



碧桂園控股有限公司

COUNTRY GARDEN HOLDINGS COMPANY LIMITED

(於開曼群島註冊成立的有限公司)

(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code:2007

2008

中期報告 Interim Report



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Corporate Profile

Country Garden Holdings Company Limited (“Country Garden” or the “Company”) together with its subsidiaries, (collectively, the “Group”) (stock code: 2007.HK) is one of China’s leading integrated property developers. The Group runs a fully integrated business that comprises construction, fitting, project development, property management, as well as hotel development and management. Country Garden offers a broad range of products to cater for the diversified market demand. Its various products include large-scale residential projects such as townhouses, apartment buildings, as well as car-parks and retail shops. The Group also develops and manages hotels within some of its projects to enhance the potential for property value appreciation. It also develops hotels which are independent to property developments. The Group’s brand has been named by the People’s Republic of China (the “PRC”) State Administration for Industry and Commerce in 2006 as one of the only two “China’s Well-known Trademarks” in the property sector.

Country Garden was listed on the Main Board of the Hong Kong Stock Exchange on 20 April 2007. The listing not only provides the Group with additional funding to sustain a healthy growth in future, but also assists the Group to establish its foothold in the international capital market. Country Garden was well recognized by the market post listing. It has been included in the MSCI Global Index since 1 September 2007. It has also been included in the Hang Seng Composite Index and Hang Seng Mainland Composite Index since 10 September 2007. The inclusion symbolizes the capital market’s recognition of Country Garden as a major component of the Hong Kong stock market. It also strengthened the Group’s benchmarking position in the international capital market.

Since its inception in 1997, Country Garden has been benefiting from the flourishing economy of the PRC, particularly in Guangdong Province. As at 30 June 2008, Country Garden set its presence in a number of strategically selected locations beyond Guangdong Province, including Hunan Province, Jiangsu Province, Hubei Province, Liaoning Province, Anhui Province, Inner Mongolia Autonomous Region and Chongqing Municipality. Such strategic acquisitions further consolidate the Group’s leading position in Guangdong Province, while strengthening its developments in other provinces across the nation.

As at 30 June 2008, the Group had 51 projects with an aggregate completed GFA of 9,697,059 sq.m., on which it had built 51,791 units to house an estimated 207,000 people, an aggregate GFA under construction of 15,309,752 sq.m., and an aggregate GFA of 30,703,112 sq.m. relating to properties held for future development.

Looking ahead, Country Garden will continue to focus on developing high quality property projects in the suburban areas of first tier cities and second, third and fourth tier cities. Leveraging on its unique competitive strengths, under the direction and guidance of government’s macro policies, Country Garden will further replicate its successful business model into new high growth regions through strategic selection of project locations, rapid project development schedule with fast asset turnover and excellent execution ability, aiming to become a leading large-scale residential property developer with a national presence and well recognized brand name.



Chairman's Statement

Dear Shareholders,

I am pleased to present the interim results of Country Garden Holdings Company Limited ("Country Garden" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2008. During the period under review, the Group's another 5 new projects outside Guangdong province were launched successfully, which set up a strong foundation for the Group's further national expansion. For the six months ended 30 June 2008, the Group's revenue and gross profit reached RMB7,438.1 million and RMB3,907.2 million respectively. Profit attributable to equity owners reached RMB1,015.8 million (inclusive of the fair value loss of Equity Swap of approximately RMB442.8 million). As at 31 July 2008, the Group pre-sold approximately 2.7 million sq.m. of to-be-recognised 2008 GFA delivery (including 2008 to-be-recognised GFA delivery pre-sold in 2007), which had already exceeded 2007 whole year GFA delivery. The Group's 2008 contract sales are estimated to reach peak season during the second half of this year. The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2008.

The Group was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 20 April 2007 and raised about HKD14.85 billion. The successful listing has opened the door of international capital markets to the Group, providing it with innovative financing tools. The Group issued convertible bonds in February 2008, which offered the Group with capital for its business development and further broadened its global investor base. Given the market condition warrants, the Group will, in future, proactively consider other capital market financing tools, so as to further strengthen the Group's capital structure.

In line with the national policy, the Group effectively utilized the listing proceeds to actively expand its business within and beyond the Guangdong Province. As at 30 June 2008, there were 51 projects under different stages of development. The attributable gross floor area (GFA) with land use right certificates was approximately 45.77 million sq.m.. Among which, the attributable GFA under development was around 15.31 million sq.m..

Based in Guangdong Province, Country Garden has been, in recent years, proactively exploring opportunities to further its footholds and replicate its successful business model in other regions outside Guangdong. The Group has already established its presence outside Guangdong Province such as in Hunan Province, Hubei Province, Jiangsu Province, Anhui Province, Liaoning Province, Inner Mongolia Autonomous Region and Chongqing municipality. During the first half of 2008, the Group has successfully launched 6 new projects, which are Enping Country Garden in Guangdong Province,

Taizhou Country Garden in Jiangsu Province, Changshou Country Garden in Chongqing Municipality, Wuhan Country Garden and Xianning Country Garden in Hubei Province, Shenyang Country Garden in Liaoning Province. As at 30 June 2008, the Group has 25 projects outside Guangdong Province, among which 6 projects have already commenced presales. The Group's first project in China northern city of Shenyang recorded approximately RMB500 million contract sales with around 90% of the available presale units sold on the first day launch. The Group's successful project launch outside Guangdong with especially the success of Shenyang project has well demonstrated the Group's strong ability in project execution, and provided further evidence on the Group's ability to replicate its successful business model beyond Guangdong Province.

The Group continues to expand its hotel business to broaden its recurring income stream from non-residential developments which diversifies the Group's property income portfolio. As at 30 June 2008, the Group has developed and currently operates 2 five-star hotels and 1 four-star hotel, as well as 5 hotels that have been developed to the five-star rating standard. In addition, the Group has another 9 five-star standard hotels under construction.



Chairman's Statement

Being one of the leading integrated property developers in China, Country Garden faces relatively lower market risks. This is mainly due to the Group's main focus of developing residential property projects in second, third and fourth-tier cities, where the economy and the property markets are experiencing the early stage of growth in prosperity. Unlike property prices in large cities that experience downward adjustments, the impact on the relatively low property priced second, third and fourth-tier cities is lower. In addition, the Group is fully dedicated to providing quality residential properties with an attractive value to price ratio with enhancing living environment for local residents. Especially through following the banner of development a harmonious society advocated by the central government, the Group will continue to offer large supply of quality properties which are value for money. These properties are mainly located in third and fourth-tier cities. Such development model not only realizes rapid property sales for the Group, but also at the same time helps to contribute to the price stabilization in the local property market. The Group believes that the austerity measures implemented by the government are beneficial to the long term development of the property market, especially positive to those companies with a solid foundation. Moreover, the successful launching of new projects outside Guangdong province has further increased the Group's regional diversification of revenue source, which helps to reduce the Group's risk of single regional revenue source.

Looking ahead, Country Garden will continue its development in line with the national development strategies and the macro environment. Through strategic selection of project locations, coupled with fast track development, exceptional execution capability, the Group will further increase its asset turnover, replicate its successful business model into other new high growth regions across China, dedicate its efforts in creating a better society, and generate prosperous return to our shareholders.

APPRECIATION

The achievement that Country Garden has made today is attributable to the concerted efforts of the management and the entire staff. On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to the management and every staff of the Group for their excellent effort over the past years. We would also like to extend our appreciation to the local governments for their continued support in making possible the smooth progress of our various projects. We would also like to express our appreciation to our residents, shareholders and business partners for their strong support and confidence in the Group. The entire management and staff of Country Garden will continue to dedicate their professional knowledge with excellent team spirit, working towards generating prosperous returns to our shareholders.

YEUNG Kwok Keung

Chairman

Hong Kong, the PRC, 12 August 2008



Project Overview

Description of The Property Projects

The following map shows the location of the cities where the 51 projects are located.



Business Overview

Property Development

As at 30 June 2008, the Group had 51 projects at various stages of development. Of which, 26 projects are located in Guangdong Province including 8 in Guangzhou, 5 in Foshan, 5 in Jiangmen, 1 in Yangjiang, 3 in Shaoguan, 2 in Zhaoqing, 1 in Shanwei and 1 in Huizhou. Another 25 projects are located in other provinces including 3 in Changsha and 1 in Yiyang in Hunan Province, 1 in Hulunbei'er, 1 in Xing'anmeng and 1 in Tongliao in Inner Mongolia, 1 in Taizhou in Jiangsu Province, 4 in Shenyang and 1 in Anshan in Liaoning Province, 1 in Wuhan, 2 in Xianning and 1 in Suizhou in Hubei Province, 3 in Chaohu, 1 in Huangshan, 1 in Anqing, 1 in Chizhou and 1 in Wuhu in Anhui Province and 1 in Chongqing Municipality.

As at 30 June 2008, the Group's 51 projects had an aggregate completed GFA of 9,697,059 sq.m., on which it had built 51,791 units to house an estimated approximately 207,000 people, an aggregate GFA under development of 15,309,752 sq.m. and an aggregate GFA of 30,703,112 sq.m. relating to the properties held for future development.

Property Management

Through a wholly-owned property management subsidiary of the Company, Guangdong Country Garden Property Management Co. Ltd. ("Guangdong Management Co."), the Group has provided post-sales property management and services to the residents of each of the projects developed.

As at 30 June 2008, the Group had approximately 16,810 staff members working for its 42 property management branches. The Group aims to continue to provide to purchasers of our properties comprehensive and high quality post-sales property management and services, including public security and assisting the management of public order, maintenance of public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. The Group has established a market reputation for the quality of these services. For example Guangdong Management Co. has been certified by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.



Hotel Operation

The Group has developed and currently operates 2 five-star hotels and 1 four-star hotel, as well as 5 hotels which have been developed to the five-star rating standard under the “Star-Rating Standard for Tourist Hotels”. In addition, the Group has 9 hotels that are under construction in accordance with the five-star rating standard of the “Star-Rating Standard for Tourist Hotels”.

