

**Extract of Certain  
Information of  
Country Garden  
Holdings Company  
Limited  
as of  
20 February 2008**

## SUMMARY FINANCIAL INFORMATION

*The following tables set forth our summary financial information as at and for the periods indicated.*

*The selected financial data as of and for each of the fiscal years ended 31 December 2004, 2005 and 2006 (except for EBITDA data), is derived from our combined financial statements for those years and as of the dates indicated. The selected financial data as of and for the six-month periods ended 30 June 2006 and 2007 is derived from our unaudited condensed consolidated interim financial information. The unaudited condensed consolidated interim financial information as of and for the six-month periods ended 30 June 2006 and 2007 contains all adjustments that our management believes are necessary for the fair presentation of such information. Results for interim periods are not indicative of results for the full year.*

*Our audited combined financial statements and unaudited financial information are prepared and presented in accordance with HKFRS.*

*The combined financial information as of and for each of the fiscal years ended 31 December 2004, 2005 and 2006 was prepared on a combined basis and was extracted from the prospectus prepared in connection with our IPO and dated 3 April 2007. The unaudited condensed consolidated interim financial information as of and for the six-month periods ended 30 June 2006 and 2007 has been prepared on a consolidated basis as if our current group structure had been in existence through these periods, or since we and our subsidiaries' respective dates of incorporation or establishment, whichever is the shorter period.*

### Summary Combined Income Statement Information

	For the Year ended 31 December			
	2004	2005	2006	2006
	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions, except percentages)			
Revenue .....	3,240.3	5,191.5	7,940.9	1,105.7
Cost of sales .....	(2,318.0)	(3,469.3)	(5,296.5)	(737.5)
<b>Gross profit</b> .....	922.3	1,722.2	2,644.5	368.2
Other gains — net .....	21.2	16.3	59.0	8.2
Selling and marketing costs .....	(112.3)	(213.5)	(214.5)	(29.9)
Administrative expenses .....	(233.9)	(273.7)	(361.5)	(50.3)
Other expenses .....	(63.7)	(65.8)	(45.9)	(6.4)
<b>Operating profit</b> .....	533.6	1,185.5	2,081.6	289.8
Finance costs .....	(125.4)	(221.0)	(264.8)	(36.8)
<b>Profit before income tax</b> .....	408.2	964.5	1,816.8	253.0
Income tax expense .....	(171.1)	(375.0)	(144.3)	(20.1)
<b>Profit for the year</b> .....	237.1	589.5	1,672.5	232.9
<b>Attributable to:</b>				
Equity owner .....	255.0	615.4	1,519.5	211.6
Minority interests .....	(17.9)	(25.9)	153.0	21.3
	237.1	589.5	1,672.5	232.9
Dividends .....	414.5	382.8	2,513.7	350.0
<b>Other Financial Data</b>				
EBITDA <sup>(1)</sup> .....	669.4	1,353.6	2,238.2	311.6
EBITDA Margin <sup>(2)</sup> .....	20.7%	26.1%	28.2%	28.2%

## Summary Consolidated Income Statement Information

	For the Six months ended 30 June		
	2006	2007	2007
	(RMB)	(RMB)	(US\$)
	(in millions, except percentages)		
	(unaudited)		
<b>Continuing operations</b>			
Revenue .....	4,077.8	6,033.8	840.1
Cost of sales .....	(2,591.5)	(3,754.7)	(522.8)
<b>Gross profit</b> .....	1,486.3	2,279.1	317.3
Other gains/(losses) — net .....	(41.8)	207.9	28.9
Selling and marketing costs .....	(116.1)	(157.6)	(21.9)
Administrative expenses .....	(162.4)	(291.1)	(40.5)
Other expenses .....	(37.3)	(10.6)	(1.5)
<b>Operating profit</b> .....	1,128.7	2,027.7	282.3
Finance costs .....	(138.8)	(148.7)	(20.7)
<b>Profit before income tax</b> .....	989.9	1,879.0	261.6
Income tax expense .....	(383.9)	(435.8)	(60.7)
<b>Profit for the year</b> .....	606.0	1,443.2	200.9
<b>Attributable to:</b>			
Equity owner .....	537.7	1,421.0	197.9
Minority interests .....	68.3	22.1	3.0
	606.0	1,443.2	200.9
Dividends .....	376.3	512.6	71.4
<b>Other Financial Data</b>			
EBITDA <sup>(1)</sup> .....	1,197.3	1,750.5	243.7
EBITDA Margin <sup>(2)</sup> .....	29.4%	29.0%	29.0%

### Notes:

- (1) EBITDA for any period consists of operating profit less interest income, plus depreciation expenses and amortisation of land use rights. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of profit for the year/period under HKFRS to our definition of EBITDA.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Selected Combined Balance Sheet Information

	As of 31 December			
	2004 (RMB)	2005 (RMB)	2006 (RMB)	2006 (US\$)
	(in millions)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	897.2	996.5	944.6	131.5
Land use rights . . . . .	2,115.5	2,108.8	2,171.6	302.4
Available-for-sale financial assets. . . . .	5.0	25.0	20.0	2.8
Properties under development . . . . .	75.0	113.8	212.6	29.6
Deferred income tax assets . . . . .	431.3	723.9	555.5	77.3
	<u>3,524.0</u>	<u>3,968.0</u>	<u>3,904.3</u>	<u>543.6</u>
<b>Current assets</b>				
Land use rights . . . . .	1,095.5	1,607.8	1,584.8	220.7
Properties under development . . . . .	1,724.2	3,245.5	3,725.8	518.8
Completed properties held for sale . . . . .	812.6	1,295.4	1,641.0	228.5
Inventories . . . . .	104.5	114.0	90.0	12.5
Trade and other receivables . . . . .	1,827.0	2,571.4	1,439.2	200.4
Prepaid taxes . . . . .	91.6	264.1	942.0	131.2
Restricted cash . . . . .	130.0	135.8	454.7	63.3
Cash and cash equivalents . . . . .	546.3	824.7	1,529.7	213.0
	<u>6,331.7</u>	<u>10,058.7</u>	<u>11,407.1</u>	<u>1,588.4</u>
<b>Total assets</b> . . . . .	<u>9,855.7</u>	<u>14,026.7</u>	<u>15,311.4</u>	<u>2,132.0</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the equity owners</b>				
Combined capital . . . . .	764.6	764.6	764.6	106.5
Reserves . . . . .	900.0	1,540.2	545.3	75.9
	<u>1,664.6</u>	<u>2,304.8</u>	<u>1,309.9</u>	<u>182.4</u>
<b>Minority interests</b> . . . . .	82.7	17.1	165.5	23.0
<b>Total equity</b> . . . . .	<u>1,747.2</u>	<u>2,321.8</u>	<u>1,475.4</u>	<u>205.4</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings . . . . .	2,099.7	3,723.2	2,858.2	398.0
Deferred income tax liabilities . . . . .	546.3	634.7	131.0	18.2
	<u>2,646.0</u>	<u>4,357.9</u>	<u>2,989.2</u>	<u>416.2</u>
<b>Current liabilities</b>				
Advanced proceeds received from customers . . . . .	1,979.7	3,830.1	7,482.0	1,041.8
Trade and other payables . . . . .	2,451.1	2,287.5	1,848.8	257.5
Income tax payable . . . . .	516.7	627.9	292.9	40.8
Borrowings . . . . .	515.0	601.5	1,223.1	170.3
	<u>5,462.5</u>	<u>7,347.0</u>	<u>10,846.8</u>	<u>1,510.4</u>
<b>Total liabilities</b> . . . . .	<u>8,108.5</u>	<u>11,704.9</u>	<u>13,836.0</u>	<u>1,926.6</u>
<b>Total equity and liabilities</b> . . . . .	<u>9,855.7</u>	<u>14,026.7</u>	<u>15,311.4</u>	<u>2,132.0</u>
<b>Net current assets</b> . . . . .	<u>869.2</u>	<u>2,711.7</u>	<u>560.2</u>	<u>78.0</u>
<b>Total assets less current liabilities</b> . . . . .	<u>4,393.3</u>	<u>6,679.7</u>	<u>4,464.6</u>	<u>621.6</u>

## Selected Consolidated Balance Sheet Information

	As of 30 June	
	2007	2007
	(RMB) (in millions) (unaudited)	(US\$) (unaudited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment .....	1,185.8	165.1
Intangible assets .....	224.8	31.3
Land use rights .....	2,465.2	343.3
Available-for-sale financial assets .....	20.0	2.8
Properties under development .....	577.6	80.4
Deferred income tax assets .....	471.8	65.7
	<u>4,945.2</u>	<u>688.6</u>
<b>Current assets</b>		
Land use rights .....	1,757.3	244.7
Properties under development .....	4,588.9	639.0
Completed properties held for sale .....	1,606.0	223.6
Inventories .....	105.0	14.6
Trade and other receivables .....	3,181.4	443.0
Prepaid taxes .....	1,145.7	159.5
Restricted cash .....	759.1	105.7
Cash and cash equivalents .....	16,111.5	2,243.4
	<u>29,254.9</u>	<u>4,073.5</u>
<b>Total assets</b> .....	<u>34,200.1</u>	<u>4,762.1</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity owners</b>		
Share capital and premium .....	14,989.6	2,087.2
Reserves .....	32.7	4.6
Retained earnings .....	1,421.0	197.9
	<u>16,443.3</u>	<u>2,289.7</u>
<b>Minority interests</b> .....	<u>190.2</u>	<u>26.5</u>
<b>Total equity</b> .....	<u>16,633.5</u>	<u>2,316.2</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	3,335.9	464.5
Deferred income tax liabilities .....	187.0	26.0
	<u>3,522.9</u>	<u>490.5</u>
<b>Current liabilities</b>		
Advanced proceeds received from customers .....	10,322.4	1,437.3
Trade and other payables .....	2,152.0	299.6
Income tax payable .....	298.8	41.6
Borrowings .....	1,270.5	176.9
	<u>14,043.7</u>	<u>1,955.4</u>
<b>Total liabilities</b> .....	<u>17,566.6</u>	<u>2,445.9</u>
<b>Total equity and liabilities</b> .....	<u>34,200.1</u>	<u>4,762.1</u>
<b>Net current assets</b> .....	<u>15,211.3</u>	<u>2,118.1</u>
<b>Total assets less current liabilities</b> .....	<u>20,156.6</u>	<u>2,806.7</u>

## **RISK FACTORS**

*In addition to other information in this Memorandum, you should carefully consider the following risk factors, together with all other information contained in this Memorandum. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations.*

### **RISKS RELATING TO OUR BUSINESS**

#### ***We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province***

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, results of operations and financial condition. Our property developments currently are largely located in Guangdong Province. We established our business by developing private residential properties in Shunde District in 1997 and began expanding our project development activities to other locations in Guangdong Province in 1998. As of 31 December 2007, we had developed or were developing 26 projects in Guangdong Province and 19 projects outside Guangdong Province. The projects in Guangdong Province and outside Guangdong Province have an aggregate GFA (including completed properties, properties under development and properties for future development) of approximately 28,673,178 sq.m. and 18,532,201 sq.m., respectively. Although we are pursuing further business opportunities in other locations in the PRC, we intend to maintain and increase our market share in Guangdong Province.

Demand for private residential properties in the PRC, particularly in Guangdong Province, has been growing rapidly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. We cannot assure you that property development and investment activities will continue at past levels or that we will be able to benefit from the future growth in the property market in Guangdong Province or the PRC. Any adverse developments in national and local economic conditions as measured by such factors as GDP growth, employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and would have a material adverse effect on our business, results of operations and financial condition. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. See “—Risks Relating to the Property Sector in the PRC— The restrictive measures adopted from time to time by the PRC government to curtail the overheating of the real estate market could slow down the industry’s rate of growth.” Recent restrictive measures adopted by the PRC government have resulted in a slow-down in property sales and a decline in property prices in many areas in the PRC, including Guangdong Province, since late 2007. Any further adverse development in the market condition of the property market in the PRC could have a material adverse effect on our business, results of operations and financial condition.

#### ***Increasing competition in the PRC, particularly in Guangdong Province, may adversely affect our business and financial condition***

In recent years, a large number of property developers have undertaken property development and investment projects in Guangdong Province and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading

Hong Kong property developers), some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in Guangdong Province and other parts in the PRC for land, financing, raw materials and skilled management and labour resources may result in increased cost for land acquisition and construction, a decrease in property prices and a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, results of operations and financial position.

In addition, the real estate markets in Guangdong Province and elsewhere in the PRC are rapidly changing. If we cannot respond to changes in market conditions in Guangdong Province or elsewhere or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

***We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations***

The property development business is capital intensive. We finance our property developments primarily through a combination of internal funding (which provides at least 35% of a project's capital), borrowings from banks, capital markets financing (such as our IPO) and pre-sales and sales proceeds. Further, purchasers who choose to pay the purchase price in full without taking out a mortgage may not pay the full purchase price on time and this may affect our cashflow position. There is no guarantee that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

As of 30 June 2007, we had RMB4,606.4 million of outstanding bank borrowings, of which RMB1,270.5 million were short-term borrowings. Our interest on bank borrowings for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007 was RMB88.7 million, RMB164.4 million, RMB237.9 million and RMB148.7 million, respectively.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control. The PRC government has in recent years taken a variety of policy initiatives in the financial sector to further tighten lending procedures for real estate developers.

The People's Bank of China ("PBOC") issued the Circular on Further Strengthening the Management of Loans for Property Business on 5 June 2003 to specify the requirements for banks providing loans for the purposes of real estate development. These requirements include:

- that property loans by commercial banks to real estate development enterprises may be granted only as real estate development loans and it is strictly forbidden to extend such loans as current capital loans for real estate development projects or other purposes. No lending of any type shall be granted to enterprises which have not obtained the relevant land use rights certificates, construction land permits, construction planning permit and construction work permits; and
- that commercial banks may not grant loans to property developers to finance land premium payments.

In addition, PBOC has raised the benchmark one-year lending rate several times from 5.31% in October 2004 to 7.47% in December 2007. In addition, the PBOC increased the reserve requirement ratio for commercial banks several times from 8% in July 2006 to 15% in January 2008. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits

made by their customers. The increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including us, by commercial banks in China. While such increases in interest rates and bank reserve requirement ratios have not had a material adverse effect on our ability to obtain financing on terms acceptable to us or on our overall financial condition, we cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios, or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

The initiatives outlined above may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. As a result, we may not have adequate resources to fund land acquisitions or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase of benchmark lending rates has led to higher interest rates for mortgage loans, which may depress the demand in the real estate market in general.

***We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations***

We now have, and will continue to have a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, as of 31 December 2004, 2005 and 2006, and as of 30 June 2007 were RMB2,614.7 million, RMB4,324.7 million, RMB4,081.3 million and RMB4,606.4 million, respectively.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our debt obligations;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.



***We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments***

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments. To maintain or grow our business in the future, we will be required to replenish our land reserve with suitable sites for developments. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which real estate developers, including us, obtain land sites for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. We will be required to go through these processes before we can acquire the land use rights to the desirable sites, which may result in higher land premiums than those we paid in the past. While we believe that our current level of land reserve should be able to support our property development projects for five years or more, the viability or growth of our business may not be sustainable if we are unable to obtain additional land sites for development at prices that allow us to achieve reasonable returns.

In addition, the PRC government in the past two years has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of more affordable housing. For example:

- one of these initiatives requires the local governments, when approving new residential projects after 1 June 2006, to ensure that at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size; and
- in an announcement made on 30 May 2006, the Ministry of Land and Resources has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing).

These policy initiatives may limit our ability to acquire suitable land for our development, which may have a material adverse effect on our business, results of operations and financial condition.

***Our land may be forfeited by the PRC government if we fail to comply with the terms of the land grant contracts***

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of the developments of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20.0% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions, force majeure or necessary preparatory work. Recently, in the "Notice on Enhancing the Economical and Intensive Use of Land" (國務院關於促進節約集約用地的通知) promulgated by the State Council on 3 January 2008, this policy was reinforced. This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, all provincial, regional and municipal governments are

required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

Moreover, according to the “Notice on Implementation of the State Council’s Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply” (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應 調控的通知) issued by the Ministry of Land and Resources on 30 September 2007, even if the commencement of the land development is in compliance with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) there has been a suspension of the development of the land for over one year in time without government approval, the land will be treated as idle land and the property developer may be restricted or prevented from participating in future land bidding. This notice also calls for control over supply of large land parcels and states that the development period of an individual parcel of land in principal should not exceed three years. Detailed rules for these notices have yet to be promulgated. We cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we are required to forfeit land, to pay idle land fee, or even to pay appreciation land premium, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development costs and other costs incurred up to the date of forfeiture, and our business, financial condition and results of operations may be adversely affected.

***We may not be able to successfully manage our growth***

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. We are also in the process of upgrading our accounting system. To effectively manage our expanded operations, especially projects outside Guangdong Province, we need to recruit, as well as strengthen internal training for, managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development needs. As of 31 December 2004, 2005, 2006 and 2007, we had 13,855, 16,866, 17,968 and 27,839 full-time employees, respectively. We expect to continue to hire more employees to support our further expansion. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

***We may not be successful in expanding into each new city that we target or in developing each new business segment that we explore***

We are expanding our development projects into new geographical locations outside Guangdong Province, including Hunan Province, Inner Mongolia, Jiangsu Province, Liaoning Province and Hubei Province. We expect to continue to expand our operations to other cities in China that have high growth potential. We cannot assure you that we will be able to operate in these new areas successfully.

Further, our plans include projects that differ significantly from our past and current projects in terms of targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale, construction and decoration of those properties, management of residential developments, and hotel operation. We have plans to expand into the business of developing office buildings in other areas in the PRC for our own use or for leasing to other companies. This is a relatively new business for us, and there is no assurance that we will be successful in expanding into this area. We may not realise any revenue from this business, and even if revenue is realised, there is no assurance that the market demand for office space will be sufficient to provide us with an adequate return on our investment.

Our rapid expansion, especially into development projects that are significantly different from our past and current projects, and the need to integrate operations arising from our expansion particularly into other fast growing cities in the PRC, may place a significant strain on our managerial, operational and financial resources and further contribute to an increase in our financing requirements.

***The PRC government has recently implemented restrictions on the payment terms for land use rights***

On 28 September 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which has been the practice in many Chinese cities. The implementation of the regulation will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially adversely affected as a result of the implementation of this regulation.

***We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have interests***

We have parcels of land in which we have various interests but for which we have not yet obtained the relevant land use rights certificates. As of 31 December 2007, these parcels of land occupied an aggregate site area of approximately 12,443,121 sq.m. with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development. If we fail to obtain the land use rights certificates with respect to these parcels of land in a timely manner, or at all, we may not be able to acquire new land in replacement on terms acceptable to us, or at all. This would have a material adverse effect on our business, financial condition and results of operations and business prospects going forward. See “Business—Description of Our Property Projects”.

***Our business and results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, the requisite governmental approvals***

The real estate industry in the PRC is heavily regulated by the PRC government. To establish a property development subsidiary in China, we must go through various PRC governmental approval and filing processes and obtain the requisite approvals and licenses for our investment in such subsidiary and

its property development and related business operations. Our property development subsidiaries must comply with a variety of legal and regulatory requirements, as well as the policies and procedures established by local authorities to implement such laws and regulations. To undertake and complete a property development, a property developer must obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of a set of conditions.

Currently two of our projects under development have not received their project approvals and one of our projects under development has not received its construction planning permit as required under PRC regulations. In addition, Taishan Country Garden Phoenix Hotel, which is currently in trial operations, has not received the completion certificate as required under PRC regulations. We cannot assure you that the relevant government authorities will not impose penalties on us, such as ordering suspension of construction or operations or imposing a fine, which may be substantial. Neither can we assure you that any such penalty, if imposed, would not have a material adverse effect on business, results of operations and financial condition.

