
Total assets							38,634,015
Liabilities	10,506,305	499,876	108,423	1,210,007	—	(2,536,154)	9,788,457
Unallocated liabilities							9,446,438
Total liabilities							19,234,895

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 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 assets							555,566
Total assets							15,311,367
Liabilities	14,928,764	2,559,287	83,899	966,359	—	(9,941,288)	8,597,021
Unallocated liabilities							5,238,984
Total liabilities							13,836,005

Segment assets consist primarily of property, plant and equipment, intangible assets, 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 33) and intangible assets (note 7).

6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2006						
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)
Net book amount	562,968	135,101	109,711	65,950	122,810	996,540
Year ended 31 December 2006						
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	—	—	126	224	—	350
Disposals of subsidiaries and businesses	(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 charges	—	(3,268)	—	(153)	—	(3,421)
Closing net book amount	421,667	49,227	76,916	51,962	344,799	944,571
At 31 December 2006						
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)
Net book amount	421,667	49,227	76,916	51,962	344,799	944,571
Year ended 31 December 2007						
Opening net book amount	421,667	49,227	76,916	51,962	344,799	944,571
Additions	48,577	44,330	76,250	70,555	566,433	806,145
Acqiusition of subsidiary (note 33)	—	—	—	39	—	39
Reclassification	418,006	—	—	—	(418,006)	—
Disposals	(450)	(795)	(533)	(49)	—	(1,827)
Depreciation	(48,891)	(24,990)	(30,868)	(22,525)	—	(127,274)
Closing net book amount	838,909	67,772	121,765	99,982	493,226	1,621,654
At 31 December 2007						
Cost	987,164	170,383	270,949	168,307	493,226	2,090,029
Accumulated depreciation	(145,249)	(99,394)	(149,184)	(68,275)	—	(462,102)
Accumulated impairment	(3,006)	(3,217)	—	(50)	—	(6,273)
Net book amount	838,909	67,772	121,765	99,982	493,226	1,621,654

Notes to the Consolidated Financial Statements (continued)

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheets and income statements:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Properties under development	**28,619**	33,289
Cost of sales	**64,174**	76,214
Selling and marketing costs	**2,405**	8,490
Administrative expenses	**32,076**	19,171
	127,274	137,164

As at 31 December 2007, buildings with net book value of RMB435,068,000 (2006: RMB357,745,000) and construction in progress with net book value of RMB nil (2006: RMB64,913,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2007, title certificates of buildings with net book value of RMB304,721,000 (2006: RMB19,324,000) were still in the progress of being obtained.

Also as at 31 December 2007, included in buildings are the hotels located in the PRC, which are classified as property, plant and equipment, with net book value of RMB666,701,000 (2006: RMB 381,837,000).

7 INTANGIBLE ASSETS — GROUP

	Computer software	
	2007	2006
	RMB'000	RMB'000
At 31 December		
Cost	**4,824**	—
Accumulated amortisation	**(741)**	—
Net book amount	**4,083**	—
Year ended 31 December		
Opening net book amount	**—**	—
Addition during the year	**4,824**	—
Amortisation	**(741)**	—
Opening and closing net book amount	**4,083**	—

8 LAND USE RIGHTS — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Opening net book amount	**3,756,391**	3,716,656
Acquisition of subsidiaries (note 33)	**493,620**	89,200
Additions	**6,953,118**	781,598
Amortisation:		
— expensed in administrative expenses (note 23)	**(84,841)**	(39,647)
— capitalised in properties under development (note 10)	**(27,844)**	(23,152)
Disposals of subsidiaries and businesses	**—**	(282,527)
Transfer to cost of sales	**(980,265)**	(485,737)
	10,110,179	3,756,391
Amount expected to be transferred to cost of sales within normal operating cycle included under current assets	**(1,914,099)**	(1,584,777)
Closing net book amount under non-current assets	**8,196,080**	2,171,614
Outside Hong Kong, held on leases of:		
Between 50 to 70 years	**6,309,726**	3,636,535
Between 10 to 50 years	**3,800,453**	119,856
	10,110,179	3,756,391

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 either 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 2007, land use rights with net book value of RMB1,763,571,000 (2006: RMB1,427,365,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2007, certificates of land use rights with net book value of RMB7,264,000 (2006: RMB7,264,000) were still in the progress of being obtained.

Notes to the Consolidated Financial Statements (continued)

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Unlisted securities without active market	**20,000**	20,000

As at 31 December 2007 and 2006, available-for-sale financial assets of RMB20,000,000 represented the Group's 2.3% equity investment in The Rural Credit Co-operatives Union of Shunde.

There were no impairment provisions on available-for-sale financial assets during the year (2006: Nil).

The carrying amounts of the above available-for-sale financial assets during the year are denominated in RMB.

The directors are of the opinion that as at 31 December 2007 and 2006, the fair value of available-for-sale financial assets of the Group approximated to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the fair value of the above financial assets.

The financial assets are neither past due nor impaired.

10 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**5,382,650**	3,725,848
Beyond normal operating cycle included under non-current assets	**3,690,575**	212,573
	9,073,225	3,938,421
Amount comprises:		
Construction costs	**9,045,381**	3,915,269
Amortisation of land use rights (note 8)	**27,844**	23,152
	9,073,225	3,938,421

The properties under development are located in the PRC.

11 INVESTMENT IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Non-current asset		
— Unlisted investment at cost	**16,596,978**	—
Current assets		
— Amounts due from subsidiaries (note below)	**1,702,491**	—
Current liabilities		
— Amounts due to subsidiaries (note below)	**(9,567)**	—
	18,289,902	—

Note:

Amounts due from/(to) subsidiaries are interest free, unsecured and with no fixed terms of repayment.

Details of the principal subsidiaries as at 31 December 2007 are set out in note 38.

12 COMPLETED PROPERTIES HELD FOR SALE — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Completed properties held for sale, at cost	**1,636,368**	1,641,029

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

13 INVENTORIES — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Construction materials, at cost	**102,787**	89,955

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB3,714,256,000 (2006: RMB1,898,271,000).

Notes to the Consolidated Financial Statements (continued)

14 TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
— third parties (note(a))	**154,680**	49,937	**—**	—
Other receivables	**902,831**	818,499	**—**	—
Related parties (note 35(d))	**275,250**	638,797	**—**	—
Third parties (note(b))	**630,538**	182,659	**—**	—
Provision for impairment of receivables	**(2,957)**	(2,957)	**—**	—
Amounts due from customers for contract work (note(c))	**61,301**	103,694	**—**	—
Prepayments — third parties (note(d))	**4,144,117**	466,934	**1,001**	653
	5,262,929	1,439,064	**1,001**	653

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:

	Group As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 90 days	**136,547**	32,918
Over 90 days and within 180 days	**4,797**	7,589
Over 180 days and within 365 days	**9,400**	3,277
Over 365 days	**3,936**	6,153
	154,680	49,937

(b) Other receivables mainly related to the auction deposit in respect of application of the land use rights at land auctions conducted by the PRC government.