The development status of the Group’s hotel properties as at 30 June 2008 is as follows:

Name of Hotel	Location	Opening Date	Number of Rooms	Star-rating ⁽ⁱ⁾
Shunde Country Garden Holiday Resort (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	152 rooms	Four-Star (in operation)
Guangzhou Country Garden Phoenix City Hotel (廣州碧桂園鳳凰城酒店)	Country Garden Phoenix City, Guangzhou, Guangdong Province	November 2003	573 rooms	Five-Star (in operation)
Qingyuan Country Garden Holiday Islands Hotel (清遠市碧桂園假日半島酒店)	Qingyuan Holiday Islands Country Garden, Qingyuan, Guangdong Province	December 2004	201 rooms	Five-Star (in operation)
Heshan Country Garden Phoenix Hotel (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen, Guangdong Province	July 2005	280 rooms	According to five-star rating standard (in operation)
Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店)	Wuyi country Garden, Jiangmen	December 2005	95 rooms	According to five-star rating standard (in operation)
Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店)	Yangjiang Country Garden, Yangjiang, Guangdong Province	May 2007	342 rooms	According to five-star rating standard (in operation)
Changsha Venice Palace Hotel (長沙威尼斯酒店)	Venice Palace, Changsha, Hunan Province	October 2007	343 rooms	According to five-star rating standard (in operation)
Taishan Country Garden Phoenix Hotel (臺山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen, Guangdong Province	November 2007	337 rooms	According to five-star rating standard (in operation)
Xinhui Country Garden Phoenix Hotel (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen, Guangdong Province	October 2008 ^{*(ii)}	374 rooms	According to five-star rating standard (under construction)

Business Overview

Name of Hotel	Location	Opening Date	Number of Rooms	Star-rating ⁽ⁱ⁾
Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	October 2008*	337 rooms	According to five-star rating standard (under construction)
Gaoyao Country Garden Phoenix Hotel (高要碧桂園鳳凰酒店)	Gaoyao Country Garden, Zhaoqing, Guangdong Province	October 2008*	282 rooms	According to five-star rating standard (under construction)
Chongqing Country Garden Phoenix Hotel (重慶碧桂園鳳凰酒店)	Chongqing Country Garden, Chongqing, Chongqing Municipality	2009*	336 rooms	According to five-star rating standard (under construction)
Wuhan Country Garden Phoenix Hotel (武漢碧桂園鳳凰酒店)	Wuhan Country Garden, Wuhan, Hubei Province	2009*	334 rooms	According to five-star rating standard (under construction)
Xing'anmeng Country Garden Phoenix Hotel (興安盟碧桂園鳳凰酒店)	Xing'anmeng Country Garden, Xing'anmeng, Inner Mongolia	2010*	336 rooms	According to five-star rating standard (under construction)
Tongliao Country Garden Hotel (通遼碧桂園酒店)	Tongliao Country Garden, Tongliao, Inner Mongolia	2010*	336 rooms	According to five-star rating standard (under construction)
Chaohu Country Garden La Phoenix Hotel (巢湖碧桂園鳳城酒店)	Country Garden-Lakeside City, Chaohu, Anhui Province	2009*	337 rooms	According to five-star rating standard (under construction)
Chaohu Country Garden Le Phoenix Hotel (巢湖碧桂園鳳城酒店)	Chaohu Country Garden, Chaohu, Anhui Province	2009*	336 rooms	According to five-star rating standard (under construction)

Notes:

- (i) Hotels are only allowed to apply for star hotel certification after one year of operation.
- (ii) *Expected opening date.



Property Development

Completed property developments

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company <i>(%)</i>	Completed GFA ⁽¹⁾ <i>sq.m.</i>	Total completed saleable GFA ⁽¹⁾ <i>sq.m.</i>	Total saleable GFA sold ⁽¹⁾ <i>sq.m.</i>	Completion Date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100	240,550	238,860	227,415	29-Jun-2002
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	278,747	100	54,247	53,997	53,997	13-Dec-2002
Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 — 一至五期及七期)	Guangzhou (Panyu)	1,010,505	100	826,777	772,052	762,943	28-Mar-2008
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	423,477	50	408,401	407,622	407,552	20-Dec-2007
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	524,482	100	452,863	430,716	420,122	20-Jul-2007
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,818,941	100	2,012,218	1,891,451	1,769,074	22-May-2008
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	509,175	100	107,511	105,460	103,017	30-Nov-2007
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	572,285	100	154,338	153,343	133,319	27-Oct-2007
Shunde Country Garden — including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,426,415	100	2,045,424	1,931,396	1,840,614	27-May-2008
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	263,850	90	160,790	150,692	150,450	28-Apr-2008
Bandao Country Garden (半島碧桂園)	Foshan (Shunde)	294,330	100	294,330	287,323	285,779	16-Apr-2008

Business Overview

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company <i>(%)</i>	Completed GFA ⁽¹⁾ <i>sq.m.</i>	Total completed saleable GFA ⁽¹⁾ <i>sq.m.</i>	Total saleable GFA sold ⁽¹⁾ <i>sq.m.</i>	Completion Date
Gaoming Country Garden (高明碧桂園)	Foshang (Gaoming)	1,034,540	100	194,628	189,698	184,795	29-Sep-2006
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,923	100	411,406	404,919	386,322	23-Jun-2008
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,100,946	100	487,740	473,759	420,964	25-Jun-2008
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	692,616	100	534,632	503,842	411,855	29-May-2008
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,616	100	109,591	106,852	100,766	8-Apr-2008
Taishan Country Garden (臺山碧桂園)	Jiangmen (Taishan)	2,674,156	100	231,260	230,010	142,832	25-Jun-2008
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	392,267	100	243,692	228,644	175,674	19-Oct-2007
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	1,290,619	100	476,260	433,005	373,725	23-Jan-2008
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	186,145	100	86,405	9,715	632	30-Apr-2008
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	367,408	51	111,665	110,750	77,546	26-Jun-2008
Shaoguan Country Garden (韶關碧桂園)	Zhaoguan (Zhenjiang)	2,809,480	100	52,331	52,331	29,511	30-Jun-2008
Total:		23,093,145		9,697,059	9,166,437	8,458,904	

Note:

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

Properties under development

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company (%)	GFA under development ⁽¹⁾ <i>sq.m.</i>	Total saleable GFA under development ⁽²⁾ <i>sq.m.</i>	Actual/Estimated commencement	Total saleable GFA pre-sold ⁽²⁾ <i>sq.m.</i>	Actual/Estimated pre-sale commencement date	Estimated completion date
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	278,747	100	221,826	219,471	25-Jul-2007	82,235	17-Jan-2008	2 nd Quarter, 2009
Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 — 一至五期及七期)	Guangzhou (Panyu)	1,010,505	100	149,528	113,068	25-Feb-2005	79,368	26-Apr-2006	4 th Quarter, 2009
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	423,477	50	1,076	0	15-Oct-2004	0	—	4 th Quarter, 2008
Licheng Country Garden (荔城碧桂園)	Guangzhou (Zengcheng)	524,482	100	71,619	71,141	12-Oct-2007	21,077	23-Apr-2008	4 th Quarter, 2008
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,818,941	100	789,453	780,046	29-Apr-2007	292,300	30-Nov-2007	3 rd Quarter, 2009
Nansha Country Garden (南沙碧桂園)	Guangzhou (Nansha)	509,175	100	401,664	380,803	29-Jan-2007	121,361	28-Sep-2007	4 th Quarter, 2009
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	572,285	100	375,659	373,589	15-Jun-2006	0	3 rd Quarter, 2008	4 th Quarter, 2009
Shunde Country Garden — including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,426,415	100	281,863	213,019	13-Apr-2006	31,639	29-Nov-2006	4 th Quarter, 2009
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	263,850	90	62,861	62,610	23-Dec-2005	28,805	29-Sep-2007	4 th Quarter, 2008
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,034,540	100	752,425	745,375	31-May-2006	120,983	29-Sep-2007	2 nd Quarter, 2009
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,923	100	143,624	137,204	8-Mar-2006	622	29-Dec-2007	4 th Quarter, 2009
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,100,946	100	510,039	507,089	22-Mar-2007	65,144	13-Sep-2007	4 th Quarter, 2008
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	692,616	100	157,042	153,232	15-Dec-2006	51,954	19-Sep-2007	4 th Quarter, 2008
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,616	100	173,157	172,725	19-Apr-2007	46,659	16-Jan-2008	4 th Quarter, 2009
Taishan Country Garden (臺山碧桂園)	Jiangmen (Taishan)	2,674,156	100	694,152	672,394	31-Mar-2006	17,335	9-Feb-2007	2 nd Quarter, 2009
Yangdong Country Garden (陽東碧桂園)	Yangjiang (Yangdong)	392,267	100	148,575	141,656	29-Apr-2005	46,349	1-Dec-2005	4 th Quarter, 2008