In anticipation of our business growth, from time to time we establish new subsidiaries or increase the registered capital of our existing subsidiaries. Our capital contributions to the registered capital of four of our subsidiaries are currently overdue. Most of these subsidiaries are new companies that were established mainly to engage in land clearance business and have not commenced substantial operations. They will not be able to obtain or update their business licenses to conduct land clearance work until we pay their registered capital in full. Although we are in the process of applying for extensions of the due dates for the relevant registered capital, we cannot assure you that we will obtain approvals for such extension. However, if we fail to obtain such approvals, the approvals for the establishment of the relevant subsidiaries or the increase in their registered capital will be revoked and we may be subject to a fine which may be substantial.

We currently provide shuttle services to the residents of our properties through our subsidiary, Guangzhou Country Garden Shuttle Bus Services Co., Ltd. ("Country Garden Shuttle Bus"). Country Garden Shuttle Bus is required to obtain approval from the Department of Foreign Trade and Economic Cooperation of Guangdong Province. Country Garden Shuttle Bus, however, has not received such approval and is in the process of applying for such approval. If we fail to obtain such approval, we may be subject to a fine which may be substantial, required to dissolve this subsidiary and will need to find a third-party transportation services provider, which may cause temporary disruption to our shuttle bus services or increase our operating costs.

We cannot assure you that we will not encounter significant problems in satisfying the conditions to the approvals necessary for our business operations, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time and to which we are subject or the particular processes related to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and filings, our investment in our PRC subsidiaries and the schedule of development and sale of our developments could be substantially disrupted, resulting in a material adverse effect on our business, financial condition and results of operations.

***Our profit margin is sensitive to fluctuations in the cost of construction materials***

Construction costs comprise one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been

the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as the construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralising our procurement to lower our purchase costs. We also manage the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of supplies of principal construction materials such as steel and cement of our property development projects at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in the market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

***We are subject to legal and business risks if we fail to obtain or maintain qualification certificates***

Real estate developers in the PRC must obtain a formal qualification certificate (資質證書) in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in property management, construction, or fitting and decoration are required to obtain qualification certifications in accordance with the Measures on Administration of Qualification of Property Management Enterprises (物業管理企業資質管理辦法) and the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Real estate developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit.

All qualification certificates are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authority takes into account the real estate developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Each of our project companies, with the assistance of our group office, is responsible for the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant qualification requirements, the local authorities will normally grant that project company, subject to a penalty of between RMB50,000 and RMB100,000, a grace period to rectify any insufficiency or non-compliance. Failure to satisfy the requirements within the specified time frame could result in rejection of the application for renewal of the qualification certificate and revocation of the business license of the project company. As of 31 December 2007, each of our project companies had obtained a valid qualification certificate except for eight newly established project companies and two project companies, Taishan Country Garden Property Development Co., Ltd. and Taizhou Country Garden Property Development Co., Ltd., which are in the process of applying for extension or alteration of their respective certificates. None of the eight new project companies have commenced property development.

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies will be obtained in a timely manner, or at all. If our project companies are unable to obtain or renew their qualification certificates, they will not be permitted to continue their businesses, which could have a material adverse effect on our business and financial condition.



***We face significant property development risks before we realise any benefits from a development***

Property developments typically require substantial capital outlays during the construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales of properties to be completed or sales of completed properties. The time and costs required to complete a property development may increase substantially due to many factors beyond our control, including the shortage or increased cost of material, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors, singly or in the aggregate, may lead to a delay in, or the failure of, the completion of a property development and result in costs substantially exceeding those originally budgeted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. As a result, our returns on investments, if any, might not be timely recognised or might be lower than originally expected.

***We face risks relating to fluctuations of results of operations from period to period***

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, the sales of properties in the first quarter of each year is typically higher due to the long vacation periods toward the end of the year. On the contrary, during the Chinese New Year holidays, winter weather conditions can hinder construction of development projects, especially in northern China. Our revenue and profits, recognised upon the delivery of properties, in the first half of a year are often much lower than in the second half, and we will continue to experience significant fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

***We will be increasingly affected by independent contractors***

We expect that as our business grows in terms of the number of projects and geographical coverage, we will increasingly engage independent contractors to provide various services, including design, construction and installation, engineering, construction supervision, fitting and decoration, most of which have been provided primarily by our own subsidiaries to date. Currently, a majority of our construction work is undertaken by Guangdong Giant Leap Construction Co. Ltd (“Giant Leap”), our wholly-owned subsidiary. As we expand to more regions outside Guangdong Province, we expect to outsource more construction work which in turn will increase our reliance on independent contractors. With respect to the outsourced work, we intend to continue our current practice of selecting independent contractors through a process of tenders by inviting contractors to tender based on their reputation for quality, their track record and references, and their reputation for supervising the construction process once a contract is awarded. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. Moreover, the completion of our property developments may be delayed, and we may incur additional costs, due to a contractor’s financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

***We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operations***

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On 5 August 2005, the PBOC recommended in a report entitled “2004 Real Estate Financing Report” that the practice of pre-selling uncompleted properties be discontinued, on the ground that it creates significant market risks and generates transactional irregularities. At the “two meetings” (the plenary session of the National People’s Congress and that of the Chinese People’s Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of PBOC put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC published an article pointing out that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On 24 July 2007, an economy research group under the National Development and Reform Commission (“NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. While the recommendation has not been adopted by any PRC governmental authority and has no mandatory effect, we cannot assure you that the PRC governmental authority will not ban or impose material limitations on the practice of pre-selling of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operations.

***Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise less attractive***

A majority of purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely impacting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. According to regulations issued by the China Banking Regulatory Commission (the “CBRC”), purchasers of homes equal to or smaller than 90 sq.m. are required to pay a minimum of 20% of the purchase price as down payment. If the purchased home is larger than 90 sq.m., a minimum of 30% of the purchase price as down payment is required, pursuant to a regulation from 1 June 2006. Furthermore, on 27 September 2007, the PBOC and the CBRC increased the minimum down payment for purchasers of second homes from 30% to 40% of the purchase price regardless of the size of the second home, if the purchaser obtained his or her first home through a mortgage. The CBRC further clarified in a notice in December 2007 that whether a property is considered a “second home” shall refer to the properties owned by the families of mortgage applicants rather than the applicant alone. Moreover, the mortgage loan rates for subsequent mortgages are required to be not less than 1.1 times the corresponding

PBOC benchmark lending rates. Monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, the down payment for commercial properties has been increased from 40% to 50% of their purchase prices. If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties. As a result, our business, financial condition and results of operations could be materially and adversely affected.

***Resettlement negotiations may add costs or cause delays to our development projects***

Under PRC laws and regulations, where we are responsible for the demolition of existing properties on a site for development and removal of existing residents, we will be required to pay resettlement costs to those residents. Even if we are not responsible for the demolition and removal, if the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling from the relevant governmental authorities. If a party is not satisfied with the ruling, it may initiate proceedings in a PRC court within three months from the date of service of such ruling, which may cause delays to the development of projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project and the recognition of sales as revenue upon completion, which may in turn adversely affect our business, financial position and results of operations.

***We may not receive full compensation for assistance we provide to local governments to clear land for government land sales***

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, pursuant to which the relevant authorities are responsible for land planning, resident relocation and constructing municipal supporting facilities and we are responsible for providing funding for the land clearance and relocation and offering management services. After the land clearance is complete and the land is otherwise suitable for public land sale, the relevant land authority will organise a sale through a public tender, auction or listing-for-sale process. Under the land clearance agreements, we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realised by the local government on the land sale. According to the land clearance agreements, we have exclusive rights to clear the land, but do not have the exclusive right to acquire the land. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process and we are required to participate in such process if we want to acquire the land. We cannot assure you that we will win the bid in a timely manner or at all; nor can we assure you that the relevant land authority will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use right sales. In addition, we cannot assure you that the PRC government will not issue new laws or regulations which may revoke the reimbursement, profit allocation and other arrangements in the land clearance agreements that we have entered into with the local governments and as a result, we may not be able to receive compensation for expenses we incurred in connection with the land clearance and allocation work. Further, the PRC State Council on 3 January 2008 issued the Notice to Enhance the Economical and Intensive Use of Land, which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This new requirement may limit our ability to participate in such land clearance work in the future.



***We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments***

We arrange for various banks to provide mortgage services to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are short-term guarantees which are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權利證) to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. Prior to 2003, we also provided long-term guarantees for the mortgage loans of some of our customers which are discharged two years from the day the mortgaged loans become due. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for the mortgage loans of our customers, see note 30 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 20 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, there is no assurance that the purchaser default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operations could be adversely affected.

***Disputes with joint venture partners may adversely affect our business***

We have, and expect to have in the future, interests in PRC joint venture entities in connection with our property development plans. In certain circumstances, our existing joint venture entities have relied on financial support from us, and we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to a joint venture require the consent of all parties to the joint venture. PRC joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

We cannot assure you that we will not encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

***Any unauthorised use of our brand may adversely affect our business, and our trademark licensees may conduct their business in a way that is detrimental to our brand image***

Our brand receives high recognition in China. Any unauthorised use of our brand may have a negative impact on our brand image and adversely affect our business. In addition, we have granted a non-exclusive license to certain related parties to use our brand. We do not have control over the conduct of these licensees or other companies which may use our brand without our authorisation. As a result, our business and reputation could be adversely affected due to any unauthorised use of our brand.

***We do not have insurance to cover potential losses and claims in our operations***

We do not maintain insurance for the destruction of, or other damage to, our properties under construction. We carry property management liability insurance in connection with our property

management business and accident insurance (i.e. employer's liability insurance) for our construction workers; however, we do not maintain insurance against other personal injuries or property damage that may occur during the construction of our properties. We also do not take out insurance coverage for the non-performance of contracts during construction and other risks associated with construction and installation work during the construction period.

Moreover, there are certain contingent liabilities for which insurance is not available on commercially practicable terms, such as losses caused by earthquake, typhoon, flooding, war and civil disorder.

We may not have sufficient funds to offset any such losses, damages or liabilities or to replace any property development that has been destroyed in the course of our operations and property development. In addition, any payments we make to cover any losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

***We may be involved in legal and other disputes arising out of our operations from time to time and may face significant liabilities as a result***

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, partners and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. We have in the past been involved in disputes with our customers with respect to quality of our properties and time of delivery. In addition, most of our projects consist of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays to our property developments. Although we have not been involved in legal or other disputes that have had a material adverse effect on our business, financial condition or results of operations, we cannot assure you that any disputes with parties involved in the development and sale of our properties in the future would not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation or the "Country Garden" brand.

***We are exposed to construction disputes and litigation***

Apart from providing construction services to us, our construction company, Giant Leap Construction Co., is also responsible for the implementation of construction projects for other companies. It may be subject to legal claims and proceedings instituted by our customers, subcontractors, workers and other parties involved in the projects undertaken by us from time to time. Such claims and proceedings include claims for compensation for late delivery of construction works and delivery of substandard works and claims in respect of personal injuries and labour compensation in relation to works.

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim that was pending or threatened by or against us. However, we cannot assure that we will not be engaged in any litigation or arbitration of material importance in the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operations may be adversely affected.

***We may be liable to our customers for damages if we do not apply for individual property ownership certificates on behalf of our customers in a timely manner***

Property developers in the PRC are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the properties unless otherwise specified in the relevant sale and purchase agreement. Real estate developers, including us, generally elect to specify the deadline for the application of the individual property ownership certificates upon the provision of the necessary documents by the customers to allow sufficient time for the relevant application processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after the receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates.

No material claim has been brought against us by any purchasers for late application of the individual property ownership certificates on behalf of our customers in the three years ended 31 December 2007. However, we cannot assure you that we will not in the future become liable to purchasers for the late application of the individual property ownership certificates on behalf of our customers due to our own fault or for any other reasons beyond our control.

***Our branding and marketing strategy as well as our financial condition could be adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services***

Through our wholly-owned property management subsidiary, Guangdong Management Co., we provide property management services to the owners and users of each project that we have developed. These services include rental agency, security management, maintenance, clubhouse operations, gardening and landscaping and other customer services. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC law, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If owners of the projects that we have developed elect to stop using us to provide property management services, our branding and marketing strategy as well as our revenue from the property management business would be adversely affected.

***Our hotel operations involve uncertainties***

Certain residential projects that we have developed or intend to develop include high-end hotel operations.

Our approach to our hotel business is not focused on the profit contribution derived directly from our hotel operations. Rather, we view our hotel business as a value enhancer to our brand name recognition in the real estate market and as an integral component of our overall marketing strategy for our residential projects.

Our hotels are owned and operated by our own hotel companies. Although the managing staff at various levels have the relevant management experience, we could face considerable reputational and financial risks if the hotels are mismanaged. If we are unable to successfully manage our hotel business,

it may have a material adverse effect on the results in that segment as well as our overall marketing strategy, financial condition and results of operations.

***There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments***

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

***Any portion of our uncompleted and future property developments that are not in compliance with relevant laws and regulations will be subject to governmental approval and additional payments***

The local government authorities inspect property developments after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (房屋建築工程和市政基礎設施工程竣工驗收備案表) if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorised in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform with the plan authorised by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development.

We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorised GFA upon completion.

***The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations***

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation in value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses (普通標準住宅) if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations, but we only pay a portion of such provision each year as required by the local tax authorities. For each of the three years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, we made a provision for LAT in the amount of RMB90.5 million, RMB329.3 million, RMB373.9 million and RMB340.3 million, respectively. For the same periods, we made LAT payments in the amount of RMB35.7 million, RMB82.1 million, RMB173.3 million and RMB116.0 million, respectively. Although we believe such provisions are sufficient, we cannot assure you that the tax authorities will agree with the basis on which we calculate our LAT obligations. In the event that they believe a higher LAT should be paid, our net profits after tax will be adversely affected.

Further, on 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo a land appreciation tax clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- real estate developers must conduct final settlement if one of the following conditions is satisfied:
  - the project is completed and has been sold entirely;
  - the project is transferred as a whole before the completion of the construction; or
  - only land-use rights are transferred.

This notice also stipulates that the PRC tax authorities may require the real estate developer to conduct final LAT settlement if one of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, though less than 85%, the rest of the saleable area has already been rented or is being self-used;
- the project has held a sale/pre-sale license for at least three years but has not been sold entirely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties how they will enforce this notice. In the event that the implementation rules promulgated in the cities in which our projects are located require us to settle all the unpaid LAT, our cash flow may be adversely affected.

***Potential liability for environmental problems could result in substantial costs***

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays in development schedules, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The PRC national and local environmental regulations provide that if a construction project includes environmental facilities, such facilities will have to pass the inspection of the environmental authorities and an approval must be obtained before the environment facilities can start to operate. If a construction project does not include any environmental facilities, no such approval is required. As advised by our PRC legal advisor, our business is of a nature that is not required to construct environmental facilities therefore, no approval from the environmental authorities is necessary. However, we cannot assure you that the environmental authorities will not find it necessary for us to construct environmental facilities in the future. In such event, our business may be affected.

Also, as required by PRC law, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. If such

requirement is not complied with, the local environmental authority may issue orders to suspend construction of the project until the environmental impact assessment report is submitted and approved by the local environmental authority and may impose a fine of an amount between RMB50,000 and RMB200,000 on us in respect of such project. We currently have three projects under construction for which we have not completed the environmental assessment procedures. Although we are currently working on completing such procedures, we cannot assure you that the relevant environmental authorities will not order to suspend construction of these projects or will not impose a fine on us. In the event that a suspension of construction and/or a fine is imposed, our financial condition may be adversely affected.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that a future environmental investigation will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with any such laws and regulations. See “Business — Environmental Matters” for further details of environmental matters.

***Our success depends significantly on the continued services of our senior management team and other key personnel***

Our future success depends significantly upon the continuing services of the members of our senior management team, in particular our chairman and executive Director, Yeung Kwok Keung, and our executive Director, Yang Erzhu, who have extensive experience in the real estate industry in the PRC. Yeung Kwok Keung is responsible for formulating development strategies, making decisions on investment projects and setting the direction of our operations and overall business management. Yang Erzhu specialises in the overall planning of our projects, property management, and business management. Our president and executive Director, Cui Jianbo, has extensive executive management experience. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may be unable to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially adversely affected.

In addition, we depend on the continued service of our executive officers and other skilled managerial and technical personnel, including notably our designers and architects. Competition for senior management and key personnel is intense, and the pool of qualified candidates is very limited. Our business could be adversely affected if we lose the services of our senior executives or key personnel without suitable replacements or if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business.

Further, as we expect our business to continue to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

***The interests of our controlling shareholder may not always align with our interests***

Our controlling shareholder, Yang Huiyan, beneficially owns approximately 58.19% of our company. The interests of our controlling shareholder may differ from our interests or the interests of our creditors. Our controlling shareholder could have significant influence in determining the outcome of any corporate transactions or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. Our controlling shareholder also has the power to prevent or cause a change



in control. Without the consent of our controlling shareholder, we may be prevented from entering into transactions that could be beneficial to us. In addition, our controlling shareholder also holds interest in companies other than us. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favour.

***Land use rights certificates and building ownership certificates of certain of the properties owned or used by us have not been obtained***

We have not obtained the building ownership certificates of certain of our properties, including: (i) a bowling alley in Shunde Country Garden; (ii) a health centre in Shunde Country Garden Hospital; and (iii) staff quarters in Lirendong. Our PRC legal advisor has advised us that because of the lack of building ownership certificates for these properties, we may be ordered by the relevant PRC government department to (i) remedy the defect and pay a fine which represents more than 2% but less than 4% of the consideration payable under the relevant construction agreement of these properties and/or (ii) compensate for losses suffered by the users of these properties and/or (iii) vacate these properties. In the event that any of these penalties are imposed on us, our business may be affected.

In addition, we lease certain land and buildings from third parties who have not obtained the relevant land use rights certificates or the building ownership certificates, as applicable. We use these properties mainly to create additional green space for our property developments or as housing for some of our employees. In the event that the leases with these third parties are invalidated due to the defects in the leased properties' title, we will have to return or restore the properties, which may affect the overall appeal of the relevant property developments. We will also have to find substitute housing for the employees living in such premises.

***Our income and the income of our non-PRC subsidiaries may be subject to PRC income tax***

Under the PRC Enterprise Income Tax Law which became effective on 1 January 2008, companies incorporated outside China may be considered PRC resident enterprises for income tax purposes if their “de facto” management bodies are located in China. As a result, such non-PRC companies with “de facto” management in China may be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The PRC Enterprise Income Tax Law, however, does not define the term “de facto management bodies”. Although the implementation rules of the PRC Enterprise Income Tax Law provide a definition of “de facto management body”, such definition has not been tested and it is uncertain under what circumstances a non-PRC company’s “de facto management body” will be considered to be located in China. If we or any of our non-PRC subsidiaries were deemed to be a PRC resident enterprise, we or such non-PRC subsidiaries would be subject to PRC enterprise income tax at the rate of 25% on worldwide income, including dividend income from our subsidiaries, which in turn may affect our ability to fulfil our debt and other obligations.

***The PRC governments controls foreign investment in the real estate sector***

The PRC government has imposed restrictions on foreign investment in the real estate sector to curtail the overheating of the real estate sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of real estate properties in China by foreign persons. On 23 May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC, which, among other things, provides that:

- foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign invested real estate enterprises, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign invested real estate enterprises approved by local approval authorities shall immediately register with the MOFCOM through a filing made by the local approval authorities; and
- foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspections.

Restrictions imposed by the PRC government on foreign investment in the real estate sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have an adverse effect on our business, results of operations and financial condition.

***The PRC government has recently implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect how quickly we can deploy, as well as our ability to deploy the funds raised in any intentional capital market financing in our business in the PRC***

On 10 July 2007, the General Affairs Department of the State Administration of Foreign Exchange (“SAFE”) issued the “Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產專案名單的通知)”. The notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after 1 June 2007 but that did not register with MOFCOM. This new regulation effectively prohibits us from injecting funds into our PRC project companies by way of shareholder loans. In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with the new regulation. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC. Therefore, we may not be able to use all or any of the capital that we may raise from any intentional capital market financing to finance our new projects in a timely manner or at all.

## **RISKS RELATING TO THE PROPERTY SECTOR IN THE PRC**

***The real estate industry in the PRC is still at an early stage, and the property market and related infrastructure and mechanisms have not been fully developed***

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC, including Guangdong Province, has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may



affect the development of the market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for residential developments.