14 TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

	Group AS at 31 December	
	2007	2006
	RMB'000	RMB'000
Cost incurred	**3,123,809**	2,700,866
Recognised profits (less recognised losses)	**1,393,360**	1,363,660
	4,517,169	4,064,526
Less: progress billings	**(4,455,868)**	(3,960,832)
	61,301	103,694
Represented by:		
Amounts due from customers	**61,301**	103,694
Including: Related companies (note 35(d))	**19,319**	92,623
Third parties	**41,982**	11,071

(d) Prepayments are mainly in respect of acquisition of land use rights of RMB3,384 million (2006: RMB356 million) upon successfully bidding at the land auctions conducted by the PRC government, and that the land use right of the respective prepayment was not obtained at 31 December 2007.

15 RESTRICTED CASH — GROUP

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.

16 CASH AND CASH EQUIVALENTS

	Group As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand:				
Denominated in RMB	**5,981,173**	1,961,122	**—**	—
Denominated in HK dollar	**3,515,710**	23,236	**22,704**	—
Denominated in other currencies	**52**	—	**—**	—
	9,496,935	1,984,358	**22,704**	—
Less: Restricted cash (note 15)	**(1,013,515)**	(454,669)	**—**	—
	8,483,420	1,529,689	**22,704**	—

Notes to the Consolidated Financial Statements (continued)

16 CASH AND CASH EQUIVALENTS (continued)

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.

17 SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HK$0.10 each upon incorporation	(a)	3,800,000	380	384	—	384
Increase in authorised share capital	(c)	99,996,200,000	9,999,620	9,904,624	—	9,904,624
		100,000,000,000	10,000,000	9,905,008	—	9,905,008
Issued and fully paid						
At 10 November 2006 (date of incorporation)		1	—	—	—	—
Issue of ordinary shares of HK$0.10	(b)	99	—	—	—	—
At 31 December 2006 and 1 January 2007		100	—	—	—	—
Issue of shares arising from Reorganisation	(d)	999,999,900	100,000	99,060	665,508	764,568
Capitalisation of share premium account	(e)	12,600,000,000	1,260,000	1,246,014	(1,246,014)	—
Issue of shares in connection with the listing	(f)	2,760,000,000	276,000	272,699	14,398,496	14,671,195
Share issue cost		—	—	—	(446,124)	(446,124)
At 31 December 2007		16,360,000,000	1,636,000	1,617,773	13,371,866	14,989,639

Notes:

(a) On 10 November 2006 (date of incorporation of the Company), the authorised share capital of the Company was HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each.

(b) On 10 November 2006 and 19 March 2007, 1 ordinary share and 99 ordinary shares were allotted and issued as fully paid up to the subscribers, respectively.

(c) On 20 March 2007, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000,000 by the creation of 99,996,200,000 ordinary shares of HK$0.10 each.

(d) On 26 March 2007, the Company acquired the entire issued share capital of Smart World Development Holdings Ltd. ("Smart World"), the then immediate holding company of the Group, from the then shareholders, and the consideration of which was satisfied by the issue and allotment of 999,999,900 shares to the then shareholders of Smart World, credited as fully paid. The excess of fair value of Smart World at the date of acquisition by the Company over the nominal value of ordinary shares issued by the Company, totalling approximately RMB665,508,000, was credited to the share premium account.

17 SHARE CAPITAL AND PREMIUM (continued)

Notes: (continued)

(e) On 20 April 2007, pursuant to the written resolutions of shareholders of the Company passed on 20 March 2007, 12,600,000,000 ordinary shares of the Company were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 20 March 2007 in proportion to their then existing shareholdings in the Company. The amount was paid up in full by applying an amount of HK$1,260,000,000 standing to the credit of the share premium account of the Company.

(f) On 19 April 2007, the Company issued 2,400,000,000 ordinary shares of HK$0.10 each at HK$5.38 per share in connection with the listing, and raised gross proceeds of approximately HK$12,912,000,000 (approximately RMB12,760,025,000). Besides, on 27 April 2007, pursuant to the exercise of the over-allotment option, additional 360,000,000 ordinary shares of HK$0.10 each were issued at HK$5.38 per share and raised gross proceeds of HK$1,936,800,000 (approximately RMB1,910,169,000).

(g) The share capital presented in the consolidated balance sheet as at 31 December 2006 represented the share capital of the Company, arising from the share swap transactions described in note(d) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation as referred to in note 2.1(i). The related merger reserve and share premium are deemed to have been in issue throughout the accounting periods presented in accordance with the basis of presentation referred to in note 2.1(i).

18 RESERVES

	Group				
	Merger reserve RMB'000 (note(a))	Statutory reserves RMB'000 (note(b))	Sub-total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2006	(150,302)	116,263	(34,039)	1,574,255	1,540,216
Capital injections to subsidiaries by their then equity holders	9,551	—	9,551	—	9,551
Profit for the year	—	—	—	1,519,473	1,519,473
Transfer to statutory reserves	—	67,470	67,470	(67,470)	—
Disposals of subsidiaries and businesses	(9,050)	(1,227)	(10,277)	—	(10,277)
Dividends (note 27)	—	—	—	(2,513,704)	(2,513,704)
Balance as at 31 December 2006	(149,801)	182,506	32,705	512,554	545,259
Balance as at 1 January 2007	(149,801)	182,506	32,705	512,554	545,259
Profit for the year	—	—	—	4,135,908	4,135,908
Transfer to statutory reserves	—	246,080	246,080	(246,080)	—
Dividends (note 27)	—	—	—	(512,554)	(512,554)
Balance as at 31 December 2007	(149,801)	428,586	278,785	3,889,828	4,168,613
Representing:					
— Proposed final dividend				1,557,472	
— Others				2,332,356	
				3,889,828	

Notes to the Consolidated Financial Statements (continued)

18 RESERVES (continued)

	Company (Accumulated losses)/retained earnings RMB'000
Issue of share capital on 10 November 2006 (date of incorporation)	—
Loss for the period	(1,349)
Balance as at 31 December 2006	(1,349)
Balance at 1 January 2007	(1,349)
Profit for the year (note 29)	1,920,560
Balance as at 31 December 2007	1,919,211
Representing:	
— proposed final dividend	1,557,472
— Others	361,739
Balance as at 31 December 2007	1,919,211

Notes:

(a) Merger reserve of the Group represents the difference between fair value of share capital of the Company issued and the aggregate of registered/share capital of the subsidiaries transferred pursuant to the Reorganisation.