Business Overview

Project	City (District)	Aggregate GFA for entire project sq.m.	Interest attributable to the Company (%)	GFA under development ⁽¹⁾ sq.m.	Total saleable GFA under development ⁽²⁾ sq.m.	Actual/Estimated commencement	Total saleable GFA pre-sold ⁽³⁾ sq.m.	Actual/Estimated pre-sale commencement date	Estimated completion date
Changsha Country Garden (長沙碧桂園)	Changsha (Changsha)	1,290,619	100	169,529	169,329	18-Dec-2006	0	3 rd Quarter, 2008	3 rd Quarter, 2008
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	186,145	100	99,740	10,310	30-Dec-2006	0	4 th Quarter, 2008	4 th Quarter, 2008
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	367,408	51	223,893	212,658	19-Sep-2006	45,177	2-Feb-2007	4 th Quarter, 2008
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	2,809,480	100	979,144	966,393	17-Jan-2007	154,453	31-Aug-2007	4 th Quarter, 2010
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	701,175	100	411,766	408,896	27-Jun-2007	94,754	28-Dec-2007	2 nd Quarter, 2010
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	915,233	90	797,850	789,570	22-Aug-2007	0	4 th Quarter, 2008	4 th Quarter, 2009
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbei'er (Manzhouli)	3,390,300	100	378,937	374,082	23-Jul-2007	0	3 rd Quarter, 2008	4 th Quarter, 2009
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	456,670	100	291,032	235,032	23-Oct-2007	0	4 th Quarter, 2008	3 rd Quarter, 2009
Country Garden-Sun Palace (碧桂園•太陽城)	Shenyang (Daoyi)	915,096	100	338,390	335,492	21-Jul-2007	0	3 rd Quarter, 2008	4 th Quarter, 2010
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	565,607	100	237,768	230,451	21-Jul-2007	95,672	3-Jun-2008	4 th Quarter, 2009
Country Garden-Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	1,851,301	100	487,112	482,717	19-Mar-2008	0	3 rd Quarter, 2008	4 th Quarter, 2010
Country Garden-Phoenix City (碧桂園•鳳凰城)	Shenyang (Sujiatun)	1,320,842	100	1,294,400	1,189,102	24-Sep-2007	0	3 rd Quarter, 2008	4 th Quarter, 2010
Enping Country Garden (恩平碧桂園)	Jiangmen (Enpin)	400,291	100	284,547	277,987	1-Nov-2007	20,846	23-Apr-2008	1 st Quarter, 2010
Country Garden-Hill Lake Palace (provisional name) (碧桂園•山湖城(暫定名))	Changsha (Ninxiang)	480,755	100	184,514	159,118	12-Nov-2007	0	4 th Quarter, 2008	1 st Quarter, 2009
Country Garden-Lakeside City (碧桂園•濱湖城)	Chaohu (Zhongmiao)	1,093,151	100	272,573	269,378	13-Dec-2007	0	3 rd Quarter, 2008	3 rd Quarter, 2009
Wuhan Country Garden (武漢碧桂園)	Hunan (Hannan)	472,322	100	313,158	313,158	29-Dec-2007	59,320	8-Jun-2008	4 th Quarter, 2009
Shaoguan Country Garden-Sun Palace (韶關碧桂園•太陽城)	Shaoguan (Xilian)	3,831,295	100	96,204	91,486	10-Mar-2008	0	1 st Quarter, 2009	4 th Quarter, 2008
Haicheng Country Garden (海城碧桂園)	Liaoning (Haicheng)	586,473	100	586,473	582,392	25-Oct-2007	0	4 th Quarter, 2008	4 th Quarter, 2011

Project	City (District)	Aggregate GFA for entire project sq.m.	Interest attributable to the Company (%)	GFA under development ⁽¹⁾ sq.m.	Total saleable GFA under development ⁽²⁾ sq.m.	Actual/ Estimated commencement	Total saleable GFA pre-sold ⁽²⁾ sq.m.	Actual/ Estimated pre-sale commencement date	Estimated completion date
Xing'anmeng Country Garden (興安盟碧桂園)	Xin'anmeng (Keyouqianqi)	943,171	100	516,253	439,885	20-Sep-2007	0	3 rd Quarter, 2008	3 rd Quarter, 2010
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	470,280	100	121,594	121,594	27-Jan-2008	0	3 rd Quarter, 2008	1 st Quarter, 2009
Country Garden-Hill Lake City (碧桂園•如山湖城)	Chaohu (Hexian)	2,106,138	100	322,904	318,852	9-May-2008	0	3 rd Quarter, 2008	2 nd Quarter, 2009
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	1,222,428	100	237,782	214,993	15-Jan-2008	32,560	24-Jun-2008	2 nd Quarter, 2010
Suizhou Country Garden (隨州碧桂園)	Suizhou (Chengnan)	1,353,072	100	291,476	288,191	21-May-2008	0	3 rd Quarter, 2008	2 nd Quarter, 2009
Changshou Country Garden (長壽碧桂園)	Chongqing (Changshou)	425,501	100	389,576	367,444	5-Nov-2007	48,161	25-Apr-2008	4 th Quarter, 2009
Tongliao Country Garden (通遼碧桂園)	Tongliao (Keerqin)	2,105,531	100	587,453	562,264	3-Nov-2007	0	3 rd Quarter, 2008	4 th Quarter, 2010
Huangshan Country Garden (黃山碧桂園)	Huangshan (Huangshan)	469,245	100	82,903	80,075	6-Jan-2008	0	3 rd Quarter, 2008	4 th Quarter, 2008
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	2,792,940	100	316,665	314,534	6-Jun-2008	0	3 rd Quarter, 2008	4 th Quarter, 2008
Chaohu Country Garden (巢湖碧桂園)	Chaohu (Nan'an)	619,505	100	61,553	58,366	23-Apr-2008	0	3 rd Quarter, 2008	4 th Quarter, 2008
Total:		52,017,915		15,309,752	14,607,171		1,556,774		

Notes:

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

Business Overview

Properties for future development — with land use rights certificates

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company <i>(%)</i>	GFA for future development ⁽¹⁾ <i>sq.m.</i>	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completion date
Country Garden East Court (碧桂園東苑)	Guangzhou (Panyu)	269,222	100	28,672	1 st Quarter, 2009	2 nd Quarter, 2009	4 th Quarter, 2010
Shawan Country Garden (沙灣碧桂園)	Guangzhou (Panyu)	278,747	100	2,674	3 rd Quarter, 2008	—	4 th Quarter, 2008
Huanan Country Garden — Phases One to Five and Phase Seven (華南碧桂園 — 一至五期及七期)	Guangzhou (Panyu)	1,010,505	100	34,200	1 st Quarter, 2009	—	4 th Quarter, 2009
Huanan Country Garden — Phase Six (華南碧桂園 — 六期)	Guangzhou (Panyu)	423,477	50	14,000	1 st Quarter, 2010	—	4 th Quarter, 2010
Country Garden Phoenix City (碧桂園鳳凰城)	Guangzhou (Zengcheng)	3,818,941	100	1,017,270	3 rd Quarter, 2008	4 th Quarter, 2008	1 st Quarter, 2011
Holiday Islands — Huadu (假日半島 — 花都)	Guangzhou (Huadu)	572,285	100	42,288	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2009
Shunde Country Garden — including Country Garden West Court (順德碧桂園 (含碧桂園西苑))	Foshan (Shunde)	2,426,415	100	99,128	3 rd Quarter, 2008	—	4 th Quarter, 2009
Jun'an Country Garden (均安碧桂園)	Foshan (Shunde)	263,850	90	40,199	3 rd Quarter, 2008	1 st Quarter, 2009	4 th Quarter, 2011
Gaoming Country Garden (高明碧桂園)	Foshan (Gaoming)	1,034,540	100	87,487	2 nd Quarter, 2009	3 rd Quarter, 2009	4 th Quarter, 2011
Nanhai Country Garden (南海碧桂園)	Foshan (Nanhai)	571,923	100	16,893	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2009
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	2,100,946	100	1,103,167	3 rd Quarter, 2008	2 nd Quarter, 2009	2 nd Quarter, 2012
Wuyi Country Garden (五邑碧桂園)	Jiangmen (Pengjiang)	692,616	100	942	3 rd Quarter, 2008	—	2 nd Quarter, 2009
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	581,616	100	298,868	3 rd Quarter, 2008	2 nd Quarter, 2009	3 rd Quarter, 2010
Taishan Country Garden (臺山碧桂園)	Jiangmen (Taishan)	2,674,156	100	1,748,744	3 rd Quarter, 2008	3 rd Quarter, 2009	4 th Quarter, 2010
Changsha Country Garden (長沙碧桂園)	Jiangmen (Xinhui)	1,290,619	100	644,830	3 rd Quarter, 2008	2 nd Quarter, 2009	2 nd Quarter, 2011

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company <i>(%)</i>	GFA for future development ⁽¹⁾ <i>sq.m.</i>	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completion date
Zhaoqing Country Garden (肇慶碧桂園)	Zhaoqing (Gaoyao)	367,408	51	31,850	1 st Quarter, 2009	2 nd Quarter, 2009	4 th Quarter, 2009
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	2,809,480	100	1,778,005	3 rd Quarter, 2008	1 st Quarter, 2009	4 th Quarter, 2010
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	701,175	100	289,409	3 rd Quarter, 2008	2 nd Quarter, 2009	3 rd Quarter, 2010
Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	915,233	90	117,383	3 rd Quarter, 2008	3 rd Quarter, 2009	4 th Quarter, 2010
Manzhouli Country Garden (滿洲里碧桂園)	Hulunbeier	3,390,300	100	3,011,363	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2011
Lechang Country Garden (樂昌碧桂園)	Shaoguan (Lechang)	456,670	100	165,638	3 rd Quarter, 2008	1 st Quarter, 2009	4 th Quarter, 2009
Country Garden-Sun Palace (碧桂園•太陽城)	Shenyang (Daoyi)	915,096	100	576,706	3 rd Quarter, 2008	2 nd Quarter, 2009	3 rd Quarter, 2011
Shenyang Country Garden (瀋陽碧桂園)	Shenyang (Huashan)	565,607	100	327,839	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2010
Country Garden-Galaxy Palace (碧桂園•銀河城)	Shaoguan (Yuhong)	1,851,301	100	1,364,189	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2011
Country Garden-Phoenix City (碧桂園•鳳凰城)	Shenyang (Sujiadun)	1,320,842	100	26,442	2 nd Quarter, 2009	3 rd Quarter, 2009	4 th Quarter, 2010
Enping Country Garden (恩平碧桂園)	Jiangmen (Enpin)	400,291	100	115,744	3 rd Quarter, 2008	2 nd Quarter, 2009	3 rd Quarter, 2010
Country Garden-Hill Lake Palace (provisional name) (碧桂園•山湖城(暫定名))	Changsha (Ningxiang)	480,755	100	296,241	3 rd Quarter, 2008	1 st Quarter, 2009	4 th Quarter, 2010
Country Garden-Lakeside City (碧桂園•濱湖城)	Chaohu (Zhongmiao)	1,093,151	100	820,578	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2011
Shanwei Country Garden (汕尾碧桂園)	Shanwei (Shanwei)	479,203	100	479,203	3 rd Quarter, 2008	4 th Quarter, 2008	3 rd Quarter, 2011
Wuhan Country Garden (武漢碧桂園)	Wuhan (Hannan)	472,322	100	159,164	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2010
Shaoguan Country Garden-Sun Palace (韶關碧桂園•太陽城)	Shaoguan (Xilian)	3,831,295	100	3,735,091	3 rd Quarter, 2008	1 st Quarter, 2009	2 nd Quarter, 2011
Xing'anmeng Country Garden (興安盟碧桂園)	Xing'anmeng (Keyouqianqi)	943,171	100	426,918	3 rd Quarter, 2008	2 nd Quarter, 2009	4 th Quarter, 2010
Chizhou Country Garden (池州碧桂園)	Chizhou (Chizhou)	470,280	100	348,686	3 rd Quarter, 2008	3 rd Quarter, 2008	1 st Quarter, 2011