In addition, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and profitability will be adversely affected.

***The restrictive measures adopted from time to time by the PRC government to curtail the overheating of the real estate market could slow down the industry's rate of growth***

In response to concerns over the scale of the increase in property investment and the overheating of the real estate sector in the PRC over the past few years, the PRC government has introduced policies to restrict future development, including:

- suspending or restricting land grants and development approvals for villas and larger-sized units;
- tightening lending of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of real estate properties in China by foreign persons.

The PRC government's measures to control the industry's rate of growth could limit our access to capital resources, reduce market demand and increase our operating costs. The PRC government may adopt additional and more stringent measures in the future, which could further slow the development of the industry and adversely affect our business operations.

## **RISKS RELATING TO THE PRC**

***PRC economic, political and social conditions, as well as government policies, could affect our business***

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilisation of market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If China's economic growth slows down or if the Chinese economy experiences a recession, the growth or demand for our products may also slow down and our business, financial condition and results of operations will be adversely affected.

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

***Governmental control of currency conversion may affect the value of your investment***

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency denominated or settled obligations. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies.

***The PRC legal system has inherent uncertainties that would affect our business and results of operations as well as the interest of investors in the Bonds***

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to

obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

Our primary operating subsidiaries were incorporated in China as “wholly foreign-owned enterprises”. Although we or our wholly-owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign investment enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China’s judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and our investors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

***It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC***

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

***The national and regional economies may be adversely affected by a recurrence of avian influenza or SARS or another epidemic, thereby affecting our prospects***

Certain areas of China, including Guangdong Province, are susceptible to epidemics such as avian influenza and Severe Acute Respiratory Syndrome (“SARS”). A recurrence of avian influenza, SARS or any epidemic in Guangdong Province or other areas of China could result in material disruptions to our property developments, which in turn could materially and adversely affect our financial condition and results of operations.

## CAPITALISATION

The following table sets forth on an actual basis our unaudited consolidated short-term debt and capitalisation as of 30 June 2007. Except as otherwise disclosed herein, there has been no material change in our capitalisation since 30 June 2007.

	<u>As of 30 June 2007</u>	
	<u>Actual</u>	
	<u>RMB</u>	<u>US\$<sup>(1)</sup></u>
	<u>(in millions)</u>	<u>(unaudited)</u>
<b>Short-term borrowings<sup>(2)(3)(4)(5)(6)</sup></b>		
Bank borrowings-secured .....	1,270.5	176.9
Total short-term borrowings .....	<u>1,270.5</u>	<u>176.9</u>
<b>Long-term borrowings<sup>(4)(5)(6)(7)(8)</sup></b>		
Bank borrowings-secured .....	3,335.9	464.5
Total long-term borrowings .....	<u>3,335.9</u>	<u>464.5</u>
<b>Capital and reserves</b>		
Issued capital (HK\$0.10 par value per share, 16,360,000,000 shares issued and fully paid) <sup>(9)</sup> .....	1,617.7	225.2
Share premium .....	13,371.9	1,861.9
Reserves .....	32.7	4.6
Retained earnings .....	1,421.0	197.9
<b>Total capitalisation<sup>(10)</sup> .....</b>	<u><b>19,779.2</b></u>	<u><b>2,754.1</b></u>

*Notes:*

- (1) All items in this table have been translated from Renminbi to US dollars at the rate of RMB7.1818 to US\$1.00.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) As of 31 January 2008, our unaudited short-term borrowings amounted to RMB2,671.3 million (US\$372.0 million).
- (4) As of 30 June 2007, all of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.
- (5) As of 30 June 2007, all of our borrowings were secured.
- (6) We intend to repay the outstanding amount under the HK\$1,500,000,000 six-month term loan facility granted to us by Bank of China (Hong Kong) Limited in the near future. See “Description of Other Material Indebtedness — Term Loan”.
- (7) Long-term borrowings exclude the current portion of long-term borrowings.
- (8) As of 31 January 2008, our unaudited long-term borrowings amounted to RMB4,497.4 million (US\$626.2 million).
- (9) If all the Bonds (assuming the Optional Bonds are issued in full) were converted at the initial conversion price of HK\$9.05 per share, up to an additional 517,012,020 shares would be issuable upon conversion.
- (10) Total capitalisation includes total long-term borrowings plus total capital and reserves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with our combined and consolidated financial information together with the accompanying notes included elsewhere in this Memorandum. Our combined and consolidated financial statements were prepared in accordance with HKFRS.*

*This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.*

*Unless the context otherwise requires, references to “2004”, “2005” and “2006” in this Memorandum are to our financial years ended 31 December 2004, 2005 and 2006, respectively. References to “associate” or “associates” in this section are to associates as defined in HKFRS.*

### **BASIS OF PRESENTATION**

In preparation for our initial public offering, we and our subsidiaries underwent a Reorganisation in 2006. Pursuant to the Reorganisation, members of our original shareholders transferred to us all their interests in the property development and ancillary property-related businesses that we now conduct.

Prior to the completion of the Reorganisation, our combined financial statements as of and for the years ended 31 December 2004, 2005 and 2006 were prepared on a combined basis as prescribed by the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants. For details on the basis of preparation, see Note 1 to the combined financial information as of and for the years ended 31 December 2004, 2005 and 2006 included herein.

The Reorganisation was accounted for on the basis of merger accounting in the condensed consolidated financial information for the six-month periods ended 30 June 2006 and 2007. Our condensed financial information for the six-month periods ended 30 June 2006 and 2007 was prepared on a consolidated basis. See Note 1 to the unaudited condensed consolidated financial information for the six-month periods ended 30 June 2006 and 2007 included herein.

### **OVERVIEW**

We are one of the leading integrated property developers in the PRC, with substantially all of our assets and operations based in the PRC. We have benefited, since we first commenced our property development activities in 1997, and expect to continue to benefit from the growth in the property sector associated with the economic development of the PRC, and particularly in Guangdong Province. Our primary business has been the development of large-scale residential community projects and the sale of various types of properties, including villas, townhouses, apartment buildings, parking spaces and retail shops. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration and property management. In addition, we develop and manage hotels within some of our projects to enhance the projects’ potential for value appreciation.

Our residential home projects are generally located in the suburban areas of first-tier cities and in the newly urbanised town centres of second- and third-tier cities. While the local residents in Guangdong Province historically constitute our core customer base, we have also generated demand from residents in Hong Kong, Macau and neighbouring provinces.

As of 31 December 2007, we had 45 projects at various stages of development. 26 of these projects are located in Guangdong Province: eight in Guangzhou City, five in Foshan City, five in Jiangmen City, one in Yangjiang City, three in Shaoguan City, two in Zhaoqing City, one in Huizhou City and one in Shanwei City. Another 19 projects are located in other provinces and regions including two in Changsha City in Hunan Province, one in each of Hulunbeier City, Xing'anmeng and Tongliao City in Inner Mongolia, one in Taizhou City in Jiangsu Province, four in Shenyang City and one in Anshan City in Liaoning Province, one in Wuhan City and two in Xianning City in Hubei Province, one in each of Chaohu City, Chizhou City, Huangshan City and Wuhu City in Anhui Province and one in Chongqing Municipality.

As of 31 December 2007, our projects had an aggregate completed GFA of approximately 8,760,936 sq.m., on which we had built approximately 47,998 units to house an estimated approximately 191,000 people. We had an aggregate GFA under development of approximately 9,884,000 sq.m. and an aggregate GFA of approximately 28,560,443 sq.m. relating to properties held for future development as of the same day. In addition, as of 31 December 2007, we entered into land grant contracts in respect of land located in 14 cities with an aggregate site area of approximately 12,443,121 sq.m. pending issuance of land use rights certificates, with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development.

The hotels that we have developed and currently operate include two five-star hotels and one four-star hotel, as well as five hotels which have been developed in accordance with the five-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels” (旅遊飯店星級的劃分與評定). In addition, we have four hotels under construction in accordance with the five-star standard set forth in the “Star-Rating Standard for Tourist Hotels”.

For the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007, our total revenue was RMB3,240.3 million, RMB5,191.5 million, RMB7,940.9 million and RMB6,033.8 million (US\$840.2 million), respectively. For the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007, our net profit was RMB237.1 million, RMB589.5 million, RMB1,672.5 million and RMB1,443.2 million (US\$201.0 million), respectively.

## **CERTAIN INCOME STATEMENT ITEMS**

### ***Revenue***

Revenue comprises primarily the proceeds from the sale of properties or provision of services after the elimination of intra-group transactions. Our revenue is primarily generated from our four business segments: property development, construction and decoration, property management and hotel operation.

Revenue from property development represents proceeds from the sale of our properties. As we derive a substantial amount of our total revenue from the property development segment, our results of operations for a given period are dependent upon the type and GFA of properties we have completed during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions in the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC. See “— Key Factors Affecting Our Performance”.

We recognise revenue from the sale of properties when the ownership of properties is transferred to the purchasers. For the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, we recognised revenue of RMB2,150.4 million, RMB4,086.7 million, RMB6,961.4 million and RMB5,447.7 million in connection with the delivery of aggregate GFA of 427,530 sq.m., 731,173 sq.m., 1,318,397 sq.m. and 935,342 sq.m. of property, respectively.

Consistent with customary practice in the property development industry in the PRC, after satisfying the conditions for pre-sales according to PRC laws and regulations, we typically enter into purchase contracts with customers while the properties are still under development. See “Business — Property



Development — Pre-sales”. Generally there is a time difference typically ranging from several months to one year between the time we commence pre-selling of properties under development and the delivery of properties to the purchasers. We do not recognise any revenue from the pre-sales of our properties until the development of such properties is completed and the properties are delivered to the purchasers, even though a portion of the purchase price for a property is typically paid at various stages prior to the delivery of properties. Before the delivery of a pre-sold property upon the completion of development, deposits and purchase price or portions thereof received from our customers are recorded as “advanced proceeds received from customers”, a current liability on our balance sheet, and reflected in the cash flow statements as an increase in advanced proceeds received from customers.

Revenue from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided. Revenue from decoration, property management and hotel services is recognised in the accounting period in which the services are rendered. The revenue generated by certain of our subsidiaries comprising the construction and decoration, property management and hotel operation segments from services provided to our projects is eliminated in our combined financial statements. For each of the three years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, our construction and decoration segment recognised revenue of RMB756.2 million, RMB670.4 million, RMB556.1 million and RMB380.9 million, respectively; our property management segment recognised revenue of RMB115.4 million, RMB134.5 million, RMB170.4 million and RMB105.4 million, respectively; and our hotel operation segment recognised revenue of RMB123.5 million, RMB185.3 million, RMB194.0 million and RMB99.8 million, respectively.

We also recognised revenue from our school operations segment prior to June 2006. Tuition fee income from school operations as an ancillary facility to the property development segment was recognised in the period in which the services are rendered. For the three years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, our school operation segment recognised revenue of RMB94.9 million, RMB114.7 million, RMB59.1 million and nil, respectively. We disposed of our school operations in June 2006.

### *Cost of Sales*

Cost of sales mainly comprises the costs incurred from our four business segments. The table below sets forth the cost of sales by segments and their percentage of the total cost of sales:

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
	(unaudited)									
Property development . . .	1,380,409	59.6	2,547,411	73.4	4,501,216	85.0	2,120,416	81.7	3,275,684	87.2
Construction and decoration . . . . .	585,250	25.2	507,045	14.6	427,824	8.0	265,629	10.3	298,463	7.9
Property management . . .	138,713	6.0	142,167	4.1	163,280	3.1	74,324	2.9	102,955	2.7
Hotel operation . . .	111,020	4.8	154,278	4.5	147,750	2.8	74,709	2.9	77,632	2.1
Others . . . . .	102,655	4.4	118,376	3.4	56,415	1.1	56,415	2.2	—	—
Total . . . . .	<u>2,318,047</u>	<u>100.0</u>	<u>3,469,277</u>	<u>100.0</u>	<u>5,296,485</u>	<u>100.0</u>	<u>2,591,493</u>	<u>100.0</u>	<u>3,754,734</u>	<u>100.0</u>

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

The table below sets forth the components of our cost of properties sold, and the percentage of the cost of properties sold represented by each component, for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	% (unaudited)	(RMB in thousands)	%
<i>Construction, decoration and design costs</i>										
Construction costs .....	636,415	46.1	1,098,507	43.1	1,868,230	41.5	918,449	43.3	1,385,474	42.3
Outsourcing costs .....	270,319	19.6	451,167	17.7	1,150,890	25.6	498,318	23.5	775,861	23.7
Fitting and decoration costs .....	32,999	2.4	61,702	2.4	103,040	2.3	41,286	1.9	80,573	2.5
Design costs .....	8,348	0.6	14,438	0.6	29,755	0.7	13,131	0.6	23,158	0.7
<b>Sub-total .....</b>	<b>948,081</b>	<b>68.7</b>	<b>1,625,814</b>	<b>63.8</b>	<b>3,151,915</b>	<b>70.1</b>	<b>1,471,184</b>	<b>69.3</b>	<b>2,265,066</b>	<b>69.1</b>
<i>Land use rights cost .....</i>	<i>159,693</i>	<i>11.6</i>	<i>250,177</i>	<i>9.8</i>	<i>506,543</i>	<i>11.2</i>	<i>230,354</i>	<i>10.9</i>	<i>388,479</i>	<i>11.9</i>
<i>Business taxes and levies .....</i>	<i>182,093</i>	<i>13.2</i>	<i>342,081</i>	<i>13.5</i>	<i>468,854</i>	<i>10.4</i>	<i>192,870</i>	<i>9.1</i>	<i>281,855</i>	<i>8.6</i>
<i>LATs .....</i>	<i>90,542</i>	<i>6.5</i>	<i>329,339</i>	<i>12.9</i>	<i>373,904</i>	<i>8.3</i>	<i>226,008</i>	<i>10.7</i>	<i>340,284</i>	<i>10.4</i>
<b>Total .....</b>	<b>1,380,409</b>	<b>100.0</b>	<b>2,547,411</b>	<b>100.0</b>	<b>4,501,216</b>	<b>100.0</b>	<b>2,120,416</b>	<b>100.0</b>	<b>3,275,684</b>	<b>100.0</b>

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to complete the properties. Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realisable value.

*Construction, Decoration and Design Costs.* Construction, decoration and design costs comprised of self-construction costs, outsourcing costs, fitting and decoration costs and design costs. The price of raw materials, the level of complexity of the construction and design and the luxury level in the decoration are the principal factors affecting the average construction costs. Therefore, construction costs of a property project may fluctuate if the conditions of the site require more complex design and procedures or more expensive materials in order to provide the desired foundation support.

*Land Use Rights Cost.* During each of the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, substantially all of the land used in our projects or property developments, whether completed, under development or held for future development, was acquired after the promulgation of the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing for-Sale by the PRC Ministry of Land and Resources (the “New Land Acquisition Rules”).

In July 2002, the PRC government established new rules to determine the purchase price of all granted land through a competition process. See “— Key Factors Affecting Our Performance — Ability to acquire suitable land” below.

Under the New Land Acquisition Rules, after 1 July 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity building development in the PRC may only be granted by the government through a bidding process including a public tender, an auction or a listing-for-sale. In addition, under current regulations, grantees of land use rights are generally allowed to transfer the land use rights in secondary markets, except that if a transferor is a state-owned enterprise or a collectively-owned enterprise or the land use right is obtained by way of allocation, such land use rights must be transferred through a public bidding process. See “Business — Property Development — Land



acquisition” for a description of the land acquisition procedures. Consequently, if we acquire land through a bidding process in the future, our cost of land use rights will consist primarily of a lump-sum purchase price payable to the government or the other transferors as determined by the bidding process. Under the New Land Acquisition Rules, the relevant government authority shall be responsible for establishing a floor price for the bidding process on the basis of land value appraisals and government industrial policies. If we acquire land use rights from other grantees in secondary markets in the future, our cost of land use rights will be the negotiated purchase prices payable to such grantees.

**Business Taxes.** Our PRC subsidiaries are subject to local business taxes. The current effective tax rate for each of our property development, construction and decoration, property management and hotel operation businesses is 5%, 3%, 5% and 5%, respectively.

**LAT.** Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to LAT, which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary standard residential houses if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for this exemption. Whether a property qualifies for the ordinary standard residential houses exemption is determined by the local government taking into consideration the property’s plot ratio, aggregate GFA and sales price. Sales of villas and retail shops typically have higher appreciation values, and are generally subject to higher LAT rates, compared with less expensive properties. On 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on 1 February 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities under prevailing practice. For each of the three years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, we made a provision for LAT in the amount of RMB90.5 million, RMB329.3 million, RMB373.9 million and RMB340.3 million, respectively. For the same periods, we made LAT payments in the amount of RMB35.7 million, RMB82.1 million, RMB173.3 million and RMB116.0 million, respectively.

### ***Selling and Marketing Costs***

Selling and marketing costs include advertising and promotion expenses relating to sales of properties, selling and marketing staff costs and other selling expenses.

### ***Administrative Expenses***

Administrative expenses include primarily staff costs, amortisation of land use rights relating to those lands that are not yet developed and those on which the properties have been completed but not yet sold, materials consumption cost, depreciation and real estate tax. The real estate tax was calculated on the basis of 1.2% of the taxable carrying value after a deduction of 10% to 30% allowance if the relevant properties are for self-use or 12% of the rental value if the properties are for rental purpose. The real estate tax amounted to RMB2.7 million, RMB3.6 million, RMB8.1 million and RMB1.3 million, respectively, for each of the three years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007.

### ***Finance Costs***

Finance costs consist primarily of interest costs as a result of bank borrowings and borrowings from related parties. Our finance costs are charged to our combined and consolidated income statements in the accounting period in which they are incurred. Generally we do not capitalise our finance costs. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on our borrowings.

### ***Income Tax Expense***

Income tax expense represents PRC enterprise income tax accrued by our operating subsidiaries. Because we are an exempted company in the Cayman Islands, we are not subject to Cayman Islands income tax. Our BVI companies holding our PRC subsidiaries are also not subject to BVI income tax as they are BVI business companies. Our PRC subsidiaries are subject to enterprise income tax at a rate of 33% (made up of 30% foreign investment enterprise income tax and 3% local income tax). In August 2006, upon the conversion of Giant Leap Construction Co., one of our PRC subsidiaries, to a foreign investment enterprise, the local tax authority granted it a tax holiday (which exempts corporate income tax for two years followed by a tax reduction of 50% for the subsequent three years), commencing from the first cumulative profit-making year, i.e. 2006, net of losses carried forward. Although on 16 March 2007, the National People's Congress enacted the New Enterprise Income Tax Law (新企業所得稅法) under which a uniform income tax rate of 25% is imposed on the taxable income of both domestic enterprises and foreign investment enterprises, and the original tax privilege available to foreign investment enterprises is cancelled, Giant Leap Construction Co. is able to continue to enjoy its tax holiday until it expires. Our effective income tax rate decreased from 38.9% in 2005 to 7.9% in 2006. The lower effective tax rate recorded in 2006 was primarily due to a one-time deferred tax credit written back upon the grant of tax holiday to Giant Leap Construction Co. in 2006. Our effective income tax rate was 23.2% for the six months ended 30 June 2007, primarily as a result of the tax holiday enjoyed by Giant Leap Construction. After such tax holiday expires, our effective income tax rate may increase, partially offset by the effect of lowering the generally applicable income tax rate from 33% to 25%, effective 1 January 2008.

### ***Minority Interests***

Minority interests represent our profits or losses after taxation that are attributable to the majority shareholders of our non-wholly-owned subsidiaries during the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

## **KEY FACTORS AFFECTING OUR PERFORMANCE**

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set out below.

### ***Economic growth, speed of urbanisation and demand for residential properties in China***

Economic growth, urbanisation and higher standards of living in China have been the main driving forces behind the increasing market demand for residential properties. At the current stage of the PRC's economic development, while the property industry is regarded by the PRC government as one of China's pillar industries, the property industry is significantly dependent on the overall economic growth and the resultant consumer demand for residential properties. Developments in the private sector, urbanisation and the resultant demand for residential properties in China have in the past increased the sales of our properties. These factors will continue to have a significant impact on our results of operations.