(b) 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, In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC subsidiaries of the Group, 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 subsidiaries of the Group for designated purposes.

After the PRC subsidiaries of the Group were converted into foreign investment enterprises pursuant to the Reorganisation, 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 subsidiaries of 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.

19 BORROWINGS

	Group As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings				
— secured	**2,926,200**	3,876,700	**—**	—
— unsecured	**2,661,000**	—	**—**	—
Less: current portion of non-current borrowings	**(1,359,800)**	(1,018,500)	**—**	—
	4,227,400	2,858,200	**—**	—
Borrowings included in current liabilities:				
Bank borrowings				
— secured	**—**	140,000	**—**	—
— unsecured	**1,404,570**	—	**1,404,570**	
Borrowings from related parties (note 35(d))	**—**	64,592	**—**	—
Current portion of non-current borrowings	**1,359,800**	1,018,500	**—**	—
	2,764,370	1,223,092	**1,404,570**	—

The Group's borrowings of RMB2,926,200,000 as at 31 December 2007 (2006: RMB4,016,700,000) were jointly secured by certain properties and land use rights of the Group (notes 6 and 8) with total carrying values of RMB2,468,640,000 as at 31 December 2007 (2006: RMB1,850,023,000).

The Company's borrowings of RMB1,404,570,000 as at 31 December 2007 (2006: Nil) was guaranteed by its fellow subsidiaries.

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**
Borrowings included in non-current liabilities:					
At 31 December 2007	4,227,400	—	—	—	4,277,400
At 31 December 2006	2,858,200	—	—	—	2,858,200
Borrowings included in current liabilities:					
At 31 December 2007	2,764,370	—	—	—	2,764,370
At 31 December 2006	1,223,092	—	—	—	1,223,092

Notes to the Consolidated Financial Statements (continued)

19 BORROWINGS (continued)

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

	Group As at 31 December	
	2007	2006
	RMB'000	RMB'000
Between 1 and 2 years	**2,527,400**	2,044,400
Between 2 and 5 years	**1,700,000**	813,800
	4,227,400	2,858,200

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

	Group 31 December		Company 31 December	
	2007	2006	**2007**	2006
Borrowings				
Bank borrowings	**6.78%**	6.22%	**6.02%**	—

The carrying amounts of the borrowings are as follows and approximate to their fair value as follows:

	Group				Company			
	Carrying amount As at 31 December		Fair value As at 31 December		Carrying amount As at 31 December		Fair value As at 31 December	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**6,991,770**	4,081,292	**6,991,770**	4,081,292	**1,404,570**	—	**1,404,570**	—

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

	Group As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**5,587,200**	4,081,292	**—**	—
H.K. dollar	**1,404,570**	—	**1,404,570**	—
	6,991,770	4,081,292	**1,404,570**	—

20 DEFERRED INCOME TAX — GROUP

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:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets:		
— to be realised after more than 12 months	**413,529**	391,386
— to be realised within 12 months	**142,583**	164,180
	556,112	555,566
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(166,787)**	(130,957)
— to be settled within 12 months	**—**	—
	(166,787)	(130,957)
	389,325	424,609
The net movement on the deferred taxation is as follows:		
Beginning of the year	**424,609**	89,160
Acquisition of subsidiaries and businesses (note 33)	**(56,200)**	(15,195)
Disposals of subsidiaries and businesses	**—**	(4,472)
Recognised in the consolidated income statement (note 26)	**20,916**	355,116
End of the year	**389,325**	424,609

Notes to the Consolidated Financial Statements (continued)

20 DEFERRED INCOME TAX — GROUP (continued)

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:

	Recognition of sales of property and related cost of sales RMB'000	Impairment of assets RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2006	275,640	7,063	75,539	363,951	1,659	723,852
(Charged)/credited to the consolidated income statement	(242,350)	(6,356)	32,468	27,435	24,989	(163,814)
Disposals of subsidiaries and businesses	—	—	(4,472)	—	—	(4,472)
At 31 December 2006	33,290	707	103,535	391,386	26,648	555,566
At 1 January 2007	33,290	707	103,535	391,386	26,648	555,566
(Charged)/credited to the consolidated income statement	(16,363)	(171)	(24,635)	22,143	19,572	546
At 31 December 2007	16,927	536	78,900	413,529	46,220	556,112

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2007 of RMB6,058,500 (2006: RMB4,095,000)in respect of accumulated losses amounting to RMB24,234,000 as at 31 December 2007 (2006: RMB12,408,000). Accumulated losses amounting to RMB4,474,000, RMB1,646,000, RMB690,000, RMB2,158,000 and RMB15,266,000 as at 31 December 2007 will expire in 2008, 2009, 2010, 2011 and 2012 respectively.

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 2006	—	(634,692)	(634,692)
Acquisition of subsidiaries	(15,195)	—	(15,195)
Credited to the consolidated income statements (note)	—	518,930	518,930
At 31 December 2006	(15,195)	(115,762)	(130,957)
At 1 January 2007	(15,195)	(115,762)	(130,957)
Acquisition of subsidiaries (note 33)	(56,200)	—	(56,200)
Credited to the consolidated income statements	1,374	18,996	20,370
At 31 December 2007	(70,021)	(96,766)	(166,787)

Note:

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

21 TRADE AND OTHER PAYABLES

	Group As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note(a))	**1,645,848**	517,018	**—**	—
Related parties (note 35(d))	**51,926**	37,567	**—**	—
Third parties	**1,593,922**	479,451	**—**	—
Other payables — Third parties	**339,931**	279,129	**—**	—
Other taxes payable	**282,600**	155,190	**—**	—
Staff welfare benefit payable	**238,701**	120,853	**—**	—
Accrued expenses	**112,691**	42,845	**187**	—
	2,619,771	1,115,035	**187**	—

Note:

(a) The ageing analysis of trade payables was as follows:

	Group As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 90 days	**1,588,527**	407,915
Over 90 days and within 180 days	**32,547**	35,967
Over 180 days and within 365 days	**6,645**	15,407
Over 365 days	**18,129**	57,729
	1,645,848	517,018

22 OTHER GAINS — NET

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Forfeiture income	**20,738**	5,476
Gains on disposals of property, plant and equipment (note 28)	**208**	1,265
Gains on disposals of subsidiaries and businesses	**—**	26,497
Negative goodwill recognised as income	**—**	10,360
Others	**13,694**	(4,782)
	34,640	38,816