Business Overview

Project	City (District)	Aggregate GFA for entire project <i>sq.m.</i>	Interest attributable to the Company <i>(%)</i>	GFA for future development ⁽¹⁾ <i>sq.m.</i>	Actual/Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated Completion date
Country Garden-Hill Lake City (碧桂园•如山湖城)	Chaohu (Hexian)	2,106,138	100	1,783,234	3 rd Quarter, 2008	1 st Quarter, 2009	2 nd Quarter, 2011
Xianning Country Garden (咸寧碧桂园)	Xiannin (Xian'an)	1,222,428	100	984,646	3 rd Quarter, 2008	1 st Quarter, 2009	4 th Quarter, 2010
Country Garden-Fountain Village (碧桂园•温泉城)	Xiannin (Xian'an)	389,158	100	389,158	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2009
Suizhou Country Garden (隨州碧桂园)	Suizhou (Chengnan)	1,353,072	100	1,061,596	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2012
Changshou Country Garden (長壽碧桂园)	Chongqing (Changshou)	425,501	100	35,925	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2009
Tongliao Country Garden (通遼碧桂园)	Tongliao (Keerqin)	2,105,531	100	1,518,078	4 th Quarter, 2008	3 rd Quarter, 2009	4 th Quarter, 2011
Huangshan Country Garden (黃山碧桂园)	Huangshan (Huangshan)	469,245	100	386,342	3 rd Quarter, 2008	4 th Quarter, 2008	4 th Quarter, 2010
Anqing Country Garden (安慶碧桂园)	Anqing (Anqing)	1,595,055	100	1,595,055	3 rd Quarter, 2008	3 rd Quarter, 2008	3 rd Quarter, 2011
Wuhu Country Garden (蕪湖碧桂园)	Wuhu (Sanshanqu)	2,792,940	100	2,476,275	3 rd Quarter, 2008	4 th Quarter, 2008	1 st Quarter, 2011
Yiyang Country Garden (provisional name) (益陽碧桂园(暫定名))	Yiyan (Yiyan)	197,734	100	197,734	3 rd Quarter, 2008	1 st Quarter, 2009	1 st Quarter, 2010
Chaohu Country Garden (巢湖碧桂园)	Chaohu (Nan'an)	619,505	100	557,952	3 rd Quarter, 2008	4 th Quarter, 2008	3 rd Quarter, 2011
Liuyang Country Garden (provisional name) (瀏陽碧桂园(暫定名))	Changsha (Liuyang)	467,306	100	467,306	3 rd Quarter, 2008	4 th Quarter, 2008	3 rd Quarter, 2010
Total:		53,217,051		30,703,112			

Note:

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

Management Discussion and Analysis

SUMMARY

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	7,438	6,034
Gross Profit	3,907	2,619
LAT provision	665	340
Profit attributable to equity owners, including:	1,016	1,421
Fair value changes on derivative financial instruments	443	—
interest income from oversubscription of IPO	—	(270)
Profit attributable to the equity owners (adjusted)	1,459	1,151
Gross profit margin (after LAT)	43.6%	37.8%
Net profit margin (adjusted)	19.6%	19.1%

BUSINESS OVERVIEW

Property Development

As at 30 June 2008, the Group had 51 projects at various stages of development. Of which, 26 projects are located in Guangdong Province including 8 in Guangzhou, 5 in Foshan, 5 in Jiangmen, 1 in Yangjiang, 3 in Shaoguan, 2 in Zhaoqing, 1 in Shanwei and 1 in Huizhou. Another 25 projects are located in other provinces including 3 in Changsha and 1 in Yiyang in Hunan Province, 1 in Hulunbei'er, 1 in Xing'anmeng and 1 in Tongliao in Inner Mongolia, 1 in Taizhou in Jiangsu Province, 4 in Shenyang and 1 in Anshan in Liaoning Province, 1 in Wuhan, 2 in Xianning and 1 in Suizhou in Hubei Province, 3 in Chaozhou, 1 in Huangshan, 1 in Anqing, 1 in Chizhou and 1 in Wuhu in Anhui Province and 1 in Chongqing Municipality.

As at 30 June 2008, the Group's 51 projects had an aggregate completed GFA of 9,697,059 sq.m., on which it had built 51,791 units to house an estimated approximately 207,000 people, an aggregate GFA under development of 15,309,752 sq.m. and an aggregate GFA of 30,703,112 sq.m. relating to the properties held for future development.

Property Management

Through a wholly-owned property management subsidiary of the Company, Guangdong Country Garden Property Management Co. Ltd. ("Guangdong Management Co."), the Group provides post-sales property management and services to the residents of each of the projects developed.

As at 30 June 2008, the Group had 16,810 staff working for its 42 property management branches. The Group aims to continue to provide property management and services, including public security and assisting the management of public order, maintenance of public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. The Group has established a market reputation for the quality of these services. For example, Guangdong Management Co. has been certified by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.

Hotel Operation

The hotels that the Group has developed and currently operates include 2 five-star and 1 four-star hotel, as well as 5 hotels that we have developed in accordance with the five-star standard of the "Star-Rating Standard for Tourist Hotel". In addition, the Group has 9 hotels that are under construction in accordance with the five-star standard of the "Star-Rating Standard for Tourist Hotels".

FINANCIAL REVIEW

Revenue

Revenue of the Group comprises primarily the proceeds from the sale of properties or provision of services after the elimination of transactions between the companies now comprising the Group. The revenue is primarily generated from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue increased by 23.3% to approximately RMB7,438.1 million in the first half of 2008 from approximately RMB6,033.8 million for the corresponding period in 2007, primarily attributable to the increase in sales of property. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB6,932.4 million, RMB239.9 million, RMB140.8 million and RMB125.0 million respectively.

Property development

Revenue generated from property development increased by 27.3% to approximately RMB6,932.4 million for the six months ended 30 June 2008 from approximately RMB5,447.7 million for the corresponding period in 2007, primarily attributable to a 7.5% decrease in total gross floor area (“GFA”) sold to 865,360 sq.m. in the first half of 2008 from 935,342 sq.m. for the corresponding period in 2007. The recognised average selling price of property increased to RMB8,012 per sq.m. in the first half of 2008 from RMB5,824 per sq.m. for the corresponding period in 2007.

Construction and decoration

Revenue generated from the construction and decoration decreased by 37.0% to approximately RMB239.9 million for the six months ended 30 June 2008 from approximately RMB380.9 million for the corresponding period in 2007, primarily attributable to a decrease in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd. (a related party of the Group).

Property management

Revenue generated from the property management increased by 33.6% to approximately RMB140.8 million for the six months ended 30 June 2008 from approximately RMB105.4 million for the corresponding period in 2007, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion

and delivery of properties such as Shunde Country Garden, Huanan Country Garden and Country Garden Phoenix City.

Hotel operation

Revenue generated from the hotel operation increased by 25.3% to approximately RMB125.0 million for the six months ended 30 June 2008 from approximately RMB99.8 million for the corresponding period in 2007, primarily attributable to the steady increase in revenues of Yangjiang Country Garden Phoenix Hotel, Changsha Venice Palace Hotel and Taishan Country Garden Phoenix Hotel, which were opened in May 2007, October 2007 and December 2007 respectively.

Cost of sales

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

Cost of sales increased by 3.4% to approximately RMB3,530.9 million for the six months ended 30 June 2008 from approximately RMB3,414.5 million for the corresponding period in 2007. The increase in construction, decoration and design costs was in line with the increase in total sales of the properties.

Gross profit

Gross profit of the Group increased by 49.2% to approximately RMB3,907.2 million for the six months ended 30 June 2008 from approximately RMB2,619.3 million for the corresponding period in 2007. The gross margin for the first half of 2008 increased to 52.5% from 43.4% for the corresponding period in 2007, primarily attributable to the increase in the average selling price to RMB8,012 per sq.m. for the six months ended 30 June 2008 from RMB5,824 per sq.m. for the corresponding period in 2007.

Other gains — net

Other gains — net of the Group increased by 98.5% to approximately RMB38.9 million of gain for the six months ended 30 June 2008 from approximately RMB19.6 million of gain for the corresponding period in 2007, mainly attributable to the increase in the return from the equity swap.

Selling and marketing costs

Selling and marketing costs of the Group increased by 38.7% to approximately RMB218.6 million for the six months ended 30 June 2008 from approximately RMB157.6 million for the corresponding period in 2007, which is primarily attributable to heavy publicity of new properties for sale. Therefore, large amount of advertisement were put into the market and resulted in the increase in advertisement expenses by 14.1% to approximately RMB100.2 million for the six months ended 30 June 2008 from approximately RMB87.8 million for the corresponding period in 2007. In addition, pre-sale of new properties (e.g. Country Garden Phoenix City, Shunde Country Garden, Gaoming Country Garden and Shenyang Country Garden) in the first half of 2008 also gave rise to the higher selling and marketing costs for the period.

Administrative expenses

Administrative expenses of the Group increased by 84.5% to approximately RMB556.6 million for the six months ended 30 June 2008 from approximately RMB301.7 million for the corresponding period in 2007, primarily attributable to the recruitment of a large number of staff, which was to satisfy the requirement of rapid development of the Group during its listing and afterwards. Consequently, the salary increased substantially by 17.0% to approximately RMB153.3 million for the six months ended 30 June 2008 from approximately RMB131.0 million for the corresponding period in 2007. In addition, the Group donated totally RMB70.0 million to charities for Sichuan Earthquake Relief and other charities in the first half of 2008.