### ***Regulatory measures in the real estate industry in China***

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. In the past three years, the PRC government has taken various measures to control money supply, credit availability, fixed assets investment and foreign investment with a view to preventing China's economy from overheating and to achieving a more balanced and sustainable economic growth. In particular, the PRC government has taken measures to discourage speculation in the property market and to increase the supply of affordable housing. As a result of such measures, property developments and sales in certain regions of China grew at a slower pace in 2005 as compared with 2003 and 2004 and have experienced a decline in various areas, including Guangdong Province since late 2007. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See "Risk Factors — Risks Relating to the Property Sector in the PRC — The restrictive measures adopted from time to time by the PRC government to curtail the overheating of real estate market could slow down the industry's rate of growth" for more details.

We are also highly susceptible to any regulations or measures adopted by PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue.

### ***Ability to acquire suitable land***

Our continuing growth will depend in large part on our ability to secure quality land at prices that can yield reasonable returns. Based on our current development plans, we have sufficient land reserves for property developments for the next several years. As the PRC economy continues to grow at a relatively high speed and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for development land and to increase land acquisition costs as a result.

### ***Pre-sales***

Pre-sales constitute the most important source of our operating cash inflow during our project development process. The PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the projects pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments. See "Risk Factors — Risks Relating to the Property Sector in the PRC — We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operations" for more details.

### ***Access to and cost of financing***

Bank borrowing is another important source of funding for our property developments. As of 31 December 2004, 2005, 2006 and 30 June 2007, our outstanding bank borrowings amounted to RMB2,109.0 million, RMB3,680.5 million, RMB4,016.7 million and RMB4,606.4 million, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

### ***Timing of property development***

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required to fund land acquisitions and to pay the cost of construction as well as the limited supply of land. Property developments may take many months, or possibly years, before any pre-sale occurs. While pre-sales generate positive cash flow for us, no revenue sale is recognised in respect of such presold properties until the development is completed and the property is delivered to the purchaser. As market demand is not stable, revenue in a particular period depends on our ability to time our projects with the market demand. As a result, our results of operations may fluctuate with future market changes.

### ***Price volatility of construction materials***

Our results of operations are affected by price volatility of construction materials such as steel and cement. The cost of construction materials constitutes the most important item in our construction costs. Although we use a centralised procurement to lower our purchase costs, any increase in construction materials may still increase our construction costs. If we cannot pass the increased costs on to our customers, our profitability will suffer.

### ***Changes in product mix***

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Typically our low-density units and larger apartments have commanded higher selling prices and gross profit margins than smaller apartment units. Historically, a substantial portion of the projects we have developed have had low plot ratios, permitting us to increase our sales of low density units and larger apartments. More recently, we have begun acquiring land with higher plot ratios, which will require us to increase the proportion of smaller apartments that we develop and sell. We believe that we have a diversified product portfolio, and we are currently developing strategies to address changes in product mix that may result from such higher plot ratios. If we are unable to successfully develop such strategies, our profit margins may decline as the proportion of our sales comprising smaller apartments increases.

### **LAT**

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate in China, irrespective of whether they are corporate entities or individual investors. We made LAT provisions of RMB90.5 million, RMB329.3 million, RMB373.9 million and RMB340.3 million for each of the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. See “Risk Factor — Risk Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations” and “— Certain Income Statement Items — Cost of Sales — LAT”.

### ***Interim fluctuation of results of operations***

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial amount of capital required for land acquisition, demolition, resettlement and construction, limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we began to develop larger-scaled property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, the selling prices of properties in such larger-scaled property developments tend to increase as the overall development comes closer to completion, thus offering a more established residential community to the purchasers. Seasonal variations, as we disclosed in “Risk Factors — Risks Relating to Our Business — We face risks relating to fluctuations of results of operations from period to period”, have in addition caused fluctuations in our interim revenue and profits, including quarterly and semi-annual results. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

### ***CRITICAL ACCOUNTING POLICIES***

*Revenue Recognition.* Revenue comprises primarily the proceeds from property development, construction, decoration, property management and hotel operation after the elimination of intra-group transactions. Revenue from property sales is recognised when the construction has been completed, the properties have been delivered to the purchasers and the collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our combined and consolidated balance sheets as advanced proceeds received from customers under current liabilities. Revenue arising from construction services is recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenues arising from decoration service, hotel operation and property management are recognised in the accounting period in which the services are rendered.

*Land Use Rights Cost.* Land use rights cost typically comprises payments to government authorities for obtaining the right to occupy, use and develop land, certain fees for altering the intended use of land and resettlement costs. We recognise amortisation charges for land use rights on a straight-line basis over the unexpired period of such rights and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold. Land use rights for which we have obtained the land use rights certificates are recorded as “Land use rights” on our combined and consolidated balance sheet: those for which we have obtained the construction permits are recorded under “current assets” and the remainder are recorded under non-current assets. If we have not obtained the land use rights certificates for a piece of land in which we have contractual interest, the cost incurred in relation to such land is recorded as “Prepayment” under “Trade and other receivables”

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

*Completed Properties Held for Sale.* Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

In preparing our combined financial statements, we made certain estimates and assumptions about future events based on our experience. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

## RESULTS OF OPERATIONS

The following discussion is based on our historical results of operations. The historical results of operations include the financial information of the companies now comprising the Group as a result of the Reorganisation as if the current group structure had been in existence since 1 January 2004, or since their respective date of incorporation or establishment, whichever is later. Such results of operations may not be indicative of our future operating performance. Our combined results for each of the three years ended 31 December 2004, 2005 and 2006, and consolidated results for the six months ended 30 June 2007 are summarized as below.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	(RMB in thousands)			(unaudited)	
Revenue .....	3,240,347	5,191,485	7,940,937	4,077,755	6,033,798
Cost of sales .....	(2,318,047)	(3,469,277)	(5,296,485)	(2,591,493)	(3,754,734)
<b>Gross profit</b> .....	922,300	1,722,208	2,644,452	1,486,262	2,279,064
Other gains/(losses) — net .....	21,183	16,315	59,008	(41,795)	207,851
Selling and marketing costs .....	(112,301)	(213,521)	(214,497)	(116,078)	(157,559)
Administrative expenses .....	(233,880)	(273,681)	(361,504)	(162,350)	(291,138)
Other expenses .....	(63,700)	(65,808)	(45,884)	(37,346)	(10,518)
<b>Operating profit</b> .....	533,602	1,185,513	2,081,575	1,128,693	2,027,700
Finance costs .....	(125,444)	(220,981)	(264,776)	(138,810)	(148,723)
<b>Profit before income tax</b> .....	408,158	964,532	1,816,799	989,883	1,878,977
Income tax expense .....	(171,064)	(375,019)	(144,320)	(383,939)	(435,804)
<b>Profit for the year/period</b> .....	<u>237,094</u>	<u>589,513</u>	<u>1,672,479</u>	<u>605,944</u>	<u>1,443,173</u>
<b>Attributable to:</b>					
Equity owners .....	254,983	615,425	1,519,473	537,673	1,421,048
Minority interests .....	(17,889)	(25,912)	153,006	68,271	22,125
	<u>237,094</u>	<u>589,513</u>	<u>1,672,479</u>	<u>605,944</u>	<u>1,443,173</u>
Dividends .....	<u>414,460</u>	<u>382,792</u>	<u>2,513,704</u>	<u>376,343</u>	<u>512,554</u>

The following table sets forth, for the periods indicated, certain items derived from our combined and consolidated income statements as a percentage of revenue.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	(percentage of revenue, %)			(unaudited)	
Revenue .....	100.0	100.0	100.0	100.0	100.0
Cost of sales .....	(71.5)	(66.8)	(66.7)	(63.6)	(62.2)
<b>Gross profit</b> .....	28.5	33.2	33.3	36.4	37.8
Other gains — net .....	0.7	0.3	0.7	(1.0)	3.4
Selling and marketing costs .....	(3.5)	(4.1)	(2.7)	(2.8)	(2.6)
Administrative expenses .....	(7.2)	(5.3)	(4.5)	(4.0)	(4.8)
Other expenses .....	(2.0)	(1.2)	(0.6)	(0.9)	(0.2)
<b>Operating profit</b> .....	16.5	22.9	26.2	27.7	33.6
Finance costs .....	(3.9)	(4.3)	(3.3)	(3.4)	(2.5)
<b>Profit before income tax</b> .....	12.6	18.6	22.9	24.3	31.1
Income tax expense .....	(5.3)	(7.2)	(1.8)	(9.4)	(7.2)
<b>Profit for the year/period</b> .....	<u>7.3</u>	<u>11.4</u>	<u>21.1</u>	<u>14.9</u>	<u>23.9</u>



## SIX MONTHS ENDED 30 JUNE 2007 COMPARED TO SIX MONTHS ENDED 30 JUNE 2006

**Revenue.** Our revenue increased by 48.0% to RMB6,033.8 million in the first half of 2007 from RMB4,077.8 million for the corresponding period in 2006, primarily attributable to the increase in sales of property.

- Property development. Revenue generated from property development increased by 55.6% to RMB5,447.7 million for the six months ended 30 June 2007 from approximately RMB3,501.7 million for the corresponding period in 2006, primarily attributable to a 44.2% increase in total GFA sold to approximately 935,342 sq.m. in the first half of 2007 from approximately 648,614 sq.m. for the corresponding period in 2006. The recognised average selling price of property increased to RMB5,824 per sq.m. in the first half of 2007 from RMB5,371 per sq.m. for the corresponding period in 2006.

The increase in total GFA sold primarily reflected more favourable market conditions in our target markets, where demand for residential properties of high quality increased. The increase in total GFA of residential properties sold resulted primarily from the construction completion and delivery of properties to purchasers, including Country Garden Phoenix City, Nanhai Country Garden and Shunde Country Garden.

The following table sets forth the revenue generated from each project and the percentage of the total revenue it represented in the six months ended 30 June 2007 and 2006, respectively.

Project	Six months ended 30 June 2007		Six months ended 30 June 2006	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(RMB in thousands)	% (unaudited)	(RMB in thousands)	%
Huanan Country Garden — Phase One to Five and Phase Seven . . .	367,851	6.8	291	—
Huanan Country Garden — Phase Six . . . . .	294,912	5.4	652,128	18.6
Country Garden Phoenix City . . . .	968,991	17.7	1,236,063	35.4
Licheng Country Garden . . . . .	571,041	10.5	155,106	4.4
Shawan Country Garden . . . . .	—	—	4,534	0.1
Country Garden East Court . . . . .	3,832	0.1	26,735	0.8
Nansha Country Garden . . . . .	163,381	3.0	—	—
Holiday Islands — Huadu . . . . .	124,501	2.3	—	—
Shunde Country Garden — including Country Garden West Court . . . . .	666,623	12.2	495,002	14.1
Peninsula Country Garden . . . . .	447,722	8.2	362,560	10.4
Jun'an Country Garden . . . . .	—	—	4,006	0.1
Gaoming Country Garden . . . . .	46,803	0.9	218,676	6.2
Wuyi Country Garden . . . . .	390,814	7.2	107,803	3.1
Heshan Country Garden . . . . .	324,045	5.9	238,149	6.8
Yangdong Country Garden . . . . .	185,084	3.4	—	—
Chencun Country Garden <sup>(1)</sup> (陳村碧桂園) . . . . .	—	—	676	—
Nanhai Country Garden . . . . .	736,528	13.5	—	—
Xinhui Country Garden . . . . .	155,559	2.9	—	—
Total . . . . .	<u>5,447,687</u>	<u>100.0</u>	<u>3,501,729</u>	<u>100.0</u>

*Note:*

(1) Chencun Country Garden was transferred to independent third parties in June 2006.

- Construction and decoration. Revenue generated from construction and decoration increased by 10.3% to RMB380.9 million for the six months ended 30 June 2007 from RMB345.3 million for the corresponding period in 2006, primarily attributable to an increase in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd., a related party.
- Property management. Revenue generated from property management increased by 39.1% to RMB105.4 million for the six months ended 30 June 2007 from RMB75.8 million for the corresponding period in 2006, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Nanhai Country Garden, Nansha Country Garden and Country Garden Phoenix City
- Hotel operation. Revenue generated from hotel operation increased by 4.2% to RMB99.8 million for the six months ended 30 June 2007 from RMB95.8 million for the corresponding period in 2006, primarily attributable to an increase in revenues of Heshan Country Garden Phoenix Hotel and Wuyi Country Garden Phoenix Hotel, the award of Qingyuan Country Garden Holiday Islands Hotel with a five-star rating standard on 14 May 2007 and the opening of Yangjiang Country Garden Phoenix Hotel in May 2007 which is operated according to a five-star rating standard.

*Cost of sales.* Cost of sales increased by 44.9% to RMB3,754.7 million for the six months ended 30 June 2007 from RMB2,591.5 million for the corresponding period in 2006, primarily attributable to a 54.0% increase in construction, decoration and design costs to RMB2,265.1 million for the six months ended 30 June 2007 from RMB1,471.2 million for the corresponding period in 2006 and, to a lesser extent, to the increases in land use rights cost, business taxes and LAT. The increase in construction, decoration and design costs was in line with the increase in total sales of our properties.

*Gross profit.* Gross profit increased by 53.3% to RMB2,279.1 million for the six months ended 30 June 2007 from RMB1,486.3 million for the corresponding period in 2006, primarily attributable to the significant increase in the total GFA of the properties sold. Our gross margin for the six months ended 30 June 2007 increased to 37.8% from 36.4% for the corresponding period in 2006, primarily attributable to the increase in the average selling price to RMB5,824 per sq.m. for the six months ended 30 June 2007 from RMB5,371 per sq.m. for the corresponding period in 2006.

*Other gains/(losses) — net.* We recorded other gains of RMB207.9 million for the six months ended 30 June 2007 as compared to other losses of RMB41.8 million for the corresponding period in 2006. The gains were mainly attributable to the substantial interest income earned on application monies of approximately RMB270.0 million for share subscriptions in connection with our IPO in April 2007 and the interest income on other bank deposits of RMB85.2 million. This increase in other gains was offset by exchange losses, net, of RMB167.0 million mainly arising from the HK dollar-denominated proceeds received upon our IPO pending conversion into Renminbi during the period.

*Selling and marketing costs.* Selling and marketing costs increased by 35.7% to RMB157.6 million for the six months ended 30 June 2007 from RMB116.1 million for the corresponding period in 2006, which was primarily attributable to increased brand building efforts in anticipation of us becoming a public company. Our advertising expenses increased by 49.3% to RMB87.8 million for the six months ended 30 June 2007 from RMB58.8 million for the corresponding period in 2006. In addition, pre-sales of new projects (eg. Zengcheng Country Garden, Huanan Country Garden and Heshan Country Garden) in the first half of 2007 also gave rise to the higher selling and marketing costs for the period.

*Administrative expenses.* Administrative expenses increased by 79.2% to RMB291.1 million for the six months ended 30 June 2007 from RMB162.4 million for the corresponding period in 2006, primarily attributable to the recruitment of a large number of staff as our operations have expanded. Consequently, salary for our employees increased substantially by 47.9% to RMB131.0 million for the six months ended 30 June 2007 from RMB88.6 million for the corresponding period in 2006. In addition, a portion of the



listing expenses in connection with our IPO was recognised as administrative expenses, which contributed to the increase in administrative expenses.

*Other expenses.* Other expenses decreased by 71.8% to RMB10.5 million for the six months ended 30 June 2007 from RMB37.3 million for the corresponding period in 2006. Other expenses were relatively high for the six months ended 30 June 2006 primarily due to a surcharge in relation to the late payment of the enterprise income tax in 2002, 2003, and 2004.

*Finance costs.* Finance costs increased by 7.1% to RMB148.7 million for the six months ended 30 June 2007 from RMB138.8 million for the corresponding period in 2006, mainly reflecting the increase in the total interest expenses mainly resulting from several increases of bank loan interest rates between 1 January 2006 and 30 June 2007.

*Income tax expense.* Income tax expense increased by 13.5% to RMB435.8 million for the six months ended 30 June 2007 from RMB383.9 million for the corresponding period in 2006, primarily attributable to the increase of profit before income tax by 89.8% to RMB1,879.0 million for the six months ended 30 June 2007 from RMB989.9 million for the corresponding period in 2006. The effective tax rate for the six months ended 30 June 2007 was 23.2% compared to 38.8% for the corresponding period in 2006 primarily due to the tax holiday enjoyed by Giant Leap Construction Co.

*Profit for the period.* Profit for the six months ended 30 June 2007 increased by 138.2% to RMB1,443.2 million from RMB605.9 million for the corresponding period in 2006. Our net profit margin increased to 23.9% for the six months ended 30 June 2007 from 14.9% for the corresponding period in 2006, as a result of the cumulative effect of the foregoing factors.

*Minority interests.* Profits attributable to minority shareholders of our subsidiaries decreased to RMB22.1 million for the six months ended 30 June 2007 from RMB68.3 million for the corresponding period in 2006, primarily attributable to a decrease in sales of properties in Huanan Country Garden (Phase Six) as most of the properties in the project were completed and delivered in 2006.

## **2006 COMPARED TO 2005**

*Revenue.* Our revenue increased by 53.0% to RMB7,940.9 million in 2006 from RMB5,191.5 million in 2005, primarily attributable to the increase in sales of property.

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

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

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

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

Note:

(1) Chencun Country Garden and Shanghai Moon River have been transferred to independent third parties in May 2006 and June 2006, respectively.

- Construction and Decoration. Revenue generated from our construction and decoration decreased by 17.0% to RMB556.1 million in 2006 from RMB670.4 million in 2005, primarily attributable to a decrease in the volume of construction and decoration services rendered to a related party.
- Property Management. Revenue generated from our property management increased by 26.7% to RMB170.4 million in 2006 from RMB134.5 million in 2005, primarily attributable to an increase in the cumulative GFA under our management resulting from the construction completion and delivery of properties such as Country Garden Phoenix City and Shunde Country Garden (including Country Garden West Court).
- Hotel Operation. Revenue generated from our hotel operation increased by 4.7% to RMB194.0 million in 2006 from RMB185.3 million in 2005, primarily attributable to the signing of a long-term lease agreement between Honda Motor Co., Ltd., a Japanese company, and Zengcheng Country Garden Phoenix City Hotel Co., Ltd. and the increase in corporate clients for Holiday Islands Hotel Co.

*Cost of sales.* Cost of sales increased by 52.7% to RMB5,296.5 million in 2006 from RMB3,469.3 million in 2005, primarily attributable to a 93.9% increase of construction, decoration and design costs to RMB3,151.9 million in 2006 from RMB1,625.8 million in 2005 and, to a lesser extent, to the increases in land use rights cost, business taxes and LAT. The increase of construction, decoration and design costs was in line with the increase in total sales of our properties.

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

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

*Administrative expenses.* Administrative expenses increased by 32.1% to RMB361.5 million in 2006 from RMB273.7 million in 2005, primarily attributable to an increase in total salaries and benefits for our administrative personnel to RMB153.9 million in 2006 from RMB95.8 million in 2005, and an increase in the training costs and education subsidies for them, as a result of increased headcount due to our business expansion. The increase of administrative expenses was also attributable to an increase in real estate tax to RMB8.1 million in 2006 from RMB3.6 million in 2005 resulting from the completion of construction of Zengcheng Phoenix hotel which was then subject to real estate tax.

*Other expenses.* Other expenses decreased by 30.2% to RMB45.9 million in 2006 from RMB65.8 million in 2005, primarily attributable to the decrease in donations by us. Such decrease was partly offset by the surcharge paid to the local tax bureaus in 2006 resulting from the late payment of enterprise income tax incurred in 2002, 2003 and 2004. The late payment of enterprise income tax resulted from a different interpretation of the relevant tax policies between us and the local tax authority. The late payment surcharge was levied as compensation to the relevant local tax authorities. As of May 2006, we had paid in full the outstanding tax and late payment surcharge.