Notes to the Consolidated Financial Statements (continued)

23 EXPENSES BY NATURE

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Auditor's remuneration	**7,820**	1,204
Advertising costs	**154,878**	83,653
Amortisation of intangible assets (note 7)	**741**	—
Business taxes and other levies (note(a))	**1,082,501**	506,745
Costs of completed properties sold	**6,522,724**	2,658,670
Donations	**77,648**	9,089
Depreciation (note 6)	**127,274**	137,164
Employee benefit expenses (note 24)	**1,646,518**	1,184,310
Impairment charges of property, plant and equipment (note 6)	**—**	3,421
Land use rights amortisation (note 8)	**84,841**	39,647
Late payment surcharges	**340**	33,374

Note:

(a) Business tax

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	**Rate**
Sale of properties	5%
Property construction and decoration	3%
Property management	5%
Hotel service	5%

24 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Wages and salaries	**1,577,916**	1,138,550
Retirement scheme contribution (note a)	**11,548**	7,943
Staff welfare	**25,453**	18,046
Medical benefits	**22,699**	15,020
Other allowances and benefits	**8,902**	4,751
	1,646,518	1,184,310

(a) Retirement scheme contribution

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute fund which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

24 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Emoluments for directors and five highest paid individuals

(i) *Directors' emoluments*

The remuneration of each director of the Company for the year ended 31 December 2007 is set out as below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Mr. Yeung Kwok Keung	–	3,500	–	–	–	5	–	3,505
Mr. Cui Jianbo	–	2,000	–	–	–	2	–	2,002
Mr. Yang Erzhu	–	2,000	–	–	–	5	–	2,005
Ms. Yang Huiyan	–	1,700	–	–	–	2	–	1,702
Mr. Su Rubo	–	2,000	–	–	–	5	–	2,005
Mr. Zhang Yaoyuan	–	1,900	–	–	–	–	–	1,900
Mr. Ou Xueming	–	1,800	–	–	–	5	–	1,805
Mr. Yang Zhicheng	–	1,700	–	–	–	2	–	1,702
Mr. Yang Yongchao	–	1,900	–	–	–	2	–	1,902
Mr. Lai Ming, Joseph	300	–	–	–	–	–	–	300
Mr. Shek Lai Him, Abraham	300	–	–	–	–	–	–	300
Mr. Tong Wui Tung, Ronald	300	–	–	–	–	–	–	300
	900	18,500	–	–	–	28	–	19,428

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

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Mr. Yeung Kwok Keung	–	1,326	133	–	–	2	–	1,461
Mr. Cui Jianbo	–	600	388	–	–	2	–	990
Mr. Yang Erzhu	–	869	75	–	88	2	–	1,034
Ms. Yang Huiyan	–	367	12	–	–	1	–	380
Mr. Su Rubo	–	869	75	–	88	2	–	1,034
Mr. Zhang Yaoyuan	–	894	75	–	–	–	–	969
Mr. Ou Xueming	–	869	75	–	144	2	–	1,090
Mr. Yang Zhicheng	–	150	197	–	–	2	–	349
Mr. Yang Yongchao	–	1,430	139	–	–	2	–	1,571
Mr. Lai Ming, Joseph	–	–	–	–	–	–	–	–
Mr. Shek Lai Him, Abraham	–	–	–	–	–	–	–	–
Mr. Tong Wui Tung, Ronald	–	–	–	–	–	–	–	–
	–	7,374	1,169	–	320	15	–	8,878

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 2007 and 2006, no Director received any emoluments 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.

Notes to the Consolidated Financial Statements (continued)

24 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Emoluments for directors and five highest paid individuals (continued)

(ii) *Five highest individuals*

The five individuals whose emoluments were the highest of the Group for the year ended 31 December 2007 including five (2006: four) directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining one individual in the year ended 31 December 2006, are as follows:

	Year ended 31 December 2006 RMB'000
Salaries and other benefits	1,278
Retirement scheme contributions	1
	1,279

The emoluments fell within the following bands:

	Year ended 31 December 2006
HK$1,000,000 to HK$1,500,000	1

25 FINANCE COSTS — NET

	For the year ended 31 December	
	2007 RMB'000	2006 RMB'000
Interest expense:	**283,598**	264,776
— bank borrowings wholly repayable within five years	**283,598**	237,895
— borrowings from related parties	**—**	26,881
Net foreign exchange loss on financing activities	**295,630**	—
Total finance costs	**579,228**	264,776
Less: Bank interest income from bank deposits (note)	**(425,418)**	(20,192)
	153,810	244,584

Note: Interest income from bank deposits includes interest from subscription monies received from the Global Offering.

26 INCOME TAX EXPENSES

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax (note(a))	**1,472,675**	499,057
— Hong Kong profits tax	**—**	379
— Land appreciation tax (note(b))	**1,155,382**	373,904
Deferred income tax (note 20)		
— PRC enterprise income tax	**(20,916)**	(355,116)
	2,607,141	518,224

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	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**6,810,882**	2,190,703
Calculated at PRC enterprise income tax rate of 33%	**2,247,591**	722,932
Tax effect of land appreciation tax	**(379,956)**	(123,388)
Effect of different tax rate	**(44)**	(373)
Effect of tax exemption	**(363,229)**	(106,594)
Tax losses not recognised as deferred income tax assets	**19,258**	708
Utilisation of previous tax losses	**(259)**	(552)
Income not subject to tax	**(112,770)**	—
Expenses not deductible for tax	**41,168**	47,655
Change in tax rate of Giant Leap Construction Co.	**—**	(396,068)
	1,451,759	144,320
Land appreciation tax	**1,155,382**	373,904
Income tax expenses	**2,607,141**	518,224

Notes:

(a) 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.

No Hong Kong profits tax was provided for the year as the Group did not have any assessable profit (2006: RMB379,000).

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. As a result, the enterprise income tax rate of all the subsidiaries of the Company incorporated in the PRC, except for the Giant Leap Construction Co., will change from 33% to 25% with effective from 1 January 2008.

Notes to the Consolidated Financial Statements (continued)

26 INCOME TAX EXPENSES (continued)

Notes: (continued)

Regarding Giant Leap Construction Co., as approved by the local tax authority in August 2006, its enterprise income tax rate was changed from 33% to 24% and started to enjoy a tax holiday of "two years exemption and followed by three years of a 50% tax reduction" from the year of 2006. The preferential tax rate adopted by Giant Leap Construction Co., will also be gradually transited to the unified tax rate of 25% over a five-year transitional period. In light of the clarification for the transition to the new tax rate issued by State Administration of Taxation issued on 6 December 2007, the Group estimated that the preferential tax rate adopted by Giant Leap Construction Co. will be expired at the shorter of the existing preferential tax period and the five-year transitional period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the year ended 31 December 2007.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the PRC Enterprise Income Tax Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2007 and effective 1 January 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

(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 cost of land use rights and all property development expenditures.