Finance (costs)/income — net

Net finance costs of the Group amounted to approximately RMB554.1 million for the six months ended 30 June 2008. This compares to net finance income of RMB39.5 million for the corresponding period in 2007. Interest income significantly decreased to approximately RMB39.2 million for the six months ended in 30 June 2008 from approximately RMB355.3 million for the corresponding period in 2007, which includes the interest income of approximately RMB270.0 million from the application monies of subscribing IPO shares of the Group in 2007.

Interest expenses increased to approximately RMB349.8 million for the six months ended 30 June 2008 from approximately RMB148.7 million for the corresponding period in 2007, mainly reflecting the increase in the total

interest expenses resulting from several lifting of bank loan interest rates between 1 January 2007 and 30 June 2008. In addition, the Group issued a convertible bond of a principal amount of US\$600.0 million (equivalent to approximately RMB4,314.0 million) in the first half of 2008.

The exchange losses increased to approximately RMB243.5 million for the six months ended 30 June 2008 from approximately RMB167.0 million for the corresponding period in 2007, primarily attributable to the rise of the exchange rate of RMB against HK dollar by 6.0% since 1 January 2008.

Fair value changes on derivative financial instruments

In February 2008, the Company entered into a cash settled equity swap transaction (the “Equity Swap”) with Merrill Lynch International for the Company’s shares up to a value of US\$250 million (equivalent to approximately HK\$1,950 million). Under the Equity Swap, the Company receives a payment if the Final Price (as defined in the announcement dated 17 February 2008) is higher than the Initial Price (as defined in the 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. Measured by the market price on 30 June 2008, the fair value change on the equity swap reduced the profit for the period by approximately RMB442.8 million.

Profit attributable to the equity owners

Profit attributable to the equity owners for the six months ended 30 June 2008 of the Group decreased by 28.5% to approximately RMB1,015.8 million from approximately RMB1,421.0 million for the corresponding period in 2007. Net margin reduced to 13.7% for the six months ended 30 June 2008 from 23.6% for the corresponding period in 2007, primarily attributable to the interest income approximately RMB270.0 million of subscription monies from initial public offering in the first half of 2007 and the fair value loss of approximately RMB442.8 million on derivative financial instruments in the first half of 2008. The profit attributable to the equity owners increased by 26.8% without the effects described above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB6,938.3 million as at 30 June 2008 (31 December 2007: RMB9,496.9 million). As at 30 June 2008, 62.2% and 37.8% of the Group's cash and bank deposits were denominated in Renminbi, and other currencies (mainly US dollars and HK dollars) respectively (31 December 2007: 63.0% and 37.0%).

As at 30 June 2008, the carrying amount of the restricted cash was approximately RMB2,912.0 million (31 December 2007: RMB1,013.5 million). Pursuant to relevant regulations, certain of the project companies are required to deposit a portion of proceeds from pre-sales of properties into the special bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities. In addition, the Group has provided US\$250 million (equivalent to approximately RMB1,714.8 million) as collateral for an equity swap transaction entered in February 2008 with Merrill Lynch International.

Net current assets and current ratio

The Group had net current assets of approximately RMB13,767.6 million as at 30 June 2008 (31 December 2007: RMB9,704.8 million). The current ratio being current assets over current liabilities, increased to approximately 1.9 as at 30 June 2008 from approximately 1.7 as at 31 December 2007.

Borrowings and charges on group assets

The Group had an aggregated borrowings as at 30 June 2008 of approximately RMB6,599.7 million, of which approximately RMB1,886.8 million will be repayable within 1 year, approximately RMB4,712.9 million will be repayable between 2 and 5 years. As at 30 June 2008, the substantial part of the bank borrowings were secured by land use rights and properties of the Group and guaranteed by companies of the Group.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total capital and reserves attributable to equity owners. As at 30 June 2008, the gearing ratio was 19.0% (31 December 2007: -13.1%).

Interest rate risk

The weighted average interest rate of the Group's bank borrowing increased to 7.1% p.a. for the six months ended 30 June 2008 from 6.8% p.a. for 2007. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. In the first half of 2008, the exchange rates of Renminbi to Hong Kong dollars and US dollars kept on increasing. Though the Group had progressively remitted the financing proceeds from abroad to China and converted them into Renminbi shortly after remittance, there was still an exchange loss of RMB243.5 million incurred for the period ended 30 June 2008. It was mainly due to the unexpected longer period for exchange process resulting from tightening foreign exchange policies in China.

Land appreciation tax

The State Administration of Taxation ("SAT") of the PRC issued Guoshuifa 2004 No. 938 dated 2 August 2004, announcing its intention to strengthen the collection of land appreciation tax ("LAT") on property developers. The SAT of the PRC also issued Guoshuifa 2006 No. 187 dated 28 December 2006, which became effective from 1 February 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorizing the local tax bureau to issue detailed implementation rules and procedures appropriate to local environments. In the past, the Group has made full provision of LAT but paid provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau. For the six months ended 30 June 2008, the Group had LAT expenses of approximately RMB665.2 million. As at 30 June 2008, the Group had LAT provision balance of RMB2,160.5 million.

Contingent liabilities

As at 30 June 2008, the Group had the contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB9,901.1 million (31 December 2007: approximately RMB9,637.3 million).

This represents 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 30 June 2008, approximately RMB419.2 million (31 December 2007: approximately RMB537.1 million) was to be discharged two years from the day the mortgage loans become due; and approximately RMB9,481.9 million (31 December 2007: approximately RMB9,100.2 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificates which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

Capital and property development commitments

As at 30 June 2008, the capital commitments in connection with the property development activities amounted to approximately RMB5,645.9 million (31 December 2007: approximately RMB2,808.8 million). This amount is primarily arising from contracted construction fees or other capital commitments for future property developments. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

Acquisition of subsidiaries

In April 2008, the Group acquired effectively 100% equity interest of Guangdong Guosheng Construction Monitoring Co., Ltd. (廣東國晟建設監理有限公司) for a total cash consideration of RMB2,340,000 and 100% equity interest of Yangjiang Shun'an Construction Co., Ltd. (陽江市順安建築工程有限公司) currently named as Guangdong GuoLiang Construction Co., Ltd. (廣東國良建築工程有限公司) for a total cash consideration of RMB10,000,000.

The acquisitions were made in order to increase the construction quality and capacity.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had 30,621 full-time employees, which had increased by 2,782 (or 10%), from 27,839 as at 31 December 2007. The recruitment of a large number of new staff was to satisfy the requirement of rapid development of the Company after its listing. The remuneration package of the employees includes salary, bonus and other cash subsidies. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary increase, bonus and promotion. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates. The employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. The Group believes its relationship with the employees is good. As at the date of this Interim Report, no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the business occurred.

BUSINESS DEVELOPMENT AND PROSPECT

As at 30 June 2008, the Group had 51 projects with an aggregate completed GFA of 9,697,059 sq.m., on which it had built 51,791 units to house an estimated 207,000 people, an aggregate GFA under development of 15,309,752 sq.m., and an aggregate GFA of 30,703,112 sq.m. relating to properties held for future development.

The Company is currently expanding further into other parts of the country. Apart from Guangdong Province, the Group has many projects located in Anhui Province, Jiangsu Province, Hunan Province and Hubei Province for sales in the market. Looking ahead, by leveraging on the strong capital base, wide brand recognition and unique business model, the Group will not only focus in Guangdong Province, but also further expand the business outside Guangdong Province. With the increase in land bank, the Group will continue to grow stably in its development going forward.

Disclosure of Interests

DIRECTORS' AND EXECUTIVES' INTERESTS

As at 30 June 2008, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

(i) Interest in the Company (long position)

Name of director	Capacity	Number of ordinary shares	Percentage to issued share capital
Ms. YANG Huiyan	interest of controlled corporation	9,570,000,000	58.50%
Mr. YANG Erzhu	interest of controlled corporation	1,582,000,000	9.67%
Mr. SU Rubo	interest of controlled corporation	816,000,000	4.99%
Mr. ZHANG Yaoyuan	interest of controlled corporation	816,000,000	4.99%
Mr. OU Xueming	interest of controlled corporation	816,000,000	4.99%

(ii) Interest in an associated corporation of the Company

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

Note:

These shares represent shares held by Concrete Win Limited, Automic Group Limited, Easy Hope Holdings Limited, Acura International Global Limited and Highlander Group Limited in which Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan and Mr. OU Xueming beneficially owns the entire issued share capital respectively.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. As at 30 June 2008, none of directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and the underlying shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares held	Percentage to issued share capital
Concrete Win Limited (<i>Note 1</i>)	beneficial owner	9,570,000,000	58.50%
Automic Group Limited (<i>Note 2</i>)	beneficial owner	1,582,000,000	9.67%

Notes:

- (1) These 9,570,000,000 shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- (2) These 1,582,000,000 shares are held by Automic Group Limited, the entire issued share capital of which is beneficially owned by Mr. YANG Erzhu.

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

Corporate Governance and Other Information

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the independent non-executive directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald.

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2008. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2008 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for six months ended 30 June 2008. No incident of non-compliance was noted by the Company to date in 2008. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for six months ended 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and management are committed to principles of corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the “Code”) as set out in the Appendix 14 to the Listing Rules during the six months ended 30 June 2008.

SHARE OPTION SCHEME

On 20 March 2007, a share option scheme (the “Scheme”) was adopted and approved by their then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

EMPLOYEE INCENTIVE SCHEME

The Company proposed to set up an employee incentive scheme (“Employee Incentive Scheme”) for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. Up to 30 June 2008, for the purpose of the Employee Incentive Scheme, the Company had through its subsidiary purchased from the market a total of 49,386,000 shares of the Company. The total amount paid to acquire these shares during the period was about RMB288,450,000.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

Save as disclosed under “Employee Incentive Scheme”, during the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listing securities.

Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2008	Audited 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,098,596	1,621,654
Investment property	4	142,538	—
Intangible assets		8,829	4,083
Land use rights	4	8,025,365	8,196,080
Available-for-sale financial assets		29,999	20,000
Properties under development		3,443,124	3,690,575
Deferred income tax assets		806,723	556,112
		14,555,174	14,088,504
Current assets			
Land use rights	4	5,238,834	1,914,099
Properties under development		9,866,982	5,382,650
Completed properties held for sale		1,560,129	1,636,368
Inventories		185,749	102,787
Trade and other receivables	5	3,645,084	5,262,929
Prepaid taxes		1,432,480	749,743
Restricted cash	6	2,911,952	1,013,515
Cash and cash equivalents	7	4,026,375	8,483,420
		28,867,585	24,545,511
Total assets		43,422,759	38,634,015
EQUITY			
Capital and reserves attributable to the equity owners			
Capital	8	14,701,189	14,989,639
Reserves	9	703,606	278,785
Retained earnings			
— proposed final dividend		—	1,557,472
— others		3,348,125	2,332,356
		18,752,920	19,158,252
Minority interests		293,310	240,868
Total equity		19,046,230	19,399,120
LIABILITIES			
Non-current liabilities			
Borrowings	10	4,712,854	4,227,400
Convertible bonds	11	3,897,760	—
Derivative financial instruments	13	442,755	—
Deferred income tax liabilities		223,201	166,787
		9,276,570	4,394,187
Current liabilities			
Advanced proceeds received from customers		7,383,639	7,168,686
Trade and other payables	12	2,901,915	2,619,771
Income taxes payable		2,927,605	2,287,881
Borrowings	10	1,886,800	2,764,370
		15,099,959	14,840,708
Total liabilities		24,376,529	19,234,895
Total equity and liabilities		43,422,759	38,634,015
Net current assets		13,767,626	9,704,803
Total assets less current liabilities		28,322,800	23,793,307

The notes on pages 28 to 52 form an integral part of this interim financial information.

Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
Revenue	3	7,438,138	6,033,798
Cost of sales	15	(3,530,914)	(3,414,450)
Gross profit		3,907,224	2,619,348
Other gains — net	14	38,933	19,628
Selling and marketing costs	15	(218,599)	(157,559)
Administrative expenses	15	(556,603)	(301,656)
Operating profit		3,170,955	2,179,761
Finance income		39,176	355,250
Finance costs		(593,285)	(315,750)
Finance (costs)/income — net	16	(554,109)	39,500
Fair value changes on derivative financial instruments	13	(442,755)	—
Profit before income tax		2,174,091	2,219,261
Income taxes expense	17	(1,108,130)	(776,088)
Profit for the period		1,065,961	1,443,173
Attributable to:			
Equity owners		1,015,769	1,421,048
Minority interests		50,192	22,125
		1,065,961	1,443,173
Earnings per share (RMB cents)			
Basic and diluted	18	6.22	9.68
Dividends	19	—	512,554

The notes on pages 28 to 52 form an integral part of this interim financial information.

Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity owners of the Company			Total	Minority interest	Total equity
	Capital (Note 8)	Reserves (Note 9)	Retained earnings			
Balance at 1 January 2007	764,568	32,705	512,554	1,309,827	165,535	1,475,362
Capital injections to subsidiaries by their then shareholders	—	—	—	—	2,500	2,500
Issue of shares in connection with the listing (note 8)	14,671,195	—	—	14,671,195	—	14,671,195
Placing and listing expenses	(446,124)	—	—	(446,124)	—	(446,124)
Profit for the period	—	—	1,421,048	1,421,048	22,125	1,443,173
Dividends (note 19)	—	—	(512,554)	(512,554)	—	(512,554)
Balance at 30 June 2007	14,989,639	32,705	1,421,048	16,443,392	190,160	16,633,552
Balance at 1 January 2008	14,989,639	278,785	3,889,828	19,158,252	240,868	19,399,120
Capital injections to subsidiaries by their then shareholders	—	—	—	—	2,250	2,250
Equity component of convertible bonds (note 11)	—	424,821	—	424,821	—	424,821
Purchase of treasury shares (note 8a)	(288,450)	—	—	(288,450)	—	(288,450)
Profit for the period	—	—	1,015,769	1,015,769	50,192	1,065,961
Dividends (note 19)	—	—	(1,557,472)	(1,557,472)	—	(1,557,472)
Balance at 30 June 2008	14,701,189	703,606	3,348,125	18,752,920	293,310	19,046,230

The notes on pages 28 to 52 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement

(All amounts in RMB thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2008	2007
Net cash flows (used in)/from operating activities	(4,514,971)	339,367
Net cash (used in)/from investing activities	(1,894,796)	169,368
Net cash from financing activities	1,952,722	14,073,094
Net (decrease)/increase in cash and cash equivalents	(4,457,045)	14,581,829
Cash and cash equivalents at the beginning of the period	8,483,420	1,529,689
Cash and cash equivalents at the end of the period	4,026,375	16,111,518

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

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. The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation.

In preparation for the Company’s listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company and its subsidiaries 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 were disclosed in note 1 of the Company’s 2006 annual report dated 20 April 2007.

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

This interim financial information is presented in units of Renminbi (“RMB”) thousand Yuan, unless otherwise stated and was approved by the board of directors of the Company for issue on 12 August 2008.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim Financial Reporting’. The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described those in annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) *Convertible bonds*

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (*Continued*)

2.2 Accounting policies (*Continued*)

(a) *Convertible bonds (Continued)*

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained earnings.

(b) *Investment property*

Property that is held for long-term rental yields, and that is not occupied by the Group, is classified as investment property. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Investment properties are stated at historical cost less accumulated depreciation and impairment loss, if any. It is depreciated using the straight line method over its estimated useful life of 20 years.

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

(c) *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.3 Standards, amendments and interpretations effective in 2008

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC)-Int 11, 'HKFRS 2 — Group and treasury share transactions'
- HK(IFRIC)-Int 12, 'Service concession arrangements'
- HK(IFRIC)-Int 14, 'HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction'

2.4 Standards, amendments and interpretations that are not effective and not relevant

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail.
- HKAS 23 (amendment), 'borrowing costs', effective for annual periods beginning on or after 1 January 2009. Management is evaluating the effect of this interpretation on its presentation of financial statement.
- HKFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Currently, the Group does not have any Share-based payment.
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting and consolidation on the Group. The Group does not have any joint venture and associates.
- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements,' effective for annual periods beginning on or after 1 January 2009. Management is evaluating the effect of this interpretation on its presentation of financial statement.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Standards, amendments and interpretations that are not effective and not relevant *(Continued)*

- HK(IFRIC)-Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the property development, construction, fitting and decoration, property management and hotel operation. As less than 10% of the Group's consolidated revenue and results are attributable to the market outside the People's Republic of China (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 following:

	Unaudited Six months ended 30 June	
	2008	2007
Sales of properties	6,932,444	5,447,687
Rendering of construction services	228,361	369,067
Rendering of hotel services	124,989	99,802
Rendering of property management services	140,849	105,449
Rendering of decoration services	11,495	11,793
	7,438,138	6,033,798

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

3. REVENUE AND SEGMENT INFORMATION (Continued)

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
Gross segment revenue	6,932,444	4,558,599	146,882	129,164	—	11,767,089
Inter-segment revenue	—	(4,318,743)	(6,033)	(4,175)	—	(4,328,951)
Revenue	6,932,444	239,856	140,849	124,989	—	7,438,138
Segment result	2,727,960	1,129,632	12,396	(51,670)	(647,363)	3,170,955
Fair value changes on derivative financial instruments						(442,755)
Finance costs — net						(554,109)
Profit before income tax						2,174,091
Income tax expenses						(1,108,130)
Profit for the period						1,065,961

The unaudited segment results for the six months ended 30 June 2007 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
Gross segment revenue	5,447,687	2,561,220	114,108	102,790	—	8,225,805
Inter-segment revenue	—	(2,180,360)	(8,659)	(2,988)	—	(2,192,007)
Revenue	5,447,687	380,860	105,449	99,802	—	6,033,798
Segment results	1,887,725	574,650	9,329	8,943	(300,886)	2,179,761
Finance income — net						39,500
Profit before income tax						2,219,261
Income tax expense						(776,088)
Profit for the period						1,443,173

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June 2008					
	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
Depreciation	34,078	12,249	3,252	43,242	(4,388)	88,433
Amortisation of land use right and intangible assets	60,965	—	—	14,380	—	75,345
Capital expenditure	382,690	33,291	4,356	377,836	(89,848)	708,325

	Six months ended 30 June 2007					
	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
Depreciation	12,459	12,166	3,989	27,462	(3,426)	52,650
Amortisation of land use right	23,766	477	—	1,108	—	25,351
Capital expenditure	133,964	22,325	5,823	168,172	(35,944)	294,340

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

3. REVENUE AND SEGMENT INFORMATION (Continued)

The unaudited segment assets and liabilities at 30 June 2008 are as follows:

	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
Segment assets	37,079,263	6,723,879	154,021	4,048,736	(5,389,863)	42,616,036
Unallocated assets						806,723
Total assets						43,422,759
Segment liabilities	10,249,793	5,496,839	98,689	1,528,795	(5,370,804)	12,003,312
Unallocated liabilities						12,373,217
Total liabilities						24,376,529

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

	Property development	Construction, fitting and decoration	Property management	Hotel	Elimination	Group
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
Segment 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

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 taxes payable, borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through business combinations, investment properties and intangible assets.

4. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INVESTMENT PROPERTY

	Property, plant and equipment	Land use rights	Investment property
Six months ended 30 June 2007			
Opening net book amount at			
1 January 2007	944,571	3,756,391	—
Additions	294,340	883,543	—
Disposals	(483)	—	—
Transfer to cost of sales	—	(377,724)	—
Depreciation	(52,650)	—	—
Amortisation			
— expensed in administrative expenses	—	(25,351)	—
— capitalised in properties under development	—	(14,422)	—
Closing net book amount at 30 June 2007	1,185,778	4,222,437	—
Six months ended 30 June 2008			
Opening net book amount at			
1 January 2008	1,621,654	10,110,179	—
Additions	565,787	3,582,857	142,538
Disposals	(412)	—	—
Transfer to cost of sales	—	(310,515)	—
Depreciation	(88,433)	—	—
Amortisation			
— expensed in administrative expenses	—	(74,326)	—
— capitalised in properties under development	—	(43,996)	—
Closing net book amount at 30 June 2008	2,098,596	13,264,199	142,538

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2008	Audited 31 December 2007
Trade receivables — third parties (<i>note a</i>)	306,653	154,680
Other receivables:	972,791	902,831
Related parties (<i>note 22d</i>)	275,250	275,250
Third parties (<i>note b</i>)	700,498	630,538
Provision for impairment of receivables	(2,957)	(2,957)
Amounts due from customers for contract work (<i>note c</i>)	262,746	61,301
Prepayments — third parties (<i>note d</i>)	2,102,894	4,144,117
	3,645,084	5,262,929

As at 30 June 2008, the fair value of trade and other receivables approximated their carrying amounts.