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

*Income tax expense.* Income tax expenses decreased by 61.5% to RMB144.3 million in 2006 from RMB375.0 million in 2005, primarily attributable to the tax exemption enjoyed by our subsidiary, Giant Leap Construction Co. In August 2006, the tax authority granted Giant Leap Construction Co. a tax holiday whereby it would be exempt from tax for two years and enjoy a 50% tax reduction for another three years. The tax holiday commenced from the first cumulative profit-making year net of losses carried forward. As a result, there was a reversal of deferred tax liabilities brought forward and a reduction of current income tax expense during the year ended 2006 compared with the year ended 2005.

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

*Minority interests.* Profits attributable to minority shareholders of our subsidiaries were RMB153.0 million in 2006 as compared to losses attributable to minority shareholders of our subsidiaries of RMB25.9 million in 2005, primarily attributable to the recognition of revenue from the sales of Huanan Country Garden (Phase Six) by Huanan Country Garden Co.

## 2005 COMPARED TO 2004

**Revenue.** Our revenue increased by 60.2% to RMB5,191.5 million in 2005 from RMB3,240.3 million in 2004, primarily attributable to the increase in sale of properties. The increase was slightly offset by the decrease of revenue generated from our construction and decoration related services.

- **Property Development.** Revenue generated from property development increased by 90.0% to RMB4,086.7 million in 2005 from RMB2,150.4 million in 2004, primarily attributable to a 71.0% increase in total GFA sold to approximately 731,173 sq.m. in 2005 from approximately 427,530 sq.m. in 2004 and to a 11.1% increase in the average realised sales price per sq.m. of our properties.

The increase in total GFA sold was mainly due to the increase in the delivery of GFA to purchasers upon the completion of construction of certain existing projects, including Country Garden Phoenix City, Peninsula Country Garden, Shunde Country Garden (including Country Garden West Court). The increase was also attributable to the recognition of sales of several new projects, including Gaoming Country Garden, Heshan Country Garden and Wuyi Country Garden in 2005, as these projects were still under development in 2004. The increase in total GFA sold also reflected the increased acceptance of our properties by purchasers resulting from our strengthened brand name and the appeal of the amenities, such as schools and hotels, established on our projects. The increase in average realised sales price per sq.m. resulted primarily from a change in our product mix as villas and retail shops, which carried higher sales prices per sq.m. than apartment buildings, accounted for an increased portion of our revenue in 2005. This was partially offset by a decrease in average realised sales price per sq.m. for apartment buildings due to the lower average sales price per sq.m. of the apartment buildings in the new projects.

The following table sets forth the revenue generated from each project and the percentage it represented of the total revenue from property development in 2005 and 2004, respectively.

Project	2005		2004	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(RMB in thousands)	%	(RMB in thousands)	%
Huanan Country Garden — Phase One to Five and Phase Seven . . .	26,754	0.6	286,028	13.3
Country Garden Phoenix City . . . .	1,697,038	41.5	1,077,115	50.1
Licheng Country Garden . . . . .	12,173	0.3	94,516	4.4
Shawan Country Garden . . . . .	—	—	12,567	0.6
Country Garden East Court . . . . .	71,680	1.8	37,703	1.8
Shunde Country Garden — including Country Garden West Court . . . . .	742,210	18.2	452,510	21.0
Peninsula Country Garden . . . . .	643,715	15.8	134,661	6.3
Jun'an Country Garden . . . . .	45,085	1.1	48,628	2.2
Gaoming Country Garden . . . . .	125,462	3.1	—	—
Wuyi Country Garden . . . . .	351,951	8.6	—	—
Heshan Country Garden . . . . .	369,953	9.0	—	—
Chencun Country Garden . . . . .	658	—	6,686	0.3
Total . . . . .	<u>4,086,679</u>	<u>100.0</u>	<u>2,150,414</u>	<u>100.0</u>

- **Construction and Decoration.** Revenue generated from our construction and decoration decreased by 11.3% to RMB670.4 million in 2005 from RMB756.2 million in 2004, primarily attributable to the decrease in the volume of construction services rendered to Floral City Country Garden project in 2005.

- **Property Management.** Revenue generated from our property management increased by 16.6% to RMB134.5 million in 2005 from RMB115.4 million in 2004, primarily attributable to an increase in the number of properties and the cumulative GFA which we managed.
- **Hotel Operation.** Revenue generated from our hotel operation increased by 50.0% to RMB185.3 million in 2005 from RMB123.5 million in 2004, primarily attributable to the commencement of operation and our management of Country Garden Holiday Peninsula Hotel and Heshan Country Garden Phoenix Hotel in late 2004 and in 2005, respectively; and the income from the commencement of full operation of Zengcheng Phoenix Hotel in 2005.

*Cost of sales.* Cost of sales increased by 49.7% to RMB3,469.3 million in 2005 from RMB2,318.0 million in 2004, primarily attributable to a 71.5% increase of construction, decoration and design costs to RMB1,625.8 million in 2005 from RMB948.1 million in 2004 and, to a lesser extent, to the increases in LAT and land use rights cost. The increase of construction, decoration and design costs was primarily due to an increase in total sales of our properties and, in particular, our villas and townhouses for which the construction costs tend to be higher. LAT increased by 263.9% to RMB329.3 million in 2005 from RMB90.5 million in 2004, primarily due to the moderate increase in unit selling price and the significant increase in the sales of our properties, in particular, our increased portion of sales accounted for by sales of our villas, townhouses and retail shops, which are typically taxed at higher rates and not subject to the ordinary standard residential houses exemption, in Shunde Country Garden (including Country Garden West Court), Peninsula Country Garden and Country Garden Phoenix City.

*Gross profit.* Gross profit increased by 86.7% to RMB1,722.2 million in 2005 from RMB922.3 million in 2004, primarily attributable to an increase in sales of our properties. Our gross profit margin increased to 33.2% in 2005 from 28.5% in 2004, primarily due to the increase of sales of villas and retail shops as a percentage of our revenue as sales of villas and retail shops are more profitable as compared to sales of our apartment buildings, and to a lesser extent, due to the improving profitability of property management and hotel operation as these segments enjoyed more economies of scale.

*Selling and marketing costs.* Our selling and marketing costs increased by 90.1% to RMB213.5 million in 2005 from RMB112.3 million in 2004. This was primarily attributable to a 142.4% increase in advertising fees to RMB120.7 million in 2005 from RMB49.8 million in 2004 and an increase in our general selling and marketing expenses as we promoted and sold more properties in 2005. The increase in selling and marketing costs was also attributable, to a lesser extent, to an increase in total salaries paid to our selling and marketing personnel resulting from the increase of headcount to support the increase in the number of projects we marketed in 2005.

*Administrative expenses.* Administrative expenses increased by 17.0% to RMB273.7 million in 2005 from RMB233.9 million in 2004, primarily attributable to an increase of total salaries and benefits for our administrative personnel to RMB95.8 million in 2005 from RMB73.2 million in 2004 resulting, among other things, from the increased headcount. The headcount increased primarily due to the increase in number of projects we marketed and pre-sale activities during 2005.

*Other expenses.* Other expenses increased by 3.3% to RMB65.8 million in 2005 from RMB63.7 million in 2004, primarily attributable to an increase in our donations.

*Finance costs.* Finance costs increased by 76.2% to RMB221.0 million in 2005 from RMB125.4 million in 2004, mainly reflecting the increase in bank borrowings.

*Income tax expense.* Income tax expense increased by 119.2% to RMB375.0 million in 2005 from RMB171.1 million in 2004, primarily attributable to the increase of profit before income tax by 136.3% to RMB964.5 million in 2005 from RMB408.2 million in 2004. The effective tax rate for 2005 was 38.9% compared to 41.9% for 2004.

*Profit for the year.* Profit for the year increased by 148.6% to RMB589.5 million in 2005 from RMB237.1 million in 2004. Our net profit margin increased to 11.4% in 2005 from 7.3% in 2004, as a result of the cumulative effect of the foregoing factors.

*Minority interests.* Losses attributable to minority shareholders of our subsidiaries increased to RMB25.9 million in 2005 from RMB17.9 million in 2004, primarily attributable to the proportionate decrease in profitability of our non-wholly-owned subsidiaries.

## LIQUIDITY AND CAPITAL RESOURCES

### *Cash flows*

The following table presents selected cash flow data from our combined cash flow statements for each of the three years ended 31 December 2004, 2005 and 2006 and consolidated cash flow statements for the six months ended 30 June 2007.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	(RMB in thousands)			(unaudited)	
Net cash (outflow)/inflow from operating activities .....	(885,548)	124,992	3,454,941	1,726,439	339,367
Net cash (used in)/generated from investing activities .....	(499,768)	(955,848)	499,486	752,434	169,368
Net cash generated from/(used in) financing activities .....	1,238,655	1,109,236	(3,249,445)	(1,112,493)	14,073,094
Cash and cash equivalents at the end of the period .....	546,327	824,707	1,529,689	2,191,088	16,111,518

### *Cash flows from operating activities*

Net cash inflow from operating activities decreased by 80.3% to RMB339.4 million for the six months ended 30 June 2007 from RMB1,726.4 million for the six months ended 30 June 2006, which was primarily due to payments for land acquisitions in the six months ended 30 June 2007.

Net cash inflow from operating activities increased by 2,663.9% to RMB3,454.9 million in 2006 from RMB125.0 million in 2005, which was primarily due to the increase in sales of our properties. Such increase was primarily attributable to an increase in movement of advanced proceeds received from customers to RMB3,812.6 million in 2006 from RMB1,850.4 million in 2005, in the form of deposits and pre-paid purchase price of pre-sold properties.

Net cash inflow from operating activities increased to RMB125.0 million in 2005 from an outflow of RMB885.5 million in 2004, which was primarily the result of a significant increase in profit from operating activities. The increase in profit was mainly attributable to the increase of the sales of our properties. The increase in net cash inflow from operating activities in 2005 also reflected an increase in movement of advanced proceeds received from customers of RMB717.8 million.

### *Cash flows from investing activities*

Net cash inflow from investing activities decreased by 77.5% to RMB169.4 million for the six months ended 30 June 2007 from RMB752.4 million for the six months ended 30 June 2006, which was primarily due to decrease in repayments of cash advances from related parties to RMB638.8 million for the six months ended 30 June 2007 from RMB1,021.6 million for the corresponding period in 2006.

Net cash inflow from investing activities was RMB499.5 million in 2006, as compared to net cash outflow from investing activities of RMB955.8 million in 2005. This was primarily attributable to an increase in repayments of cash advances from related parties to RMB1,021.6 million in 2006 from RMB899.4 million in 2005 and a decrease in the cash advances made to our related parties to RMB247.6 million in 2006 from RMB1,579.4 million in 2005.



Net cash outflow from investing activities increased by 91.2% to RMB955.8 million in 2005 from RMB499.8 million in 2004, primarily due to the increase in cash advances made to our related parties to RMB1,579.4 million in 2005 from RMB335.1 million in 2004.

#### *Cash flows from financing activities*

Net cash inflow from financing activities for the six months ended 30 June 2007 was RMB14,073.1 million as compared to net cash outflow from financing activities for the six months ended 30 June 2006, primarily attributable to proceeds from our IPO in April 2007.

Net cash outflow from financing activities was RMB3,249.4 million in 2006, as compared to net cash inflow from financing activities of RMB1,109.2 million in 2005, due to an increase of repayments of borrowings to RMB3,690.1 million in 2006 from RMB1,466.5 million in 2005 and an increase of dividends paid to our shareholders to RMB2,513.7 million in 2006 from RMB382.8 million in 2005.

Net cash inflow from financing activities decreased by 10.5% to RMB1,109.2 million in 2005 from RMB1,238.7 million in 2004, primarily due to an increase in our repayments of cash advances to related parties to RMB629.8 million in 2005 from RMB71.3 million in 2004.

#### *Capital Resources*

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cashflows can be generated. To date we have funded our growth principally from internal funds, borrowings from banks, proceeds from sales and pre-sales of our developed properties and proceeds from capital markets offerings, such as our IPO in April 2007. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Since June 2003 commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. In addition, the Bureau of Land Resources and Housing Management of Guangzhou City indicated in 2001 that it intended to abolish the installment payment method in connection with the transfer of state-owned land use rights after 31 December 2003. As a result, property developers may only use their own funds to pay for land premium and property developers in Guangzhou may be required to make a lump sum payment for the land premium within the period stipulated in the land grant contracts.

Prior to June 2003, we financed our payments of land premium through a combination of borrowings from banks and proceeds from the sales of properties. Since June 2003, we have funded all of our payments of land premium with proceeds from the sales of properties and sources other than bank borrowings. We plan to use proceeds from intentional capital market financing, proceeds from the sales of properties and internal funds to finance our future payments of land premium.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including ourselves. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funds for the construction of our projects.

Taking into account the remaining net proceeds from our initial public offering in April 2007, the proceeds from intentional capital market financing, available banking facilities and cash flows from our

operations, we believe we have sufficient working capital for our capital requirements and foreseeable debt repayment obligations for at least the next 12 months from the date of this Memorandum.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through intentional capital market financing or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable. See “Risk Factors—Risks Relating to Our Business—We may not have adequate resources to fund land acquisitions or property developments, or to service our financing obligations”.

### ***Borrowings***

The following table sets forth our borrowings as of 31 December 2004, 2005, 2006 and 30 June 2007:

	As of 31 December			As of 30 June
	2004	2005	2006	2007
	(RMB in thousands)			(unaudited)
<b>Borrowings included in non-current liabilities:</b>				
Bank borrowings . . . . .	1,709,004	3,410,505	3,876,700	4,606,400
Borrowings from related parties . . . . .	505,720	644,205	—	—
	2,214,724	4,054,710	3,876,700	4,606,400
Less: current portion of non-current borrowings . . . . .	(115,000)	(331,500)	(1,018,500)	(1,270,490)
Non-current borrowings . . . . .	2,099,724	3,723,210	2,858,200	3,335,910
<b>Borrowings included in current liabilities:</b>				
Bank borrowings . . . . .	400,000	270,000	140,000	—
Borrowings from related parties . . . . .	—	—	64,592	—
Current portion of non-current borrowings . . . . .	115,000	331,500	1,018,500	1,270,490
Current borrowings . . . . .	515,000	601,500	1,223,092	1,270,490
Total . . . . .	2,614,724	4,324,710	4,081,292	4,606,400

For information on the weighted average interest rate on the aggregate outstanding amount of our borrowings, see note 17 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 12 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum. As of 30 June 2007, all of our borrowings were secured by land use rights and properties that we owned and were guaranteed by our subsidiaries.

On 15 October 2007, we entered into a facility agreement as borrower in connection with a six months non-revolving term loan facility with the Bank of China (Hong Kong) Limited, as lender, for an aggregate principal amount up to HK\$1,500,000,000 for the purpose of financing our working capital. We have drawn down the entire principal amount available under this facility. We intend to repay the outstanding amount under this term loan facility in the near future. See “Description of Other Material Indebtedness”.

Our borrowings included in non-current liabilities as of 31 December 2004, 2005 and 2006 and 30 June 2007 amounted to RMB2,099.7 million, RMB3,723.2 million, RMB2,858.2 million and RMB3,335.9 million, respectively. For further information on our borrowings, see also note 17 to our

audited combined financial information for the years ended 31 December 2004, 2005 and 2006, which is included elsewhere in this Memorandum.

### ***Restricted Cash***

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of 31 December 2004, 2005 and 2006 and 30 June 2007, the outstanding amount of pre-sale proceeds so deposited was approximately RMB130.0 million, RMB135.8 million, RMB454.7 million and RMB759.1 million, respectively. See “— Certain Income Statement Items — Revenue”, and “Business — Overview of Our Property Development — Pre-sales”.

### ***Contingent Liabilities***

The majority of the guarantees provided by us are short-term guarantees which are discharged upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank which will generally be available within three months after we deliver the relevant property to the purchasers, or upon the full settlement of the mortgaged loans by the purchaser. Certain of these guarantees are long-term guarantees that we provided prior to 2003 which are discharged two years from the day the mortgaged loans become due. We also provided guarantees to PRC banks in respect of the bank loans provided by the banks to one of our related companies which were released by the relevant banks by the end of 2006. As of 30 June 2007, we had no guarantees provided in respect of such bank loans. For further information on our contingent liabilities, see note 30 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 20 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

### ***Capital commitments***

Our capital commitments in connection with our property development activities primarily consist of contracted construction fees and other capital commitments for future property developments. We expect to fund such capital commitments principally from the pre-sale proceeds of our properties and partly from bank borrowings. For further information on our capital and property development commitments, see note 31 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 21 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Offering Memorandum.

For more details about our capital commitments, see Note 21 to our condensed consolidated financial statements as of and for the six months ended 30 June 2007 included elsewhere in this Memorandum.

## **MARKET RISK**

### ***Interest Rate Risk***

Our business is sensitive to fluctuations in interest rates. An increase in interest rates would adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and net income. The PBOC published benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) for the years 2004, 2005 and 2006 and the six months ended

30 June 2007 were 5.58%, 5.58%, 6.12% and 6.57%, respectively. The PBOC raised the benchmark one-year lending rate several times from 5.31% in October 2004 to 7.47% in December 2007. In addition, on 17 March 2005, the PBOC raised the minimum property mortgage loan rate to 90% of the respective benchmark lending rates which was then changed to 85% of the respective benchmark lending rates on 19 August 2006. On 27 September 2007, the PBOC and the CBRC further increased the mortgage loan rates to at least 1.1 times the corresponding PBOC benchmark lending rates for property purchasers who have obtained their first home through a mortgage loan. While these increases in interest rates have not had a material adverse effect on our ability to obtain financing on terms acceptable to us or on our overall financial condition, we cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

### ***Foreign Exchange Risk***

We conduct our business almost exclusively in the Renminbi except that certain receipts of sales proceeds are in foreign currencies. The value of the US dollar and other foreign currencies may fluctuate and is affected by factors such as changes in China's political and economic conditions. The conversion of the Renminbi into foreign currencies, including US dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further on 18 May 2007, the PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the US dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the US dollar by up to 0.5% above or below the central parity rate published by the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the US dollar and by approximately 15.8% from 21 July 2005 to 19 February 2008. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar. Fluctuation in the value of the Renminbi to the US dollar may adversely affect our cash flows, revenue, earnings and financial position.

### ***Inflation***

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 3.9%, 1.8% and 1.5% in 2004, 2005 and 2006, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. Historically, we have not been materially affected by any inflation or deflation.

### **NON-GAAP FINANCIAL MEASURES**

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our operating profit before the following items:

- interest income;
- depreciation; and
- amortisation of land use rights.