27 DIVIDENDS

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Proposed dividend of RMB9.52 cents per share (2006: Nil)	**1,557,472**	—
Dividends paid to then equity holders (note)	**512,554**	2,513,704
	2,070,026	2,513,704

Note:

The dividends were declared by the companies comprising the Group to their then equity holders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

28 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit for the year	**4,203,741**	1,672,479
Adjustments for:		
Income tax expense (note 26)	**2,607,141**	518,224
Interest income (note 25)	**(425,418)**	(20,192)
Interest expense (note 25)	**283,598**	264,776
Net foreign exchange loss (note 25)	**295,630**	—
Depreciation (note 6)	**127,274**	137,164
Amortisation of land use rights (note 8)	**84,841**	39,647
Amortisation of intangible assets (note 7)	**741**	—
Gains on disposals of property, plant and equipment (note below)	**(208)**	(1,265)
Negative goodwill recognised as income	**—**	(10,360)
Gains on disposals of subsidiaries	**—**	(26,497)
Impairment charges of property, plant and equipment (note 6)	**—**	3,421
Changes in working capital (excluding the effects of acquisition and disposals of subsidiaries):		
Property under development and completed properties held for sale	**(5,130,145)**	(1,035,472)
Inventories	**(12,832)**	(13,417)
Land use rights	**(5,555,756)**	(261,711)
Restricted cash	**(558,846)**	(359,382)
Trade and other receivables	**(4,074,869)**	535,394
Prepaid taxes	**168,416**	(402,227)
Trade and other payables	**1,504,734**	347,692
Advanced proceeds received from customers	**(313,299)**	3,812,626
Cash (used in)/generated from operations	**(6,795,257)**	5,200,900

Note:

Gains on disposals of property, plant and equipment are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Net book amount disposed	**1,827**	66,373
Proceeds received	**(2,035)**	(67,638)
Gains on disposals	**(208)**	(1,265)

29 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,929,560,000 (2006: loss of RMB1,349,000).

Notes to the Consolidated Financial Statements (continued)

30 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holder of RMB4,135,908,000 (2006: RMB1,519,473,000) and the weighted average of 15,528,876,712 shares in issue during the year (2006: share deemed to be issued on 1 January 2006, after taking into consideration of the capitalisation issue of 999,999,900 and the 12,600,000,000 shares issued arising from the Reorganisation as referred to in notes 17(d) and 17(e) respectively and deemed to have been in issue throughout the accounting years presented).

There is no dilutive potential shares as at 31 December 2007 (2006: Nil).

31 CONTINGENCIES

The Group had the following contingent liabilities:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note(a))	**9,637,331**	5,822,731

Note:

(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 2007 of RMB537,169,000 (2006 : RMB764,414,000) was to be discharged two years from the day the mortgaged loans become due; and RMB9,100,162,000 (2006: RMB5,058,317,000), 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.

32 COMMITMENTS — GROUP

(a) Commitments for capital and property development expenditures

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Contracted but not provided for		
Property, plant and equipment	**1,627**	32,265
Property development expenditure	**2,807,222**	678,423
	2,808,849	710,688

32 COMMITMENTS — GROUP (continued)

(b) Operating lease commitments

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Not later than one year	**5,267**	4,028
Later than one year and not later than five years	**4,166**	6,659
Later than five years	**11,626**	8,621
	21,059	19,308

(c) Operating lease rentals receivable

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

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Not later than one year	**20,982**	16,558
Later than one year and not later than five years	**95,199**	55,091
Later than five years	**156,483**	134,103
	272,664	205,752

33 BUSINESS COMBINATIONS

On 17 May 2007, the Group acquired 100% equity interest in Shenyang Hua Rui Zhi Ye Co., Ltd. ("Shenyang Hua Rui") from third parties at a cash consideration of RMB550 million. During the year, Shenyang Hua Rui did not generate revenue or incur any operating results.

Details of net assets acquired are as follows:

	Total
	RMB'000
Purchase consideration	
— Cash paid	263,600
— Credited to other payables	286,400
Total purchase consideration	550,000
Fair value of net assets acquired — shown below	(550,000)
Goodwill	—

Notes to the Consolidated Financial Statements (continued)

33 BUSINESS COMBINATIONS (continued)

The assets and liabilities as at acquisition date are as follows:

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Cash and cash equivalents	2	2
Trade and other receivables	112,544	112,544
Property, plant and equipment (note 6)	39	39
Land use rights (note 8)	268,823	493,620
Trade and other payables	(5)	(5)
Deferred income tax liabilities (note 20)	—	(56,200)
Net assets	381,403	550,000

34 ACCOUNTING ADJUSTMENT UNDER COMMON CONTROL COMBINATION

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheet.

The consolidated balance sheet as at 31 December 2007:

	The Company RMB'000	Subsidiaries of the Company RMB'000	Adjustments RMB'000 (note)	Consolidated RMB'000
Investments in the subsidiaries	**16,596,978**	**—**	**(16,596,978)**	**—**
Other net assets	**311,872**	**19,087,248**	**—**	**19,399,120**
	16,908,850	**19,087,248**		**19,399,120**
Share capital/paid-in capital	**14,989,639**	**3,225,112**	**(16,596,978)**	**1,617,773**
Total reserves	**1,919,211**	**15,621,268**	**—**	**17,540,479**
	16,908,850	**18,846,380**		**19,158,252**
Minority interest	**—**	**240,868**	**—**	**240,868**

34 ACCOUNTING ADJUSTMENT UNDER COMMON CONTROL COMBINATION (continued)

The consolidated balance sheet as at 31 December 2006:

	The Company RMB'000	Subsidiaries of the Company RMB'000	Adjustments RMB'000 (note)	Consolidated RMB'000
Investments in the subsidiaries	—	—	—	—
Other (liabilities)/assets	(1,349)	1,476,711	—	1,475,362
Net (liabilities)/assets	(1,349)	1,476,711		1,475,362
Share capital and premium	—	764,568	—	764,568
Total reserve	(1,349)	546,608	—	545,259
	(1,349)	1,311,176		1,309,827
Minority interest	—	165,535	—	165,535

Notes:

(a) The above adjustments represent adjustments to eliminate the share capital of the consolidated entities against the investment cost. The difference has been made to the merger reserve in the consolidated financial statements.