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 is as follows:

	Unaudited 30 June 2008	Audited 31 December 2007
Within 90 days	201,818	136,547
Over 90 days and within 180 days	84,673	4,797
Over 180 days and within 365 days	12,888	9,400
Over 365 days	7,274	3,936
	306,653	154,680

- (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.

- (c) Amounts due from customers for contract work at the balance sheet date are as follows:

	Unaudited 30 June 2008	Audited 31 December 2007
Cost incurred	2,969,575	3,123,809
Recognised profits (less recognised losses)	650,216	1,393,360
	3,619,791	4,517,169
Less: progress billings	(3,357,045)	(4,455,868)
	262,746	61,301
Represented by:		
Amounts due from customers	262,746	61,301
Including: Related companies (<i>note 22d</i>)	223,523	19,319
Third parties	39,223	41,982

- (d) Prepayment are mainly in respect of acquisition of land use rights of RMB1,565 million (audited 31 December 2007: RMB3,384 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 30 June 2008.

6. RESTRICTED CASH

	Unaudited 30 June 2008	Audited 31 December 2007
Guarantee deposits for construction of pre-sale properties (<i>note a</i>)	1,197,177	1,013,515
Collateral for borrowings (<i>note b</i>)	1,714,775	—
	2,911,952	1,013,515

Notes:

- (a) In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for construction 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 the PRC State-Owned Land and Resource Bureau is obtained. As at 30 June 2008, the total amount of guarantee deposits was approximately RMB1,197.2 million (2007: RMB1,013.5 million). 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.
- (b) As at 30 June 2008, the Group's partial proceed from the issue of convertible bond of US\$250 million (equivalent to approximately RMB1,714.8 million) was deposited with Merrill Lynch International as collateral for a equity swap transaction as defined and further detailed in note 13.

7. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2008	Audited 31 December 2007
Cash at bank and in hand:		
Denominated in RMB	4,312,387	5,981,173
Denominated in HK dollar	878,113	3,515,710
Denominated in US dollar	1,747,827	52
	6,938,327	9,496,935
Less: restricted cash (<i>note 6</i>)	(2,911,952)	(1,013,515)
	4,026,375	8,483,420

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.

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

8. CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares (HK\$'000)	Equivalent nominal value of ordinary shares	Share premium	Treasury shares	Total
Authorised							
Ordinary share of HK\$0.10 each upon incorporation		3,800,000	380	384	—	—	384
Increase in authorised share capital		99,996,200,000	9,999,620	9,904,624	—	—	9,904,624
		100,000,000,000	10,000,000	9,905,008	—	—	9,905,008
Issued and fully paid							
Opening balance at 1 January 2007		100	—	—	—	—	—
Issue of shares arising from Reorganisation		999,999,900	100,000	99,060	665,508	—	764,568
Capitalisation of share premium account		12,600,000,000	1,260,000	1,246,014	(1,246,014)	—	—
Issue of shares in connection with the listing		2,760,000,000	276,000	272,699	14,398,496	—	14,671,195
Listing expenses		—	—	—	(446,124)	—	(446,124)
Closing balance at 30 June 2007		16,360,000,000	1,636,000	1,617,773	13,371,866	—	14,989,639
Opening balance at 1 January 2008		16,360,000,000	1,636,000	1,617,773	13,371,866	—	14,989,639
Treasury shares purchased	(a)	(49,386,000)	—	—	—	(288,450)	(288,450)
Closing balance at 30 June 2008		16,310,614,000	1,636,000	1,617,773	13,371,866	(288,450)	14,701,189

Note:

- (a) During the period, the Group, through its wholly owned subsidiary, has acquired 49,386,000 of the Company's shares from the market for the purpose of employee incentive plan, which was not effective at 30 June 2008. The total amount paid to acquire the shares was RMB288,450,000. The shares are held as treasury shares and have been deducted from shareholders' equity.

9. RESERVES

	Merger reserve <i>(note a)</i>	Statutory reserve <i>(note b)</i>	Conversion option reserve <i>(note 11)</i>	Total
Six months ended 30 June 2007				
Balance at 1 January 2007 and 30 June 2007	(149,801)	182,506	—	32,705
Six months ended 30 June 2008				
Balance at 1 January 2008	(149,801)	428,586	—	278,785
Issuance of convertible bond	—	—	424,821	424,821
Balance at 30 June 2008	(149,801)	428,586	424,821	703,606

Notes:

- (a) Merger reserve of the Group represents the difference between the 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 of the Group, before the Reorganisation, the PRC companies 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 companies of the Group for designated purpose.

After the PRC companies now comprising 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 enterprises 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 equity owners. The percentage of profits to be appropriated to the above three funds are solely determined by the board of the directors of the PRC companies 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 the registered capital.

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

10. BORROWINGS

	Unaudited 30 June 2008	Audited 31 December 2007
Borrowings included in non-current liabilities:		
Bank borrowings		
— secured	3,535,200	2,926,200
— unsecured	3,064,454	2,661,000
Less: current portion of non-current borrowings	(1,886,800)	(1,359,800)
	4,712,854	4,227,400
Borrowings included in current liabilities:		
Bank borrowings — unsecured	—	1,404,570
Current portion of non-current borrowings	1,886,800	1,359,800
	1,886,800	2,764,370

Movements in borrowings are analysed as follows:

Six months ended 30 June 2007

Opening amount as at 1 January 2007	4,081,292
Addition of borrowings	2,169,000
Repayments of borrowings	(1,643,892)
Closing amount as at 30 June 2007	4,606,400

Six months ended 30 June 2008

Opening amount as at 1 January 2008	6,991,770
Addition of borrowings	1,898,454
Repayments of borrowings	(2,290,570)
Closing amount as at 30 June 2008	6,599,654

The Group's borrowings of RMB3,535,200,000 at 30 June 2008 (31 December 2007: RMB2,926,200,000) were secured by certain properties and land use rights of the Group with total carrying values of RMB2,768,425,000 as at 30 June 2008 (31 December 2007: RMB2,468,640,000).

The weighted average effective annual interest rates at balance sheet dates are as follows:

	Unaudited 30 June 2008	Audited 31 December 2007
Bank borrowings	7.11%	6.78%

10. BORROWINGS (Continued)

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

	Unaudited 30 June 2008	Audited 31 December 2007
RMB	6,359,200	5,587,200
H.K. dollar	—	1,404,570
U.S. dollar	240,454	—
	6,599,654	6,991,770

11. CONVERTIBLE BONDS

On 22 February 2008, the Company issued a RMB denominated USD settled 2.5% convertible bond, of an initial principal amount of US\$500 million (equivalent to approximately RMB3,595 million). On 3 March 2008, due to over subscription of the convertible bonds, the principal amount of the convertible bonds increased to US\$600 million (equivalent to approximately RMB4,314.0 million). The aggregate amount of RMB4,314.0 million, at the option of bond holders, will be convertible into fully paid shares with a par value of HK\$0.1 each of the Company. The value of the liability component RMB3,781.3 million and the equity conversion component RMB424.8 million, net of transaction cost of RMB107.9 million, were determined at issuance of the bond. The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The convertible bonds recognised in the balance sheet are calculated as follows:

Face value of the convertible bonds issued on 22 February 2008	4,314,000
Equity component	(424,821)
Transaction costs	(107,850)
Liability component on initial recognition at 22 February 2008	3,781,329
Interest expenses	116,431
Liability component at 30 June 2008	3,897,760

Interest expenses on the liability component of the convertible bonds are calculated using the effective interest method, applying the effective interest rate of 9.24% p.a. to the liability component.

Up to 30 June 2008, there was no conversion or redemption of the convertible bonds.

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2008	Audited 31 December 2007
Trade payables (<i>note a</i>):	1,802,536	1,645,848
Related parties (<i>note 22d</i>)	98,422	51,926
Third parties	1,704,114	1,593,922
Other payables:	492,062	339,931
Related parties (<i>note 22d</i>)	23,101	—
Third parties	468,961	339,931
Staff welfare benefit payable	278,108	238,701
Accrued expenses	110,708	112,691
Other taxes payable	218,501	282,600
	2,901,915	2,619,771

Notes:

- (a) The ageing analysis of trade payables at the balance sheet dates is as follows:

	Unaudited 30 June 2008	Audited 31 December 2007
Within 90 days	1,478,468	1,588,527
Over 90 days and within 180 days	233,283	32,547
Over 180 days and within 365 days	68,740	6,645
Over 365 days	22,045	18,129
	1,802,536	1,645,848

13. DERIVATIVE FINANCIAL INSTRUMENTS

Concurrently with the issuance of the RMB denominated USD settle 2.5% convertible bonds as disclosed in note 11, the Company entered into a cash settled equity swap transaction (the “Equity Swap”) with Merrill Lynch International for the Company’s shares up to a value of US\$250 million (equivalent to approximately HK\$1,950 million) on 22 February 2008. Under the Equity Swap, the Company will either receive a payment from or settle a payment to Merrill Lynch International if the final price is higher or lower than the initial price upon termination of the Equity Swap. The initial price was determined in accordance with the formula as set out in the Equity Swap contract, and the final price will be determined with reference to the arithmetic mean of the relevant prices of the Company’s shares on specified averaging dates upon termination of the Equity Swap. Besides, the termination date of the Equity Swap will be determined based on the earlier of 2013 or a date when certain condition as stipulated in the Equity Swap contract is fulfilled.