EBITDA is not a standard measure under either IFRS or HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS and IFRS measure to EBITDA is operating profit. We operate in a capital intensive industry. We use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortisation of land use rights. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimising differences in capital expenditures and the associated depreciation expenses as well as land use rights amortisation, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

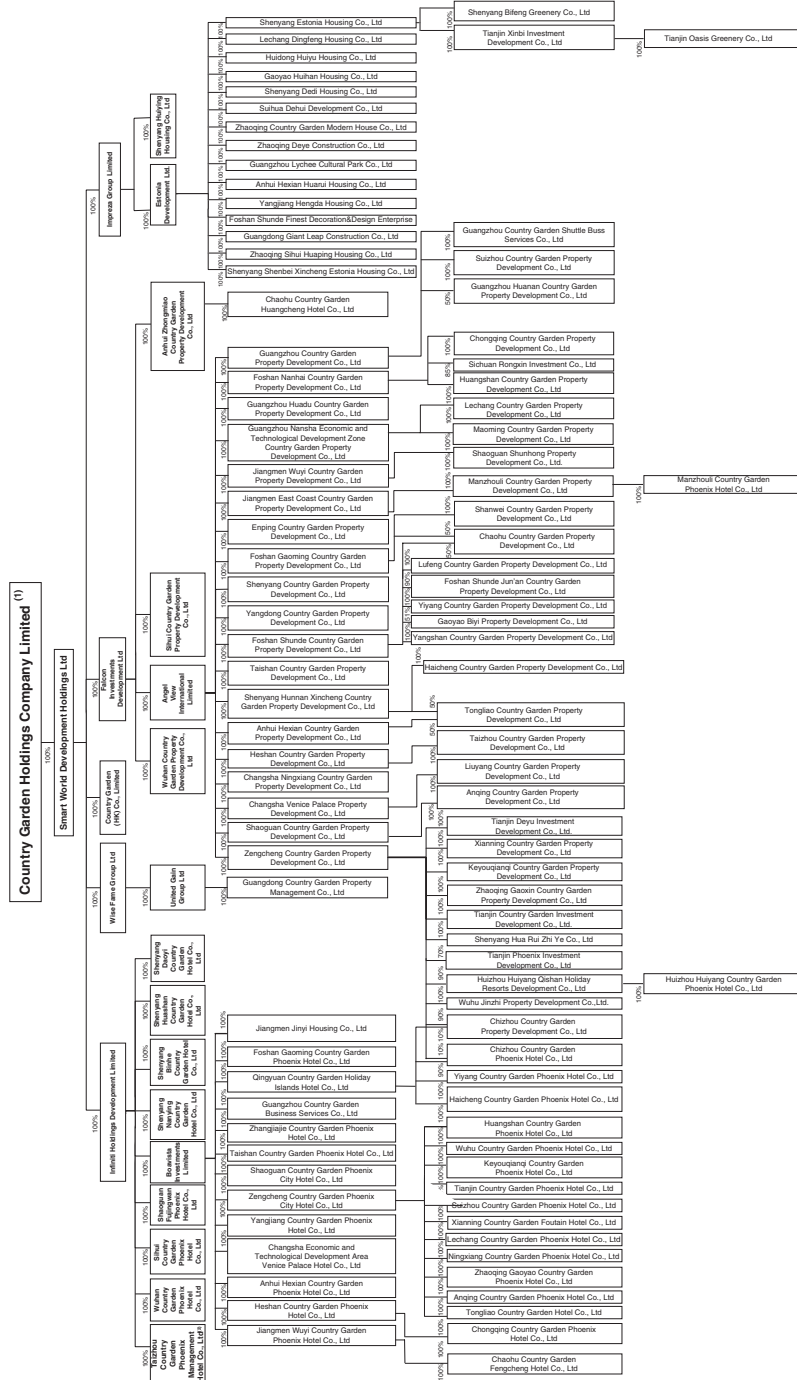
The following table reconciles our operating profit under HKFRS to our definition of EBITDA for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	(RMB in millions)			(unaudited)	
Operating profit .....	533.6	1,185.5	2,081.6	1,128.7	2,027.7
<b>Adjustments:</b>					
Interest income .....	(7.9)	(7.8)	(20.2)	(8.2)	(355.3)
Depreciation .....	101.5	133.6	137.2	56.3	52.7
Amortisation of land use rights .....	42.2	42.3	39.6	20.5	25.4
<b>EBITDA</b> .....	<b>669.4</b>	<b>1,353.6</b>	<b>2,238.2</b>	<b>1,197.3</b>	<b>1,750.5</b>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to operating profit or as an indicator of operating performance or any other standard measure under HKFRS or IFRS. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

## CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of 31 December 2007.



Note:

- (1) Our ultimate shareholders (other than public shareholders) are Yang Huiyan, Yang Erzhu, Su Rubo, Zhang Yaoyuan, Ou Xueming, who hold 58.19%, 9.98%, 4.99%, 4.99% and 4.99%, respectively, of our Shares. See "Principal Shareholders".
- (2) Taizhou Country Garden Phoenix Management Hotel Co., Ltd is currently undergoing dissolution procedures.



## BUSINESS

### OVERVIEW

We are one of the leading integrated property developers in the PRC, with substantially all of our assets and operations based in the PRC. We have benefited, since we first commenced our property development activities in 1997, and expect to continue to benefit from the growth in the property sector associated with the economic development of the PRC, particularly in Guangdong Province. Our primary business has been the development of large-scale residential community projects and the sale of various types of properties, including villas, townhouses, apartment buildings, parking spaces and retail shops. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration as well as property management. In addition, we also develop and manage hotels within some of our projects to enhance such projects' potential for value appreciation.

Our residential home projects are generally located in the suburban areas of first-tier cities and in the newly urbanised town centres of second- and third-tier cities. While the local residents in China constitute our core customer base, we have also generated demand from residents in Hong Kong and Macau.

As of 31 December 2007, we had 45 projects at various stages of development. 26 of these projects are located in Guangdong Province: eight in Guangzhou City, five in Foshan City, five in Jiangmen City, one in Yangjiang City, three in Shaoguan City, two in Zhaoqing City, one in Huizhou City and one in Shanwei City. Another 19 projects are located in other provinces and regions including two in Changsha City in Hunan Province, one in each of Hulunbeier City, Xing'anmeng and Tongliao City in Inner Mongolia, one in Taizhou City in Jiangsu Province, four in Shenyang City and one in Anshan City in Liaoning Province, one in Wuhan City and two in Xianning City in Hubei Province, one in each of Chaohu City, Chizhou City, Huangshan City and Wuhu City in Anhui Province and one in Chongqing Municipality.

As of 31 December 2007, our projects had an aggregate completed GFA of approximately 8,760,936 sq.m., on which we had built approximately 47,998 units to house an estimated of approximately 191,000 people. We had an aggregate GFA under development of approximately 9,884,000 sq.m. and an aggregate GFA of approximately 28,560,443 sq.m. relating to properties held for future development as of the same day. In addition, as of 31 December 2007, we entered into land grant contracts in respect of land located in 14 cities with an aggregate site area of approximately 12,443,121 sq.m. pending issuance of land use rights certificates, with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development.

The hotels that we have developed and currently operate include two five-star hotels and one four-star hotel, as well as five hotels which have been developed in accordance with the five-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels" (旅遊飯店星級的劃分與評定). In addition, we have four hotels under construction in accordance with the five-star standard set forth in the "Star-Rating Standard for Tourist Hotels".

We have also been granted a number of awards and recognitions including the following:

- Top Tax Paying Private Enterprise in China awarded by the State Administration of Taxation in 2006;
- "Country Garden" awarded by the PRC State Administration for Industry and Commerce ("SAIC") as China's Well-Known Trademark in the property sector in 2006 (only two property developers in the PRC have been given such recognition); and
- Top Ten Best Employers awarded by the International Human Resource Management, PKU Business Review, Registered Human Resources Management Office in 2006

For each of the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, our total revenue was approximately RMB3,240.3 million, RMB5,191.5 million, RMB7,940.9 million and RMB6,033.8 million (US\$840.2 million), respectively. For each of the years

ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, our net profit was approximately RMB237.1 million, RMB589.5 million, RMB1,672.5 million and RMB1,443.2 million (US\$201.0 million), respectively.

## **COMPETITIVE STRENGTHS**

### ***We have an established business model which we believe we can replicate in other parts of China***

We focus on the development of large-scale residential communities in the suburban areas of first-tier cities as well as the newly urbanised town centres of second- and third-tier cities in the PRC. Our business model leverages on China's economic growth, increasing urbanisation and increasing standards of living. We believe that we have aligned our business development with the objectives of local governments, as our large-scale township developments raise the living standards of the local population and help to improve the business environment of the local economies. As of 31 December 2007, we had 45 projects spanning six provinces, one autonomous region and one provincial level municipality with 26 projects in Guangdong Province and 19 projects outside Guangdong Province. The success of our Changsha project, our first project outside Guangdong Province, demonstrate our ability to replicate our business model in other provinces in China. As we continue to expand outside Guangdong Province, we expect that our revenue sources will become more geographically diversified and that pre-sale proceeds from outside Guangdong Province will represent a significant percentage of our cash flows in 2008 and thereafter.

We attribute the success of our business model to our ability to add value to our large-scale, quality township projects that are both affordable and enhance the living standard of the local population. In addition to providing a more competitively priced alternative with lower density and a healthier environment compared to city centre properties, we proactively enhance the value of our properties by creating a better living environment through the provision of comprehensive community facilities and premium services in our master-planned communities. Our facilities include clubhouses, five-star standard hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, while our services include health care, childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centres.

Our development projects are strategically located in the suburban areas of first-tier cities or the newly urbanised town centres of second- and third-tier cities, with convenient transportation access to city centres. The lower land cost, together with our economies of scale and centralised and standardised operations, enable us to offer a more competitively priced and better quality alternative to properties in the city centres. In addition, the expansion of urban boundaries as part of China's urbanisation process enables our property to realise substantial appreciation potential.

We believe our strategic locations and quality products as well as premium property management services not only enhance our customer appeal, but also help improve the overall quality and value of the surrounding areas. As a result, we believe that we are viewed as a preferred developer by local governments looking to improve the quality and attractiveness of their local areas.

### ***We are one of the largest property developers in the PRC with one of the largest and lowest-cost land banks, which we believe provides a strong base for our future growth and profitability***

As of 31 December 2007, we had an aggregate GFA under development and for future development of approximately 38,444,443 sq.m. for which we have obtained all the relevant land use rights certificates. In addition, as of 31 December 2007, we have entered into land grant contracts in respect of land with an aggregate site area of approximately 12,443,121 sq.m. for which we have applied for or are in the process of applying for land use rights certificates in 14 cities in China, with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

For the year ended 31 December 2006 and the six months ended 30 June 2007, our average unit land cost based on GFA was lower than 10% of our average unit selling price. Most importantly, our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio to cater to a broader customer base and respond more effectively to changing market conditions.

***We have large-scale and centralised and standardised operations, which provide high-quality and competitively priced products to our customers as well as rapid sales and attractive margins to us***

We are one of the largest PRC property developers. With our focus on developing large-scale, multi-phase suburban residential communities in the PRC, we can benefit from economies of scale through:

- the pooling of internal resources, which leads to a lower overhead cost per unit; and
- strengthening our bargaining power with suppliers and contractors, which enables us to obtain good quality supplies and services at relatively low costs and allows our customers to share in such benefits.

Our strong execution capabilities, large-scale, centralised and standardised operations have allowed us to rapidly develop and bring our projects to market in a cost-effective manner. It is our policy to ensure that we develop our existing land bank rapidly, and only acquire land with an estimated development cycle that is consistent with our development policy, to enable us to comply with the development deadlines imposed under applicable law and optimise our cash flow efficiency.

As a result of our strong brand recognition, unique and high quality product mix, together with a competitive pricing model, historically we have been able to pre-sell a substantial portion of the properties in our projects within a short period after launch.

***We are one of only two brands to have recognition as “China’s Well-Known Trademarks” in the property sector***

We believe our brand name “Country Garden” (碧桂園), as well as our guiding motto, “Country Garden — Giving you a five-star home” (碧桂園 — 給您一個五星級的家), have strong market recognition in the Guangdong, Hong Kong and Macau markets. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but higher living standards supported by comprehensive community facilities and services such as food and beverage, shopping, sports and leisure, transportation, healthcare, education and domestic assistance. This market recognition has helped us to achieve our leading position in the property market in Guangdong Province and to expand our operations into other PRC provinces. We were named in 2006 by SAIC as one of only two brands to have recognition as “China’s Well-Known Trademarks” in the property sector.

Our aim is to strengthen the confidence and trust of our customers in our products and services, and to secure repeat customers and referrals for us, all through an emphasis on quality property management and post-sales services. We believe that our increasing sales and our strong market position reflect the trust that we have been able to build with our customers and the recognition of our brand name and the quality of our products. Over 40% of the referrals we recorded in 2005 were from existing residents in our developed projects.

***We have a highly effective management structure, experienced management team and professional workforce***

We have a centralised management structure, which is highly efficient and cost effective:

- It allows us to apply standardised procedures across all of our projects to produce consistently high quality products which gives us the ability to sell products in large volumes without incurring excessive incremental overhead.
- Our centralised procurement system provides us with considerable bargaining power with our suppliers and contractors, allowing us to offer high quality and competitively priced products to our customers which contribute to a high degree of customer satisfaction.

Our senior management team has extensive industry knowledge, management skills and operating experience. The key members of our management have remained unchanged since our inception. In particular, Yeung Kwok Keung, Yang Erzhu, Su Rubo, Zhang Yaoyuan and Ou Xueming, our co-founders, have remained as a cohesive team and have focused solely on our property development business since 1997. Many members of our management team are trained or licensed architects and civil engineers. We have also recruited a large number of mid-level managers and professionals with property experience or relevant management skills.

## **BUSINESS STRATEGIES**

### ***Continue to focus on core property development business***

We intend to continue to grow our core property development business. The focus of our development will gradually shift to cities outside Guangdong Province and to regions experiencing rapid economic growth. We will actively look for suitable opportunities to develop large-scale residential communities in suburban areas of first-tier cities as well as the newly urbanised town centres of second- and third-tier cities. We believe this strategy is not only in line with China's urbanisation trend of expanding existing urban boundaries of major cities and creating new urban clusters around second- and third-tier cities, but also consistent with our successful formula of controlling costs through our low-cost land bank, large-scale production and rapid sales.

We also intend to continue to incorporate five-star standard hotels in our large residential communities, as we believe they enhance the value and attractiveness of our communities. We believe this strategy also improves our standing and bargaining position with local governments during the land tender process, as five-star standard hotels are seen by local governments of second- and third-tier cities as an important feature to attract international investors.

### ***Further strengthen our already leading position and brand name recognition***

We plan to continue to further strengthen our leading position and our "Country Garden" brand name recognition in Guangdong Province and across China. To distinguish ourselves from our competitors, we plan to continue to promote the "five-star home" motto and apply this to the services offered to our existing and prospective customers to improve the living environment of our customers.

We intend to continue to respond to changing market conditions, customer preferences and government policies in order to continuously deliver excellent-quality products that cater for a wide customer base at competitive prices in a timely manner, providing a unique and comfortable living environment for our customers as well as strengthening the recognition in our products and brand name. We will also encourage creativity and innovation in our product design through the exchange of ideas between our in-house experts and the external professionals who handle our outsourced work. Further, we intend to exercise increasingly effective control of construction quality and post-sales maintenance through the flat management structure we have adopted across our specialised functional departments and subsidiary companies.

### ***Enhancing effective internal management and controls***

We intend to continue to adopt the best practices and standards in the industry for corporate governance and internal controls, drawing on our senior management's expertise and experience to facilitate our operations.

We intend to further enhance our internal management by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to market conditions. We aim to enhance our overall financial and cost control ability while preserving flexibility and efficiency at the project level.

We intend to implement stricter financial discipline in managing indebtedness, liquidity and cash flow.

Further, we intend to formalise our internal evaluation and reward system to promote professionalism, initiatives and team spirit among our employees and to cultivate our corporate culture, which emphasises responsibility, creativity and cooperation. This system will include elements such as a bonus system, which is already in place, and the share option scheme for our directors, senior management and employees. We will continue to provide our employees with a variety of training and development programs to assist in their career development. We will also actively recruit new talent to optimise our human resources and enhance the productivity and competitiveness of our workforce.

### **OVERVIEW OF OUR PROPERTY DEVELOPMENT**

As of 31 December 2007, we had 45 projects at various stages of development. 26 of these projects are located in Guangdong Province including eight in Guangzhou City, five in Foshan City, five in Jiangmen City, one in Yangjiang City, three in Shaoguan City, two in Zhaoqing City, one in Huizhou City and one in Shanwei City. Another 19 projects are located in other provinces including two in Changsha City in Hunan Province, one in each of Hulunbeier City, Xing'anmeng and Tongliao City in Inner Mongolia, one in Taizhou City in Jiangsu Province, four in Shenyang City and one in Anshan City in Liaoning Province, one in Wuhan City and two Xianning City in Hubei Province, one in each of Chaohu City, Chizhou City, Huangshan City, Wuhu City in Anhui Province and one in Chongqing Municipality.

We have obtained all the relevant long-term title certificates for land of our completed properties and properties under development. Further, we have property interests derived from land use rights transfer agreements, compensation agreements or land grant contracts to develop residential properties in various cities in Guangdong Province, Changsha City and Yiyang City in Hunan Province, Shenyang City and Anshan City in Liaoning Province, Chaohu City, Huangshan City, Anqing City and Wuhu City in Anhui Province, Suizhou City in Hubei Province and Tongliao City in Inner Mongolia, with an aggregate site area of approximately 12,443,121 sq.m. As of 31 December 2007, we had not yet obtained land use rights certificates to these parcels of land and these land parcels are vacant land for future development purposes.

The relevant properties in a property development project are treated as completed when the local government authorities issue a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表). The relevant properties in a property development project are treated as having received that certification when we have provided the relevant government authorities with, among other things, the following documents and when an official seal has been affixed to the inspection-for-completion form:

- Relevant approvals and acceptance documents from the bureau of planning, public security and fire services and environmental protection;
- Completed Construction Works Certified Report (建設工程竣工驗收報告);

- Construction Permit (建築工程施工許可證);
- Project Quality Assessment Report (工程質量評估報告);
- Quality Inspection Report on Investigation and Design Documentation (勘察、設計文件質量檢查報告);  
and
- Inspection Report on the Quality of Construction Projects (建設工程質量監督報告).

A property is treated as “under development” immediately following the issuance of the Construction Permit but prior to the issuance of the Certification of Completion.

Unless otherwise indicated, we have obtained the relevant land use rights certificates for our properties referred to in this Memorandum. As our projects typically comprise multiple-phase developments on a rolling basis, a single project may include a number of phases that are variously completed, still under development or held for future development.

The site area information for an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as we reasonably expect to be able to develop for such project.

The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms and guard houses.

A property is treated as “sold” when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document. A property is treated as “pre-sold” when the purchase contract has been executed but the property has not yet been delivered to the customer.

The project names used in this Memorandum are the names that we have used, or intend to use, to market our properties.



The following table sets forth the information of our 45 projects as of 31 December 2007.