(b) No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

35 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 Ziying, Ms. Ou Jieping, Ms. Ou Jieling and Mr. Wu Weizhong.

Controlled by Existing Shareholders

Great Best Group Holdings Co., Ltd.	偉嘉集團控股有限公司
Guangdong Elite Architectural Co., Ltd.	廣東博意建築設計院有限公司
(originally named as "Foshan Shunde Elite Architectural Co., Ltd.")	（原名：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

Notes to the Consolidated Financial Statements (continued)

35 RELATED PARTY TRANSACTIONS (continued)

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

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 Shuangqiang Property Development Co., Ltd.**	佛山市順德區雙強物業產發展有限公司
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

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
Foshan Shunde Country Garden Floral City Kindergarten**	佛山市順德區碧桂花城幼兒園
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制品有限公司

Minority shareholders

Guangzhou Zhencheng Property Development Co., Ltd.	廣州真誠房地產開發有限公司
Tianjin Xingcheng Investment Development., Ltd.	天津星城投資發展有限公司

* These companies were subsidiaries of the Group before they were disposed of in 2006.

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

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

35 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Apart from those related party transactions disclosed in notes 8, 19 and 33 above, during the years, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Construction and decoration service income (note(i)):		
Controlled by Existing Shareholders:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	**555,095**	380,845
清遠市故鄉里文化發展有限公司 Qingyuan Country Cultural Development Co., Ltd.	**–**	9,324
廣東碧桂園學校 Guangdong Country Garden School	**30,290**	14,371
	585,385	404,540
Purchase of design service (note(ii)):		
Controlled by Existing Shareholders:		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	**74,755**	70,928
Purchase of construction materials and water (note(iii)):		
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.	**679**	1,084
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	**3,472**	3,389
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	**8,929**	7,923
佛山市順德區鴻業水泥製品有限公司 Grand Cement	**152,247**	55,513
	165,327	67,909

Notes:

(i) Construction and decoration fees were charged in accordance with the terms of the underlying agreements.

(ii) Design service fees were charged in accordance with the terms of the underlying agreements.

(iii) Construction materials and water charges were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price in the prescribed year.

Notes to the Consolidated Financial Statements (continued)

35 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**26,410**	10,672
Retirement scheme contributions	**34**	18
	26,444	10,690

(d) Balances with related parties

As at 31 December 2007, the Group had the following significant trading balances with related parties:

	31 December	
	2007	2006
	RMB'000	RMB'000
Balance due from related parties		
— included in amount 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	**19,319**	80,799
廣東碧桂園學校		
Guangdong Country Garden School	**—**	11,824
	19,319	92,623
Balance due to related parties		
— included in trade payables:		
Controlled by Existing Shareholders:		
廣東博意建築設計院有限公司		
Guangdong Elite Architectural Co., Ltd.	**21,059**	33,418
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.	**68**	1,122
佛山市順德德區鴻業水泥製品有限公司		
Grand Cement	**30,799**	3,027
	51,926	37,567

35 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

As at 31 December 2007, the Group had the following significant non-trading balances with related parties:

	31 December	
	2007	2006
	RMB'000	RMB'000
Balance due from related parties		
— included in other receivables:		
Controlled by close family members of Existing Shareholders:		
佛山市順德區高品投資公司 Foshan Shunde Quality Growth Investment Co., Ltd.	**—**	250,797
Minority shareholders:		
廣州真誠房地產開發有限公司 Guangzhou Zhencheng Property Development Co., Ltd.	**—**	388,000
天津星城投資發展有限公司 Tianjin Xingcheng Investment Development., Ltd.	**275,250**	—
	275,250	638,797

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

(ii) Non-trading balances due from/to related parties are unsecured, interest-free and repayable on demand.

36 SUBSEQUENT EVENT

(i) Employee incentive scheme

Subsequent to the balance sheet date, the Company proposed to set up and an employee incentive scheme for the benefit of the senior management and employees of the Company which excludes any connected persons of the Company. The purpose of the employee incentive scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency.

Notes to the Consolidated Financial Statements (continued)

36 SUBSEQUENT EVENT (continued)

(ii) Issue of convertible bond and enter of a share swap transaction

On 22 February 2008, the Company issued a RMB denominated USD settled 2.5% convertible bonds due 2013, of an initial principal amount of US dollar 500 million (equivalent to approximately RMB3,595 million). On 3 March 2008, due to over subscription of the convertible bonds, the principal amount of the convertible bonds increased to US dollar 600 million (equivalent to approximately RMB4,314 million). The bond is to be listed in Singapore Exchange Securities Trading Limited by way of selectively marketed securities.

Concurrently, the Company entered into a share swap transaction (the "Equity Swap") with Merrell Lynch & Co. for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million). Under the Equity Swap, the Company receives a payment if the Final Price (as defined in Company's announcement dated 17 February 2008 is higher than the Initial Price (as defined in Company's announcement dated 17 February 2008) and the Equity Swap Counterparty receives a payment if the Final Price is lower than the Initial Price. The Initial Price will be determined in accordance with the formula sets out in the Equity Swap and the Final Price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates.

37 PRESENTATION OF LAND APPRECIATION TAX AND RECLASSIFICATION OF COMPARATIVE FIGURES

Within the comparative figures stated in the consolidated financial statements, land appreciation tax expenses of RMB373,904,000 previously included in cost of sales for the year ended 31 December 2006 was reclassified as income tax expenses in the consolidated income statement, and provision for land appreciation tax of RMB733,824,000 previously included in other payable as at 31 December 2006 was reclassified as income tax payable in the consolidated balance sheet. Respective items in the consolidated cashflow statements have been also revised accordingly. Land appreciation tax expenses for the year ended 31 December 2007 of RMB1,155,382,000 and provision for land appreciation tax of RMB1,595,738,000 as at 31 December 2007 were classified as income tax expenses and income tax payable, respectively.

The above reclassification are made so as to conform to current year presentation, as the Company's director are of the view that it would be more appropriate to reflect the land appreciation tax as income tax expense in the current year and the outstanding provision as income tax payable, after a reassessment of the nature of the land appreciation tax and a study of the market practices.