14. OTHER GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2008	2007
Forfeiture income	3,489	1,472
(Loss)/gains on disposals of property, plant and equipment	(272)	1,362
Return from equity swap (note)	27,006	—
Others	8,710	16,794
	38,933	19,628

Note: According to the Equity Swap entered into with Merrill Lynch International (note 13), Merrill Lynch International paid the Company an amount equal to the number of shares under Equity Swap multiplied by the 2007 final dividend per Company's share. This amount is accounted for as a return of the Equity Swap upon the entitlement of the Company's dividend.

15. EXPENSE BY NATURE

	Unaudited	
	Six months ended 30 June	
	2008	2007
Advertising costs	100,213	87,790
Business taxes and other levies (note a)	507,242	372,042
Costs of completed properties sold	2,725,082	2,587,068
Depreciation (note 4)	88,433	52,650
Employee benefit expenses	1,356,680	742,828
Land use rights amortisation (note 4)	74,326	25,351
Intangible asset amortisation (note 4)	1,019	—

Note:

(a) **Business tax**

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

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

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

16. FINANCE COSTS/(INCOME) — NET

	Unaudited	
	Six months ended 30 June	
	2008	2007
Interest expense:		
— bank borrowings and convertible bonds wholly repayable within five years	349,835	148,723
Net foreign exchange loss on financing activities	243,450	167,027
Total finance costs	593,285	315,750
Less: Bank interest income from bank deposits (<i>note</i>)	(39,176)	(355,250)
	554,109	(39,500)

Note: Interest income from bank deposits for the six months ended 30 June 2007 includes interest from subscription monies received from the Global Offering.

17. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2008	2007
Current income tax		
— PRC enterprise income tax (<i>note a</i>)	637,153	352,223
— Hong Kong profits tax	—	—
— Land appreciation tax (<i>note b</i>)	665,174	340,284
Deferred income tax	(194,197)	83,581
	1,108,130	776,088

- (a) PRC enterprise income tax is provided at the rate of 25% (2007: 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 six months ended 30 June 2008 as the Group did not have any assessable profit (2007: Nil).

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% 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., has changed from 33% to 25% with effect from 1 January 2008.

17. INCOME TAX EXPENSES *(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 the 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 period ended 30 June 2008.

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.

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

18. EARNINGS PER SHARES

Earnings per share attributable to equity owners of the Company as follows:

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 8a).

	Unaudited Six months ended 30 June	
	2008	2007
	<i>(RMB cents per share)</i>	
Profit attributable to equity owners of the Company		
— Basic	6.22	9.68

(b) Diluted

Diluted earnings per share equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during the period ended 30 June 2008.

The computation of diluted earnings per share for the six months ended 30 June 2008 does not assume the conversion of the Company's outstanding convertible bonds (note 11) since their exercise would result in an increase in earning per share.

19. DIVIDENDS

	Unaudited Six months ended 30 June	
	2008	2007
Dividend declared by the subsidiaries to their then shareholders (<i>note a</i>)	—	512,554

Notes:

- Dividends were paid by the subsidiaries of the Group to their then shareholders prior to the Reorganisation.
- A final dividend in respect of 2007 of RMB9.52 cents per share, amounting to total dividends of approximately RMB1,557,472,000 was declared in the Annual General Meeting on 17 April 2008.
- The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008.

20. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

	Unaudited 30 June 2008	Audited 31 December 2007
Guarantees in respect of mortgage facilities for certain purchasers (<i>note a</i>)	9,901,096	9,637,331

Note:

- (a) It represents 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 30 June 2008, RMB419,233,000 (audited 31 December 2007: RMB537,169,000) was to be discharged two years from the day the mortgage loans become due; and RMB9,481,863,000 (audited 31 December 2007: RMB9,100,162,000) 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 mortgage loans by the purchasers of properties.

The Directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

21. COMMITMENTS

(a) Commitments for capital and property development expenditures

	Unaudited 30 June 2008	Audited 31 December 2007
Contracted but not provided for		
Property, plant and equipment	7,663	1,627
Property development expenditure	5,638,266	2,807,222
	5,645,929	2,808,849

(b) Operating lease commitments

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

	Unaudited 30 June 2008	Audited 31 December 2007
Not later than one year	4,748	5,267
Later than one year and not later than five years	3,978	4,166
Later than five years	9,638	11,626
	18,364	21,059

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

21. COMMITMENTS (Continued)

(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:

	Unaudited 30 June 2008	Audited 31 December 2007
Not later than one year	23,424	20,982
Later than one year and not later than five years	114,411	95,199
Later than five years	136,901	156,483
	274,736	272,664

22. 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
Qingyuan Country Garden Property Development Co., Ltd.	清遠碧桂園物業發展有限公司
Qingyuan Country Cultural Development Co., Ltd.	清遠市故鄉里文化發展有限公司
Guangdong Country Garden School*	廣東碧桂園學校*

Controlled by close family members of Existing Shareholders

Foshan Shunde Guohua Memorial High School	佛山市順德區國華紀念中學
Foshan Shunde 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.	廣州市耀垣輝電器有限公司
Foshan Shunde Boya Furniture Co., Ltd.**	佛山市順德區博雅家具有限公司**
Qingyuan Golf	清遠碧桂園假日半島高爾夫球會有限公司

22. RELATED PARTY TRANSACTIONS (Continued)

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

Controlled by Existing Shareholders and their close family members

Foshan Shunde Floral City Country Garden Property Development Co., Ltd.	佛山市順德區陳村鎮花城碧桂園物業發展有限公司
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
Foshan Shunde Grand Cement Co., Ltd.*	佛山市順德區鴻業水泥製品有限公司*

Minority shareholders

Guangzhou Zhencheng Property Development Co., Ltd.	廣州真誠房地產開發有限公司
Tianjin Xingcheng Investment Development Co., 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 Reorganization.

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

(b) The following transactions were carried out with related parties:

(i) Construction and decoration service income

	Unaudited Six months ended 30 June	
	2008	2007
Controlled by Existing shareholders		
清遠碧桂園物業發展有限公司		
Qingyuan Country Garden Property Development Co., Ltd.	204,204	291,339
廣東碧桂園學校 Guangdong Country Garden School	—	30,290
	204,204	321,629

(ii) Purchase of design service

	Unaudited Six months ended 30 June	
	2008	2007
Controlled by Existing shareholders		
廣東博意建築設計院有限公司		
Guangdong Elite Architectural Co., Ltd.	107,209	27,153

Selected Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

22. RELATED PARTY TRANSACTIONS (Continued)

(b) The following transactions were carried out with related parties: (Continued)

(iii) Purchase of construction materials and water

	Unaudited Six months ended 30 June	
	2008	2007
Controlled by Existing Shareholders and their close family members		
佛山市順德區樂而康玻璃製品有限公司 Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	102	465
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	2,816	1,602
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	5,548	3,554
佛山市順德區鴻業水泥製品有限公司 Foshan Shunde Grand Cement Plant Co., Ltd.	102,463	36,407
	110,929	42,028

(c) Key management compensation

	Unaudited Six months ended 30 June	
	2008	2007
Salaries and other short-term employee benefits	15,957	3,894

(d) Balances with related parties

As at 30 June 2008, the Group had the following significant trading balances with related parties:

(i) Balances due from related parties

	Unaudited 30 June 2008	Audited 31 December 2007
Included in amounts due from customers for contract work		
Controlled by Existing Shareholders		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden Property Development Co., Ltd.	223,523	19,319

22. RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

(i) Balances due from related parties (Continued)

	Unaudited 30 June 2008	Audited 31 December 2007
Included in other receivables		
Minority Shareholders		
天津星城投資發展有限公司 Tianjin Xingcheng Investment Development., Ltd	275,250	275,250

(ii) Balances due to related parties

	Unaudited 30 June 2008	Audited 31 December 2007
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.	36,787	21,059
Controlled by Existing Shareholders and their close family members		
佛山市順德區樂而康玻璃製品有限公司 Foshan Landcoin Fiber Reinforce Plastic Co., Ltd.	102	68
佛山市順德區鴻業水泥製品有限公司 Foshan Shunde Grand Cement Plant Co., Ltd.	61,533	30,799
	98,422	51,926

	Unaudited 30 June 2008	Audited 31 December 2007
Included in other payables		
Controlled by Existing Shareholders		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden Property Development Co., Ltd.	23,101	—

23. 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 RMB340,284,000 previously included in cost of sales for the six months ended 30 June 2007 was reclassified as income tax expenses in the consolidated income statement, and provision for land appreciation tax of RMB1,595,738,000 previously included in other payable as at 31 December 2007 was reclassified as income taxes payable in the consolidated balance sheet. Respective items in the consolidated cashflow statements have been also revised accordingly. Land appreciation tax expenses for the six months ended 30 June 2008 of RMB665,174,000 and provision for land appreciation tax of RMB2,160,514,000 as at 30 June 2008 were classified as income tax expenses and income taxes payable respectively.

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

Corporate Information

DIRECTORS

Executive Directors

Mr. YEUNG Kwok Keung (*Chairman*)
Mr. CUI Jianbo
Ms. YANG Huiyan
Mr. YANG Erzhu
Mr. SU Rubo
Mr. ZHANG Yaoyuan
Mr. OU Xueming
Mr. YANG Zhicheng
Mr. YANG Yongchao

Independent Non-executive Directors

Mr. LAI Ming, Joseph
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung, Ronald

QUALIFIED ACCOUNTANT

Ms. NG Yi Kum, Estella

COMPANY SECRETARY

Mr. HUEN Po Wah

COMPLIANCE ADVISOR

Taifook Capital Limited

AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan
Mr. CUI Jianbo
Ms. NG Yi Kum, Estella (*alternate to Ms. YANG Huiyan*)
Mr. CHAN Yik Shun (*alternate to Mr. CUI Jianbo*)

AUDIT COMMITTEE

Mr. LAI Ming, Joseph (*Chairman*)
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung, Ronald

REMUNERATION COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)
Mr. CUI Jianbo
Mr. LAI Ming, Joseph
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung, Ronald

REGISTERED OFFICE

Cricket Square
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KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Country Garden
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Guangdong 528312
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
UBS

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

As to Hong Kong Law:
Woo Kwan Lee & Lo
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 2007

WEBSITE

<http://www.countrygarden.com.cn>