Project	City (District)	Types of Products	Completed property development					Properties under development					Properties for future development					Interest attributable to us %
			Aggregate completed GFA <sup>(1)</sup> sq.m.	Completed GFA <sup>(1)</sup> sq.m.	Total completed GFA <sup>(1)</sup> sq.m.	Total saleable GFA <sup>(1)</sup> sq.m.	Completion Time	GFA under development <sup>(2)</sup> sq.m.	Total saleable GFA under development <sup>(3)</sup> sq.m.	Actual/ Estimated commence- ment time	Actual/ Estimated pre-sale commence- ment time	Estimated completion time	GFA for future development <sup>(4)</sup> sq.m.	Actual/ Estimated commence- ment time	Actual/ Estimated pre-sale commence- ment time	Estimated completion time		
Country Garden East Court (碧桂园东苑)	Guangzhou (Panyu)	Low-rise apartment buildings, retail shops	269,222	240,550	238,860	227,415	29-Jun-2002	—	—	—	—	—	—	28,672	1st Quarter 2009	3rd Quarter 2009	1st Quarter 2010	100
Shawan Country Garden (沙湾碧桂园)	Guangzhou (Panyu)	Villas, townhouses, high-rise apartment buildings	279,354	54,247	53,997	53,997	13-Dec-2002	222,433	220,078	25-Jul-2007	0	1st Quarter 2008	4th Quarter 2008	2,674	2nd Quarter 2008	—	4th Quarter 2008	100
Huanan Country Garden — Phases One to Five and Phase Seven Phases (华南碧桂园——至五期及七期)	Guangzhou (Panyu)	Villas, townhouses, high-rise apartment buildings, retail shops, Low-rise apartment buildings	1,009,671	775,222	721,643	704,526	24-Dec-2007	185,427	149,067	25-Feb-2005	129,341	26-Apr-06	4th Quarter 2008	49,022	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2009	100
Huanan Country Garden — Phase Six (华南碧桂园——六期)	Guangzhou (Panyu)	Villas, townhouses, high-rise apartment buildings, retail shops	423,477	408,401	407,622	381,456	20-Dec-2007	1,076	—	15-Oct-2004	—	—	1st Quarter 2008	14,000	1st Quarter 2010	—	4th Quarter 2010	50
Licheng Country Garden (荔城碧桂园)	Guangzhou (Zengcheng)	Villas, townhouses, low-rise apartment buildings, retail shops, parking spaces	524,482	452,863	437,944	417,176	20-Jul-2007	71,619	71,141	12-Oct-2007	—	1st Quarter 2008	4th Quarter 2008	—	—	—	—	100
Country Garden Phoenix City (碧桂园凤凰城)	Guangzhou (Zengcheng)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops, parking spaces	3,877,192	1,867,483	1,748,204	1,639,026	24-Dec-2007	686,680	684,532	29-Apr-2007	102,963	15-Aug-07	4th Quarter 2008	1,323,029	1st Quarter 2008	2nd Quarter 2008	4th Quarter 2011	100
Nansha Country Garden (南沙碧桂园)	Guangzhou (Nansha)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	509,062	107,511	105,460	102,009	30-Nov-2007	401,550	382,817	29-Jan-2007	25,005	2007-9-28	4th Quarter 2008	—	—	—	—	100
Holiday Islands — Huadu (假日半岛—花都)	Guangzhou (Huadu)	Villas, townhouses, low-rise apartment buildings*, high-rise apartment buildings*	544,829	154,295	153,300	130,631	27-Oct-2007	58,862	57,611	11-May-2006	—	2nd Quarter 2008	3rd Quarter 2008	331,672	1st Quarter 2008	3rd Quarter 2008	4th Quarter 2009	100
Shunde Country Garden — including Country Garden West Court (顺德碧桂园 (含碧桂园西苑))	Foshan (Shunde)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	2,270,723	1,971,470	1,857,608	1,704,303	28-Dec-2007	138,753	138,038	26-Sep-2005	95,610	29-Nov-06	4th Quarter 2008	160,500	1st Quarter 2008	3rd Quarter 2008	4th Quarter 2009	100
Jun'an Country Garden (均安碧桂园)	Foshan (Shunde)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings*	267,766	121,448	111,619	111,377	24-Dec-2007	102,228	101,683	9-Dec-2005	47,415	29-Jan-07	4th Quarter 2008	44,090	2nd Quarter 2008	1st Quarter 2009	4th Quarter 2011	90
Peninsula Country Garden (半岛碧桂园)	Foshan (Shunde)	Villas, townhouses, low-rise apartment buildings, retail shops	294,323	294,118	287,323	286,021	19-Oct-2007	205	—	25-Jan-2007	—	—	1st Quarter 2008	—	—	—	—	100
Gaoming Country Garden (高明碧桂园)	Foshan (Gaoming)	Villas, townhouses, low-rise apartment buildings, retail shops, high-rise apartment buildings*	1,034,539	194,628	189,698	184,795	29-Sep-2006	752,424	745,374	31-May-2006	38,594	29-Sep-07	2nd Quarter 2009	87,487	3rd Quarter 2008	2nd Quarter 2009	4th Quarter 2010	100
Nanhai Country Garden (南海碧桂园)	Foshan (Nanhai)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	572,194	374,553	373,325	367,546	27-Dec-2007	180,748	168,627	27-Jun-2005	9,263	4-Apr-06	4th Quarter 2008	16,893	1st Quarter 2008	3rd Quarter 2008	4th Quarter 2009	100
Heshan Country Garden (鹤山碧桂园)	Jiangmen (Heshan)	Villas, townhouses, low-rise apartment buildings, retail shops, parking spaces, high- rise apartment buildings*	3,231,987	436,205	422,224	379,524	28-Dec-2007	365,416	363,400	22-Mar-2007	6,539	13-Sep-07	4th Quarter 2008	2,430,366	1st Quarter 2008	2nd Quarter 2008	2nd Quarter 2011	100

Project	City (District)	Types of Products	Completed property development						Properties under development						Properties for future development					
			Aggregate GFA for entire project	Completed GFA <sup>(1)</sup>	Total completed GFA <sup>(1)</sup>	Total saleable GFA <sup>(2)</sup>	Completion Time	GFA under development <sup>(2)</sup>	Total saleable GFA under development <sup>(2)</sup>	Actual/ Estimated completion time	Estimated completion time	GFA for future development <sup>(4)</sup>	Actual/ Estimated commencement time	Estimated commencement time	Interest attributable to us %					
Wuyi Country Garden (五邑碧桂园)	Jiangmen (Pengjiang)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings	692,621	375,198	347,965	331,532	11-Dec-2007	316,481	309,134	13-Oct-2006	65,438	942	1st Quarter 2008	—	2nd Quarter 2009	100				
Xinhui Country Garden (新會碧桂园)	Jiangmen (Xinhui)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	591,159	109,113	106,852	93,695	30-Dec-2007	173,701	172,781	19-Apr-2007	—	308,344	1st Quarter 2008	3rd Quarter 2008	1st Quarter 2010	100				
Taishan Country Garden (臺山碧桂园)	Jiangmen (Taishan)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	2,966,952	154,923	154,156	95,734	30-Dec-2007	365,756	347,167	31-Mar-2006	11,526	2,446,273	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2011	100				
Enping Country Garden (恩平碧桂园)	Jiangmen (Enping)	Townhouses, low-rise apartment buildings, high-rise apartment buildings* and retail shops*	405,723	—	—	—	—	93,373	87,782	1-Nov-2007	2nd Quarter 2008	312,350	1st Quarter 2008	2nd Quarter 2008	1st Quarter 2010	100				
Yangdong Country Garden (陽東碧桂园)	Yangjiang (Yangdong)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	392,319	243,744	228,696	151,517	19-Oct-2007	148,575	141,656	29-Apr-2005	10,928	—	—	—	—	100				
Zhaosheng Lanling Residence (肇慶藍翎公寓)	Zhaoqing (Gaoxin)	Retail shops	186,030	14,430	2,532	—	18-Oct-2007	171,600	17,127	5-Sep-2006	0	2nd Quarter 2008	—	—	—	100				
Zhaosheng Country Garden (肇慶碧桂园)	Zhaoqing (Gaoyao)	Townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	517,932	36,733	36,733	28,863	11-Dec-2007	299,169	287,020	19-Sep-2006	77,992	182,030	1st Quarter 2008	1st Quarter 2008	4th Quarter 2009	51				
Huiyang Country Garden (惠陽碧桂园)	Huizhou (huiyang)	Townhouses, low-rise apartment buildings, high-rise apartment buildings	918,426	—	—	—	—	797,850	789,570	22-Aug-2007	—	120,576	2nd Quarter 2008	4th Quarter 2008	4th Quarter 2010	90				
Shanwei Country Garden (汕尾碧桂园)	Shanwei (Shanwei)	Townhouses*, high-rise apartment buildings*	747,293	—	—	—	—	—	—	—	—	747,293	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2011	100				
Shaoguan Country Garden (韶關碧桂园)	Shaoguan (Zhenjiang)	Townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	1,996,261	—	—	—	—	579,182	568,321	17-Jan-2007	124,771	1,417,080	1st Quarter 2008	4th Quarter 2008	1st Quarter 2010	100				
Lechang Country Garden (樂昌碧桂园)	Shaoguan (Lechang)	Townhouses, high-rise apartment buildings, retail shops* and low-rise apartment buildings*	261,926	—	—	—	—	186,700	186,474	23-Oct-2007	2nd Quarter 2008	75,226	1st Quarter 2008	2nd Quarter 2008	4th Quarter 2010	100				
Shaoguan Country Garden — Sun Palace (韶關碧桂园·太陽城)	Shaoguan (Xilian)	Townhouses*, high-rise apartment buildings* and retail shops*	3,887,714	—	—	—	—	—	—	—	—	3,887,714	1st Quarter 2008	3rd Quarter 2008	2nd Quarter 2012	100				
Changsha Country Garden (長沙碧桂园)	Changsha (Changsha)	Villas, townhouses, low-rise apartment buildings, high-rise apartment buildings, retail shops	1,273,404	373,798	330,693	208,514	28-Dec-2007	271,561	271,211	18-Dec-2006	74,631	628,045	1st Quarter 2008	3rd Quarter 2008	3rd Quarter 2010	100				
Ningxiang Country Garden (寧鄉碧桂园)	Changsha (Ningxiang)	Townhouses, high-rise apartment buildings*	186,972	—	—	—	—	59,949	34,553	12-Nov-2007	2nd Quarter 2008	127,023	1st Quarter 2008	3rd Quarter 2008	4th Quarter 2009	100				
Taizhou Country Garden (泰州碧桂园)	Taizhou (Hailing)	Townhouses, high-rise apartment buildings	741,430	—	—	—	—	217,041	213,810	27-Jun-2007	—	524,389	1st Quarter 2008	2nd Quarter 2008	4th Quarter 2010	100				
Wuhan Country Garden (武漢碧桂园)	Wuhan (Hannan)	Townhouses*, high-rise apartment buildings*	514,855	—	—	—	—	42,926	42,926	28-Dec-2007	—	471,929	1st Quarter 2008	2nd Quarter 2008	2nd Quarter 2009	100				
Xianning Country Garden (咸寧碧桂园)	Xianning (Xian'an)	Townhouses*, low-rise apartment buildings*, high-rise apartment buildings*	1,232,718	—	—	—	—	—	—	—	—	1,232,718	1st Quarter 2008	2nd Quarter 2008	4th Quarter 2010	100				



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- (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.
- (2) “GFA under development” is based on the actual measurements by our housing management department.
- (3) “Total saleable GFA under development” and “Total saleable GFA pre-sold” for properties under development are derived from the Commodity Properties Pre-sale Permit.  
(商品房預售許可証)
- (4) “GFA held for future development” for each project is the GFA expected to be built.
- \* These types of products are products that we expect to develop in the project, but we have not obtained Planning Permit (規劃許可証) or planning approval for developing these products.

As of 31 December 2007, our project companies had entered into land grant contracts in respect of land in various cities in Guangdong Province, Changsha City and Yiyang City in Hunan Province, Shenyang City and Anshan City in Liaoning Province, Chaohu City, Huangshan City, Anqing City and Wuhu City in Anhui Province, Suizhou City in Hubei Province and Tongliao City in Inner Mongolia, with an aggregate site area of approximately 12,443,121 sq.m. for which we had not yet obtained the relevant land use rights certificates, with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development. Although Jingtian, our PRC legal advisor, has advised us that there are no material legal impediments to obtaining land use rights certificates for these parcels of land after full payment of their land premium according to the relevant land grant contracts, we are uncertain that we will obtain the land use rights certificates in respect of these parcels of land in a timely manner or at all. Further, we have not commenced any construction or preparation of construction relating to these parcels of land, nor do we have any detailed plans for them.

The table below shows the location, site area and expected developable aggregate GFA, for each of these parcels of land as of 31 December 2007. The site area information for these parcels of land is based on the relevant land grant contracts or public auction confirmation.

<b>Location</b>	<b>Site Area</b>	<b>Expected developable aggregate GFA</b>
Foshan City (Gaoming), Guangdong Province .....	387,933	350,000
Jiangmen City (Heshan), Guangdong Province .....	23,051	23,051
Shaoguan City (Xilian), Guangdong Province .....	138,831	140,257
Shaoguan City (Zhenjiang), Guangdong Province .....	873,327	873,327
Zhaoqing City (Gaoyao), Guangdong Province .....	51,445	127,300
Zhaoqing City (Sihui), Guangdong Province .....	157,333	112,972
Changsha City (Liuyang), Hunan Province .....	641,762	1,411,900
Changsha City (Ningxiang), Hunan Province .....	146,134	219,201
Yiyang City (Yiyang), Hunan Province .....	489,847	256,450
Suizhou City (Chengnan), Hubei Province .....	1,726,600	2,217,276
Anqing City (Anqing), Anhui Province .....	1,038,032	1,927,433
Chaohu City (Hexian), Anhui Province .....	1,687,547	2,193,811
Chaohu City (Zhangmiao), Anhui Province .....	661,638	916,780
Chaohu City (Nan'an), Anhui Province .....	664,723	773,505
Huangshan City (Huangshan), Anhui Province .....	119,577	148,976
Wuhu City (Sanshan), Anhui Province .....	303,803	751,700
Anshan City (Haicheng), Liaoning Province .....	96,720	164,424
Shenyang City (Daoyi), Liaoning Province .....	175,878	498,314
Shenyang City (Huashan), Liaoning Province .....	923,922	1,501,707
Shenyang City (Yuhong), Liaoning Province .....	801,678	2,053,889
Tongliao City (Keerqin), Inner Mongolia .....	1,333,340	1,510,652
<b>Total</b>	<b>12,443,121</b>	<b>18,172,924</b>

## DESCRIPTION OF OUR PROPERTY PROJECTS

The following map shows the locations of our 45 projects as of 31 December 2007.



The following sets forth brief descriptions of our 45 projects. The commencement date for a project or the commencement date for a phase of a project is the date we start construction of the first building of the project or phase of development. The completion date for a project or the completion date for a phase of a project is either the date we obtain the completion documents or the Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表) from the local government authorities for the last building or phase of the project.

### ***Guangzhou City, Guangdong Province***

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

Country Garden East Court is located at the intersection of Yushan West Road and 105 Guo Road, Panyu, Guangzhou City. It is being developed by Guangzhou Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 220,943 sq.m., and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 269,222 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 191,044 sq.m., and had an aggregate GFA (including saleable and non-saleable GFA) of approximately



240,550 sq.m. Construction of these properties commenced on 16 June 2000 and was completed on 29 June 2002. The completed properties comprised 2,761 residential flats with an aggregate saleable GFA of approximately 235,251 sq.m. as well as 56 retail shops with an aggregate saleable GFA of approximately 3,609 sq.m. As of 31 December 2007, 2,666 residential flats, with an aggregate saleable GFA of approximately 227,415 sq.m., had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 95 residential flats, with an aggregate GFA of approximately 7,836 sq.m., and 56 retail shops with an aggregate GFA of approximately 3,609 sq.m.

As of 31 December 2007, there was no property under development in Country Garden East Court.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 29,899 sq.m., and had an expected aggregate GFA of approximately 28,672 sq.m.

As of 30 June 2007, the total development costs of Country Garden East Court (including the costs of land acquisition and construction) incurred were RMB584.3 million.

Country Garden East Court offers low-rise apartment buildings and retail shops. This development features Country Garden Farm, a commercial pedestrian street and fountain plaza.

#### *Shawan Country Garden (沙灣碧桂園)*

Shawan Country Garden is located at Shawan, Panyu, Guangzhou City. It is being developed by Guangzhou Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 307,266 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 279,354 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 123,350 sq.m., and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 54,247 sq.m. Construction of these properties commenced on 14 February 2001 and was completed on 13 December 2002. The completed properties comprised of 243 residential flats with an aggregate saleable GFA of approximately 53,997 sq.m. As of 31 December 2007, 243 residential flats with an aggregate saleable GFA of approximately 53,997 sq.m. had been sold and delivered.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 180,516 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 222,433 sq.m. Construction of these properties commenced on 25 July 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 1,850 residential flats, with an aggregate saleable GFA of approximately 220,078 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 3,400 sq.m., with an expected aggregate GFA of approximately 2,674 sq.m.

As of 30 June 2007, the total development costs of Shawan Country Garden (including the costs of land acquisition and construction) incurred were RMB213.1 million.

Shawan Country Garden offers villas, townhouses and high-rise apartment buildings.

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

Huanan Country Garden — Phases One to Five and Phase Seven is located on Ying Bin Road, Nan Cun Town, Panyu District, Guangzhou City. It is being developed by Guangzhou Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 1,133,278 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,009,671 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 911,559 sq.m., and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 775,222 sq.m. Construction of these properties commenced on 30 July 1999 and was completed on 24 December 2007. The completed properties comprised 4,903 residential flats, with an aggregate saleable GFA of approximately 717,019 sq.m., and 92 retail shops with an aggregate saleable GFA of approximately 4,565 sq.m. As of 31 December 2007, 4,770 residential flats, with an aggregate saleable GFA of approximately 701,332 sq.m. as well as 72 retail shops with an aggregate saleable GFA of approximately 3,194 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 133 residential units with an aggregate saleable GFA of approximately 15,747 sq.m. and 20 retail shops with an aggregate saleable GFA of approximately 1,371 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 136,204 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 185,427 sq.m. Construction of these properties commenced on 25 February 2005 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 983 residential flats, with an aggregate saleable GFA of approximately 149,067 sq.m..

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 85,515 sq.m., and had an expected aggregate GFA of approximately 49,022 sq.m.

As of 30 June 2007, the total development costs of Huanan Country Garden — Phases One to Five and Phase Seven (including the costs of land acquisition and construction) incurred were RMB2,016.0 million.

Huanan Country Garden — Phases One to Five and Phase Seven offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. In the six years since the development commenced selling on 1 May 2000, more than 16,000 residents have moved in. Huanan Country Garden — Phases One to Five and Phase Seven features a clubhouse, an auditorium, a swimming pool, tennis courts, a kindergarten, a primary school, badminton courts, basketball courts, Chinese restaurants, a supermarket, table-tennis rooms, snooker rooms and reading rooms.

Huanan Country Garden — Phases One to Five and Phase Seven has been awarded the title of 2005 China (Guangzhou) Harmonious Residential Community (2005 年中國廣州和諧人居社區) by Nanfang Daily (南方都市報), 2004 Creditworthy Property Sale Certificate (誠信售樓認證) by Guangdong Construction News of Yangchang Evening Post (羊城晚報業集團廣東建設報) and Guangdong Property Enterprise Creditworthy Alliance (廣東省房地產企業誠信聯盟發起企業) and 2003 Top Ten Brand Developer (十大最佳品牌開發商) by the Real Estate Magazine (房地產導刊社).

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

Huanan Country Garden — Phase Six is located on Ying Bin Road, Nan Cun Town, Panyu District, Guangzhou City. It is being developed by Guangzhou Huanan Country Garden Property Development Co., Ltd., a project company owned equally by us and Guangzhou Zhencheng Property Development Co., Ltd. The project occupies an aggregate site area of approximately 300,033 sq.m., and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 423,477 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 271,495 sq.m., and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 408,401 sq.m. Construction of these properties commenced on 7 July 2004 and was completed on 20 December 2007. The completed properties comprised 2,500 residential flats, with an aggregate saleable GFA of approximately 407,552 sq.m. and one retail shop with an aggregate saleable GFA of approximately 70 sq.m. As of 31 December 2007, 2,323 residential flats with an aggregate saleable GFA of approximately 381,456 sq.m. had been sold and delivered. The remaining completed properties, which

included sold but undelivered properties and unsold properties, comprised 177 residential flats with an aggregate saleable GFA of approximately 26,096 sq.m. and one retail shop.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 538 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,076 sq.m. Construction of these properties commenced on 15 October 2004 and is expected to be completed in the first quarter of 2008.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 28,000 sq.m. and were planned to be used for the construction of a primary school and kindergarten with an aggregate GFA of approximately 14,000 sq.m.

According to the articles of association of Guangzhou Huanan Country Garden Property Development Co., Ltd., dividend distribution of the company requires the approval of both joint venture partners.

As of 30 June 2007, the total development costs of Huanan Country Garden — Phase six (including the cost of land acquisition and construction) incurred were RMB1,211.2 million.

This development offers various types of products, including villas, townhouses, high-rise apartment buildings and retail shops.

#### *Licheng Country Garden (荔城碧桂园)*

Licheng Country Garden is located on Fuqian Road, Licheng Town, Zengcheng District, Guangzhou City, close to Licheng Municipal Plaza. It is being developed by Zengcheng Country Garden Property Development Co., Ltd. (“Zengcheng Country Garden Co.”), our wholly-owned project company. The project occupies an aggregate site area of approximately 733,666 sq.m. and has an expected aggregate GFA (including both saleable and non-saleable GFA) of approximately 524,482 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 615,495 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 452,863 sq.m. Construction of these properties commenced on 31 August 2001 and was completed on 20 July 2007. The completed properties comprised 2,522 residential flats with an aggregate saleable GFA of approximately 401,769 sq.m. as well as 338 retail shops with an aggregate saleable GFA of approximately 17,685 sq.m., and 1,308 parking spaces with an aggregate saleable GFA of approximately 18,490 sq.m. As of 31 December 2007, 2,521 residential flats with an aggregate saleable GFA of approximately 401,395 sq.m., as well as 232 retail shops with an aggregate saleable GFA of approximately 12,552 sq.m. and 209 parking spaces with an aggregate saleable GFA of approximately 3,229 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 1 residential flat, with an aggregate saleable GFA of 374 sq.m. and 106 retail shops with an aggregate saleable GFA of approximately 5,133 sq.m. and 1,099 parking spaces with an aggregate saleable GFA of approximately 15,261 sq.m.