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2007 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
Incorporated in Hong Kong, a limited liability company, operates in Hong Kong and indirectly held by the Company:				
Country Garden (Hong Kong) Company Limited	21 September 2005	HK$10,000	100%	Trading
Incorporated in the BVI, of which is a limited liability company, operate in the PRC and directly held by the Company:				
Smart World Development Holdings Ltd.	28 March 2006	US$300	100%	Investment holding
Incorporated in the BVI, all of which are limited liability companies, operate in the PRC and indirectly held by the Company:				
Angel View Investment Limited	7 April 2006	US$200	100%	Investment holding
Boavista Investments Limited	7 April 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
Impreza Group Ltd.	7 April 2006	US$300	100%	Investment holding
Infiniti Holdings Development Limited	7 April 2006	US$300	100%	Investment holding
United Gain Group Ltd.	28 March 2006	US$200	100%	Investment holding
Wise Fame Group Ltd.	28 March 2006	US$300	100%	Investment holding
Established and operate in the PRC, all of which are foreign investment enterprises and indirectly held by the Company:				
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	RMB110,800,000	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	RMB233,000,000	100%	Property development
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	RMB912,500,000	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	RMB163,100,000	100%	Hotel operation

Notes to the Consolidated Financial Statements (continued)

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Foshan 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	RMB365,196,518	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	RMB987,500,000	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	RMB3,900,000	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	RMB99,960,874	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	RMB506,000,000	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	RMB676,189,307	100%	Property development
Guangzhou Country Garden Service Co., Ltd. 廣州市碧桂園商業服務有限公司	18 September 2000	RMB500,000	100%	Club operation
Guanghzou Lychee Cultural Park Co., Ltd. 廣州市紅荔文化村有限公司	7 December 2004	RMB12,300,000	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	RMB116,300,000	100%	Property development
Heshan Country Garden Phoenix City Hotel Co., Ltd. 鶴山市碧桂園鳳凰酒店有限公司	29 September 2003	RMB116,300,000	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	RMB963,000,000	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	RMB650,000,000	100%	Property development
Jiangmen Jinyi Housing Co., Ltd. 江門市金怡置業有限公司	13 August 2003	RMB130,100,000	100%	Hotel operation

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Jiangmen Wuyi Country Garden Phoenix City Hotel Co., Ltd. 江門市五邑碧桂園鳳凰酒店有限公司	14 January 2005	RMB103,800,000	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	RMB863,000,000	100%	Property development
Qingyuan Country Garden Holiday Islands Hotel Co., Ltd. 清遠市碧桂園假日半島酒店有限公司	5 April 2004	RMB130,801,069	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	RMB49,370,586	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	RMB87,764,151	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	RMB197,351,958	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	RMB130,750,624	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	RMB500,700,000	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	RMB1,070,000,000	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[1]	15 October 2003	RMB8,000,000	50%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	Property development
Zhaoqing Gaoxin Country Garden Property Development Co., Ltd. 肇慶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	RMB60,000,000	90%	Property development

Notes to the Consolidated Financial Statements (continued)

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
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	100%	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
Manchouli Country Garden Property Development Co., Ltd. 滿洲里碧桂園房地產開發有限公司	12 December 2006	RMB357,900,000	100%	Property development
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	RMB1,115,200,000	100%	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 沈陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	Property development
Enping Country Garden Property Development Co., Ltd. 恩平市碧桂園房地產開發有限公司	28 April 2007	RMB130,210,000	100%	Property development
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	Property development
Changsha Ningxiang Country Garden Property Development Co., Ltd. 長沙市寧鄉碧桂園房地產開發有限公司	5 June 2007	RMB229,940,000	100%	Property development
Anhui Zhongmiao Country Garden Property Development Co., Ltd. 安徽中廟碧桂園房地產開發有限公司	8 June 2007	RMB199,820,000	100%	Property development
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB100,000,000	100%	Property development
Sihui Country Garden Property Development Co., Ltd. 四會市碧桂園房地產開發有限公司	22 June 2007	RMB100,140,000	100%	Property development
Wuhan Country Garden Property Development Co., Ltd. 武漢市碧桂園房地產開發有限公司	26 June 2007	RMB97,090,000	100%	Property development
Keyou Qianqi Country Garden Property Development Co., Ltd. 科右前旗碧桂園房地產開發有限公司	29 July 2007	RMB180,000,000	100%	Property development

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Chizhou Country Garden Property Development Co., Ltd. 池州市碧桂園房地產開發有限公司	30 July 2007	RMB200,000,000	100%	Property development
Chongqing Country Garden Property Development Co., Ltd. 重慶市碧桂園房地產開發有限公司	3 August 2007	RMB250,000,000	100%	Property development
Xianning Country Garden Property Development Co., Ltd. 咸寧碧桂園房地產開發有限公司	8 August 2007	RMB200,000,000	100%	Property development
Yiyang Country Garden Property Development Co., Ltd. 益陽市碧桂園房地產開發有限公司	10 August 2007	RMB150,000,000	100%	Property development
Haicheng Country Garden Property Development Co., Ltd. 海城市碧桂園房地產開發有限公司	30 August 2007	RMB350,000,000	100%	Property development
Lufeng Country Garden Property Development Co., Ltd. 陸豐碧桂園房地產開發有限公司	30 August 2007	RMB100,000,000	100%	Property development
Maoming Country Garden Property Development Co., Ltd. 茂名市碧桂園房地產開發有限公司	31 August 2007	RMB350,000,000	100%	Property development
Suzhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB500,000,000	100%	Property development
Yangshan Country Garden Property Development Co., Ltd. 陽山碧桂園房地產開發有限公司	5 September 2007	RMB130,000,000	100%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	Property development
Huangshan Country Garden Property Development Co., Ltd. 黃山碧桂園房地產開發有限公司	30 September 2007	RMB100,000,000	100%	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB1,200,000,000	100%	Property development
Wuhu Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB150,000,000	100%	Property development
Liuyang Country Garden Property Development Co., Ltd. 瀏陽碧桂園房地產開發有限公司	4 December 2007	RMB150,000,000	100%	Property development
Zhangjiajie Country Garden Phoenix Hotel Co., Ltd 張家界碧桂園鳳凰酒店有限公司	8 May 2007	RMB110,000,000	100%	Hotel operation
Huizhou Huiyang Country Garden Phoenix Hotel Co., Ltd 惠州市惠陽區碧桂園鳳凰酒店有限公司	9 May 2007	RMB5,000,000	100%	Hotel operation

Notes to the Consolidated Financial Statements (continued)

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shaoguan Country Garden Phoenix Hotel Co., Ltd 韶關市碧桂園鳳凰酒店有限公司	5 June 2007	RMB16,040,000	100%	Hotel operation
Anhui Hexian Country Garden Phoenix Hotel Co., Ltd 安徽和縣碧桂園鳳凰酒店有限公司	8 June 2007	RMB9,920,000	100%	Hotel operation
Sihui Country Garden Phoenix Hotel Co., Ltd 四會市碧桂園鳳凰酒店有限公司	21 June 2007	RMB30,000,000	100%	Hotel operation
Wuhan Country Garden Phoenix Hotel Co., Ltd 武漢市碧桂園鳳凰酒店有限公司	26 June 2007	RMB5,830,000	100%	Hotel operation
Shaoguan Country Garden Fujingwan Hotel Co., Ltd 韶關市碧桂園芙景灣酒店有限公司	28 June 2007	RMB6,030,000	100%	Hotel operation
Keyou Qianqi Country Garden Phoenix Hotel Co., Ltd 科右前旗碧桂園鳳凰酒店有限公司	29 July 2007	RMB10,000,000	100%	Hotel operation
Chizhou Country Garden Phoenix Hotel Co., Ltd 池州市碧桂園鳳凰酒店有限公司	30 July 2007	RMB45,000,000	100%	Hotel operation
Chaochu Country Garden Phoenix Hotel Co., Ltd 巢湖碧桂園鳳凰城酒店有限公司	31 July 2007	RMB20,000,000	100%	Hotel operation
Chongqing Country Garden Phoenix Hotel Co., Ltd 重慶市碧桂園鳳城酒店有限公司	3 August 2007	RMB40,000,000	100%	Hotel operation
Xianning Country Garden Hotsprings Hotel Co., Ltd 咸寧碧桂園温泉酒店有限公司	8 August 2007	RMB20,000,000	100%	Hotel operation
Yiyang Country Garden Phoenix Hotel Co., Ltd 益陽市碧桂園鳳凰酒店有限公司	10 August 2007	RMB50,000,000	100%	Hotel operation
Lechang Country Garden Phoenix Hotel Co., Ltd 樂昌市碧桂園鳳凰酒店有限公司	17 August 2007	RMB10,000,000	100%	Hotel operation
Shenyang Nanying Country Garden Hotel Co., Ltd 沈陽南營碧桂園酒店有限公司	21 August 2007	RMB8,040,000	100%	Hotel operation
Shenyang Binhe Country Garden Hotel Co., Ltd 沈陽濱河碧桂園酒店有限公司	21 August 2007	RMB14,060,000	100%	Hotel operation
Shenyang Huashan Country Garden Hotel Co., Ltd 沈陽花山碧桂園酒店有限公司	27 August 2007	RMB11,970,000	100%	Hotel operation
Shenyang Daoyi Country Garden Hotel Co., Ltd 沈陽道義碧桂園酒店有限公司	27 August 2007	RMB8,990,000	100%	Hotel operation
Haicheng Country Garden Phoenix Hotel Co., Ltd 海城市碧桂園鳳凰酒店有限公司	30 August 2007	RMB30,000,000	100%	Hotel operation
Suizhou Country Garden Phoenix Hotel Co., Ltd 隨州碧桂園鳳凰酒店有限公司	30 August 2007	RMB40,000,000	100%	Hotel operation
Ningxiang Country Garden Phoenix Hotel Co., Ltd 寧鄉碧桂園鳳凰酒店有限公司	3 September 2007	RMB20,000,000	100%	Hotel operation

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Chaohu Country Garden Phoenix Hotel Co., Ltd 巢湖碧桂園凰城酒店有限公司	7 September 2007	RMB20,000,000	100%	Hotel operation
Manzhou Country Garden Phoenix Hotel Co., Ltd 滿洲里碧桂園鳳凰酒店有限公司	19 September 2007	RMB50,000,000	100%	Hotel operation
Anqing Country Garden Phoenix Hotel Co., Ltd 安慶碧桂園鳳凰酒店有限公司	29 September 2007	RMB150,000,000	100%	Hotel operation
Huangshan Country Garden Phoenix Hotel Co., Ltd 黃山碧桂園鳳凰酒店有限公司	30 September 2007	RMB40,000,000	100%	Hotel operation
Tongliao Country Garden Hotel Co., Ltd 通遼碧桂園酒店有限公司	15 October 2007	RMB30,000,000	100%	Hotel operation
Wuhu Country Garden Phoenix Hotel Co., Ltd 蕪湖碧桂園鳳凰酒店有限公司	5 November 2007	RMB60,000,000	100%	Hotel operation
Shenyang Yidong Real Estate Co., Ltd 沈陽伊東置業有限公司	25 April 2007	RMB461,010,000	100%	Property development
Anhui Hexian Huarui Real Estate Co., Ltd 安徽和縣華瑞置業有限公司	15 May 2007	RMB150,470,000	100%	Property development
Shenyang Hua Rui Zhi Ye Co., Ltd 沈陽華鋭置業有限公司[2]	25 March 2004	RMB95,000,000	100%	Property development
Shenyang Shenbeicheng Yidong Real Estate Co., Ltd. 沈陽沈北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	Property development
Tianjin Xinbi Investment Co., Ltd 天津新碧投資發展有限公司	25 May 2007	RMB460,000,000	100%	Investment holding
Yangjiang Hengda Real Estate Co., Ltd 陽江市恒達置業有限公司	30 May 2007	RMB75,940,000	100%	Property development
Sichuan Rongxin Investment Co., Ltd 四川榮欣投資有限公司	14 June 2007	RMB10,000,000	85%	Investment holding
Zhaoqing Sihui Huaping Real Estate Co., Ltd 肇慶四會華平置業有限公司	21 June 2007	RMB136,890,000	100%	Property development
Shenyang Huiying Real Estate Co., Ltd 沈陽滙盈置業有限公司	9 October 2007	RMB281,320,000	100%	Property development
Shenyang Dede Real Estate Co., Ltd 沈陽德地置業有限公司	9 October 2007	RMB369,830,000	100%	Property development
Lechang Dingfeng Real Estate Co., Ltd 樂昌市鼎豐置業有限公司	6 November 2007	RMB4,760,000	100%	Property development
Guangzhou Country Garden Shuttle Bus Services Co., Ltd 廣州碧桂園樓巴服務有限公司	19 November 2007	RMB5,000,000	100%	Transportation
Tianjin Deyu Investment Co., Ltd 天津德域投資發展有限公司	28 November 2007	RMB10,000,000	100%	Investment holding

Notes to the Consolidated Financial Statements (continued)

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Zhaoqing Country Garden Furniture Co., Ltd 肇慶市碧桂園現代家居有限公司	12 December 2007	RMB45,390,000	100%	Manufacturing
Tianjin Shunyin Greening Co., Ltd 天津市順茵綠化工程有限公司	10 October 2007	RMB500,000	100%	Environmental design
Shenyang Bifeng Greening Co., Ltd 沈陽市碧豐綠化工程有限公司	25 December 2007	RMB500,000	100%	Environmental design

[1] The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Huanan Property Development by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.

[2] Acquired by the Group on 17 May 2007, see note 33 for details.

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