As of 31 December 2007, the properties under develop occupied an aggregate site on approximately 106,100 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 71,619 sq.m. Construction of these properties commenced on 12 October 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 580 residential flats with an aggregate saleable GFA of approximately 71,141 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 12,071 sq.m.

As of 30 June 2007, the total development costs of Licheng Country Garden (including the costs of land acquisition and construction) incurred were RMB1,015.7 million.

This development offers various types of products including villas, townhouses, low-rise apartment buildings, parking spaces and retail shops. Licheng Country Garden features a lake, a clubhouse, an outdoor swimming pool, tennis courts, badminton courts, a basketball court, table-tennis rooms, an outdoor children's playground, reading rooms, a supermarket, a kindergarten and a commercial street.

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

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

Country Garden Phoenix City is located in Xintang Town, Zengcheng District, Guangzhou City, close to Guangshen Highway. It is being developed by Zengcheng Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 6,155,199 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 3,877,192 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 3,996,618 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 1,867,483 sq.m. Construction of these properties commenced on 5 November 2001 and was completed on 24 December 2007. The completed properties comprised 7,705 residential flats with an aggregate saleable GFA of approximately 1,711,256 sq.m., as well as 387 retail shops with an aggregate saleable GFA of approximately 35,333 sq.m. and 128 parking spaces with an aggregate saleable GFA of approximately 1,615 sq.m. As of 31 December 2007, 7,355 residential flats with an aggregate saleable GFA of approximately 1,619,584 sq.m., as well as 280 retail shops with an aggregate saleable GFA of approximately 19,059 sq.m. and 28 parking spaces with an aggregate saleable GFA of approximately 383 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 350 residential units with an aggregate saleable GFA of approximately 91,672 sq.m. and 107 retail shops with an aggregate saleable GFA of approximately 16,274 sq.m. and 100 parking spaces with an aggregate GFA of approximately 1,232 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 867,890 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 686,680 sq.m. Construction of these properties commenced on 29 April 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 5,403 residential flats with an aggregate saleable GFA of approximately 684,532 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 1,290,691 sq.m. and had an expected aggregate GFA of approximately 1,323,029 sq.m.

As of 30 June 2007, the total development costs of Country Garden Phoenix City (including the costs of land acquisition and construction) incurred were RMB6,518.8 million.

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

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

#### *Nansha Country Garden (南沙碧桂園)*

Nansha Country Garden is located on Jingang Road, Guangzhou Nansha Development Zone, Guangzhou City. It is being developed by Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. ("Nansha Country Garden Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 416,657 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 509,062 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 155,495 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 107,511 sq.m. Construction of these properties commenced on 29 September 2004 and was completed on 30 November 2007. The completed properties comprised 714 residential flats with an aggregate saleable GFA of approximately 100,998 sq.m., as well as 91 retail shops with an aggregate saleable GFA of approximately 3,347 sq.m. and offices with an aggregate saleable GFA of approximately 1,116 sq.m. As of 31 December 2007, 709 residential flats with an aggregate GFA of approximately 99,289 sq.m. and 76 retail shops with an aggregate GFA of approximately 2,720 sq.m. had been sold. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 5 residential flats with an aggregate GFA of approximately 1,709 sq.m. and 15 retail shops with an aggregate GFA of approximately 627 sq.m. as well as offices with an aggregate GFA of approximately 1,116 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 232,350 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 401,550 sq.m. Construction of these properties commenced on 29 January 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 3,041 residential flats with an aggregate saleable GFA of approximately 382,817 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 28,812 sq.m.

As of 30 June 2007, the total development costs of Nansha Country Garden (including the costs of land acquisition and construction) incurred were RMB414.4 million.

Nansha Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. This development features a clubhouse, Yangguang Plaza, a supermarket and a commercial street.

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

Holiday Islands — Huadu is located at Shanqian Avenue, Chini Town, Huadu District, Guangzhou City. It is being developed by Guangzhou Huadu Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 937,861 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 544,829 sq.m.



As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 376,400 sq.m. and had aggregate GFA (including saleable and non-saleable GFA) of approximately 154,295 sq.m. Construction of these properties commenced on 11 January 2006 and was completed on 27 October 2007. The completed properties comprise 607 residential flats with an aggregate saleable GFA of approximately 153,300 sq.m. As of 31 December 2007, 566 residential flats with aggregate saleable GFA of approximately 130,631 had been sold and delivered. The new completed properties, which included sold but undelivered properties and unsold properties, comprised 41 residential flats with an aggregate sale GFA of approximately 22,669 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 177,900 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 58,862 sq.m. Construction of these properties commenced on 11 May 2006 and is expected to be completed in the third quarter of 2008. Upon completion, there will be 59 residential flats with an aggregate saleable GFA of approximately 57,611 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 383,561 sq.m. and had an expected aggregate GFA of approximately 331,672 sq.m.

As of 30 June 2007, the total development costs of Holiday Islands — Huadu (including the costs of land acquisition and construction) incurred were RMB469.5 million.

Holiday Islands — Huadu offers various types of products including villas, townhouses and is expected to offer low-rise apartment buildings and high-rise apartment buildings in the future.

### ***Foshan City, Guangdong Province***

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

Shunde Country Garden is located at the Bridge of Zhen Bi River, Beijiao Town, Shunde District, Foshan City. It is being developed by Foshan Shunde Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 2,993,516 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 2,270,723 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 2,680,477 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 1,971,470 sq.m. Construction of these properties commenced in 1992 and was completed on 28 December 2007. The completed properties comprised 13,132 residential flats, with an aggregate saleable GFA of approximately 1,817,338 sq.m. and 36 retail shops with an aggregate saleable GFA of approximately 10,625 sq.m., an office building with an aggregate saleable GFA of approximately 18,666 sq.m. and a hotel with an aggregate saleable GFA of approximately 10,979 sq.m. As of 31 December 2007, 12,631 residential flats with an aggregate saleable GFA of approximately 1,703,933 sq.m. and one retail shop with an aggregate saleable GFA of approximately 370 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 501 residential flats with an aggregate saleable GFA of approximately 113,405 sq.m., 35 retail shops with an aggregate saleable GFA of approximately 10,255 sq.m., an office building with an aggregate saleable GFA of approximately 18,666 sq.m. and a hotel with total aggregate saleable GFA of approximately 10,979 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 199,478 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 138,753 sq.m. Construction of these properties commenced on 26 September 2005 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 492 residential flats with an aggregate saleable GFA of approximately 137,742 sq.m. and one retail shop with an aggregate saleable GFA of approximately 296 sq.m.



As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 113,560 sq.m. and had an expected aggregate GFA of approximately 160,500 sq.m.

As of 30 June 2007, the total development costs of Shunde Country Garden (including the costs of land acquisition and construction) incurred were RMB3,808.2 million.

Shunde Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings and high-rise apartment buildings, as well as retail shops. Since its development, approximately 40,000 residents have moved in. This development features a four-star resort hotel, Shunde Country Garden Holiday Resort (順德碧桂園度假村) as well as four clubhouses, a fresh produce market, an international cultural plaza, Country Garden Hospital (碧桂園醫院) and Country Garden School (碧桂園學校).

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

#### *Jun'an Country Garden (均安碧桂園)*

Jun'an Country Garden is located on Cuihu Road, Jun'an Town, Shunde District, Foshan City. It is being developed by Foshan Shunde Jun'an Country Garden Property Development Co., Ltd., a project company in which we hold a 90% equity interest. The project occupies an aggregate site area of approximately 244,468 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 267,766 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 117,137 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 121,448 sq.m. Construction of these properties commenced on 13 April 2000 and was completed on 24 December 2007. The completed properties comprised 859 residential flats with an aggregate saleable GFA of approximately 111,619 sq.m. As of 31 December 2007, 857 residential flats with an aggregate saleable GFA of approximately 111,377 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised two residential flats with an aggregate saleable GFA of approximately 242 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 95,233 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 102,228 sq.m. Construction of these properties commenced on 9 December 2005 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 560 residential flats with an aggregate GFA of approximately 101,683 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 32,098 sq.m. and had an expected aggregate GFA of approximately 44,090 sq.m.

As of 30 June 2007, the total development costs of Jun'an Country Garden (including the costs of land acquisition and construction) incurred were RMB269.1 million.

Jun'an Country Garden offers villas, townhouses and low-rise apartment buildings, and is expected to offer high-rise apartment buildings in the future. A supermarket is in the proximity of this development.

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

Peninsula Country Garden is located next to the Jin Sha Bridge, Chencun Town, Shunde District, Foshan City. It is being developed by Foshan Shunde Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 529,948 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 294,323 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 529,862 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 294,118 sq.m. Construction of these properties commenced on 28 April 2003 and was completed on 19 October 2007. The completed properties comprised 1,105 residential flats with an aggregate saleable GFA of approximately 287,043 sq.m., as well as a retail shop with an aggregate GFA of approximately 280 sq.m. As of 31 December 2007, 1,104 residential flats with an aggregate saleable GFA of approximately 286,021 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 1 residential flat with an aggregate saleable GFA of approximately 1,022 sq.m. and a retail shop with an aggregate saleable GFA of approximately 280 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 86 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 205 sq.m. Construction of these properties commenced on 25 January 2007 and is expected to be completed in the first quarter of 2008.

As of 31 December 2007, there was no property held for future development in Peninsula Country Garden.

As of 30 June 2007, the total development costs of Peninsula Country Garden (including the costs of land acquisition and construction) incurred were RMB936.7 million.

Peninsula Country Garden offers various types of products including villas, townhouses, low-rise apartment buildings and retail shops. This development features a luxurious clubhouse, a swimming pool, tennis courts, basketball courts, poker rooms and table-tennis rooms, as well as a supermarket and a commercial street.

Peninsula Country Garden has been awarded the title of 2006 Excellent Real Estate Development for Mortgage (2006 年優質按揭樓盤) by the China Construction Bank and 2005 Developed Enterprise (2005 年規模企業獎) and 2005 Tax Contribution Prize (2005 年稅收貢獻獎) by Chencun People's Government (陳村鎮人民政府).

### ***Foshan City, Guangdong Province***

#### *Gaoming Country Garden (高明碧桂園)*

Gaoming Country Garden is located at San Zhou Bai Ling Road, Gaoming District, Foshan City. It is being developed by Foshan Gaoming Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 1,774,595 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,034,539 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 194,430 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 194,628 sq.m. Construction of these properties commenced on 28 July 2004 and was completed on 29 September 2006. The completed properties comprised 1,130 residential flats with an aggregate GFA of approximately 184,658 sq.m., as well as 129 retail shops with an aggregate GFA of approximately 5,040 sq.m. As of 31 December 2007, 1,129 residential flats with an aggregate GFA of approximately 184,323 sq.m. as well as 13 retail shops with an aggregate GFA of approximately 472 sq.m. had been sold and

delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 1 residential flats with an aggregate saleable GFA of approximately 335 sq.m. and 116 retail shops with an aggregate saleable GFA of approximately 4,568 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 1,523,586 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 752,424 sq.m. Construction of these properties commenced on 31 May 2006 and is expected to be completed in the second quarter of 2009. Upon completion, there will be 4,035 residential flats with an aggregate GFA of approximately 745,374 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 56,579 sq.m. and had an expected aggregate GFA of approximately 87,487 sq.m.

As of 30 June 2007, the total development costs of Gaoming Country Garden (including the costs of land acquisition and construction) incurred were RMB579.6 million.

Gaoming Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings and retail shops, and is expected to offer high-rise apartment buildings in the future. This development features various amenities, such as reading rooms, poker rooms, tennis courts, basketball courts, swimming pools, table tennis rooms, a supermarket, commercial streets and Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店), a hotel built to a five-star standard.

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

#### *Nanhai Country Garden (南海碧桂園)*

Nanhai Country Garden is located in Yayao Village, Dali Town, Nanhai District, Foshan City, near Guangfo Highway, Yayao Intersection and 325 Highway. It is being developed by Foshan Nanhai Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 494,294 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 572,194 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 251,112 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 374,553 sq.m. Construction of these properties commenced on 27 June 2005 and was completed on 27 December 2007. The completed properties comprised 1,503 residential flats with an aggregate saleable GFA of approximately 373,325 sq.m. As of 31 December 2007, 1,482 residential flats with an aggregate GFA of 367,546 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 21 residential flats with an aggregate saleable GFA of approximately 5,779 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 227,937 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 180,748 sq.m. Construction of these properties commenced on 27 June 2005 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 694 residential flats with an aggregate saleable GFA of approximately 168,128 sq.m., as well as 15 retail shops with an aggregate saleable GFA of approximately 500 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 15,245 sq.m. and had an expected aggregate GFA of approximately 16,893 sq.m.

As of 30 June 2007, the total development costs of Nanhai Country Garden (including the costs of land acquisition and construction) incurred were RMB1,317.2 million.

Nanhai Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. This development features a clubhouse with swimming pools, tennis courts, basketball courts, a library, table-tennis rooms and a supermarket.

## ***Jiangmen City, Guangdong Province***

### ***Heshan Country Garden (鶴山碧桂園)***

Heshan Country Garden is located on Heshan Avenue, Shaping Town, Heshan District, Jiangmen City, across from Heshan Central Station and in the proximity of the commercial district of Heshan. It is being developed by Heshan Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 3,487,786 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 3,231,987 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 750,091 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 436,205 sq.m. Construction of these properties commenced on 26 March 2004 and was completed on 28 December 2007. The completed properties comprised 2,486 residential flats with an aggregate GFA of approximately 406,923 sq.m. and 134 retail shops with an aggregate saleable GFA of approximately 15,300 sq.m. As of 31 December 2007, 2,282 residential flats with an aggregate saleable GFA of approximately 379,524 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 204 residential flats with an aggregate GFA of approximately 27,400 sq.m. as well as 134 retail shops with an aggregate GFA of approximately 15,300 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 711,361 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 365,416 sq.m. Construction of these properties commenced on 22 March 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 2,145 residential flats with an aggregate saleable GFA of approximately 355,699 sq.m., and there will be 156 retail shops with an aggregate saleable GFA of approximately 7,701 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 2,026,334 sq.m. and had an expected aggregate GFA of approximately 2,430,366 sq.m.

As of 30 June 2007, the total development costs of Heshan Country Garden (including the costs of land acquisition and construction) incurred were RMB1,271.7 million.

Heshan Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings, parking spaces and retail shops and is expected to offer high-rise apartment buildings in the future. This development features Heshan Country Garden Phoenix Hotel (鶴山碧桂園鳳凰酒店), a hotel built to a five-star standard and a commercial plaza.

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

### ***Wuyi Country Garden (五邑碧桂園)***

Wuyi Country Garden is located on Xihuan Road, Beixin Zone, Pengjiang District, Jiangmen City. It is being developed by Jiangmen Wuyi Country Garden Property Development Co., Ltd. ("Wuyi Country Garden Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 1,350,251 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 692,621 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 786,931 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 375,198 sq.m. Construction of these properties commenced on 16 August 2004 and was completed on 11 December 2007. The completed properties comprised 1,751 residential flats with a saleable aggregate GFA of approximately 347,965 sq.m. As of 31 December 2007, 1,722 residential flats with an aggregate saleable GFA of approximately 331,532 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 29 residential flats with an aggregate saleable GFA of approximately 16,433 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 563,021 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 316,481 sq.m. Construction of these properties commenced on 13 October 2006 and is expected to be completed in the second quarter of 2009. Upon completion, there will be 1,641 residential flats, with an aggregate saleable GFA of approximately 309,134 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 300 sq.m. and had an expected aggregate GFA of approximately 942 sq.m.

As of 30 June 2007, the total development costs of Wuyi Country Garden (including the costs of land acquisition and construction) incurred were RMB1,282.7 million.

Wuyi Country Garden offers various types of products including villas, townhouses, low-rise apartment buildings and high-rise apartment buildings. This development features Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店), a hotel built to a five-star standard, as well as kindergartens, primary schools, a supermarket and a commercial street.

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

#### *Xinhui Country Garden (新會碧桂園)*

Xinhui Country Garden is located at the intersection of Xin Hui Avenue and Xin Gang Road, Nan Xin District in the city centre of Xinhui and in the proximity of Xinhui Central Station, Jiangmen City. It is being developed by Jiangmen East Coast Country Garden Property Development Co., Ltd., our wholly-owned project company. The project occupies an aggregate site area of approximately 356,762 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 591,159 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 190,776 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 109,113 sq.m. Construction of these properties commenced on 7 November 2005 and was completed on 30 December 2007. The completed properties comprised of 459 residential flats with an aggregate GFA of approximately 100,774 sq.m. as well as 132 retail shops with an aggregate GFA of approximately 6,078 sq.m. As of 31 December 2007, 437 residential flats with an aggregate saleable GFA of approximately 92,573 sq.m. as well as 26 retail shops, with an aggregate GFA of approximately 1,122 sq.m. had been sold and delivered. The remaining completed properties which included sold but undelivered properties and unsold properties, comprised of 22 residential flats with an aggregate GFA of approximately 8,201 sq.m. and 106 retail shops with an aggregate saleable GFA of approximately 4,956 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 60,472 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 173,701 sq.m. Construction of these properties commenced on 19 April 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 1,096 residential flats with an aggregate saleable GFA of approximately 172,781 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 105,514 sq.m. and had an expected aggregate GFA of approximately 308,344 sq.m.

As of 30 June 2007, the total development costs of Xinhui Country Garden (including the costs of land acquisition and construction) incurred were RMB347.0 million.

Xinhui Country Garden offers various types of products, including villas, townhouses and low-rise apartment buildings, high-rise apartment buildings and retail shops. This development features Xinhui Country Garden Phoenix Hotel (新會碧桂園鳳凰酒店), which has been developed to a five-star standard, a supermarket, Phoenix Commercial Plaza and a clubhouse.



### *Taishan Country Garden (台山碧桂園)*

Taishan Country Garden is located in Shagang Hu Development Zone, Taicheng Town, Taishan District, Jiangmen City. It is being developed by Taishan Country Garden Property Development Co., Ltd. ("Taishan Country Garden Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 4,277,222 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 2,966,952 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 244,336 sq.m., and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 154,923 sq.m. Construction of these properties commenced on 31 March 2006 and was completed on 30 December 2007. The completed properties comprised 1,039 residential flats with an aggregate GFA of approximately 148,180 sq.m. and 106 retail shops with an aggregate saleable GFA of approximately 5,976 sq.m. As of 31 December 2007, 545 residential flats with aggregate saleable GFA of approximately 95,734 sq.m. had been sold and delivered. The remaining completed properties, with included sold but undelivered properties and unsold properties, comprised 494 residential flat with an aggregate GFA of 52,446 sq.m. as well as 106 retail shops with an aggregate approximately 5,976 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 836,533 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 365,756 sq.m. Construction of these properties commenced on 31 March 2006 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 1,293 residential flats with an aggregate saleable GFA of approximately 332,712 sq.m., as well as 374 retail shops with an aggregate saleable GFA of approximately 14,455 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 3,196,353 sq.m. and had an expected aggregate GFA of approximately 2,446,273 sq.m.

As of 30 June 2007, the total development costs of Taishan Country Garden (including the costs of land acquisition and construction) incurred were RMB482.9 million.

Taishan Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings and retail shops, and is expected to offer high-rise apartment building in the future. This development features Taishan Country Garden Phoenix Hotel (台山碧桂園鳳凰酒店), a hotel built to a five-star standard, and a commercial pedestrian street.

### *Enping Country Garden (恩平碧桂園)*

Enping Country Garden is located at Shi Street, Chakeng Administration District, Enping District, Jiangmen City. It is being developed by Enping Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 400,665 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 405,723 sq.m.

As of 31 December 2007, there was no completed property in Enping Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 146,599 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 93,373 sq.m. Construction of these properties commenced on 1 November 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 293 residential flats, with an aggregate saleable GFA of approximately 87,782 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 254,066 sq.m. and had an expected aggregate GFA of approximately 312,350 sq.m.

Enping Country Garden offers townhouses, low-rise apartment buildings, and is expected to offer high-rise apartment buildings and retail shops in the future.



## ***Yangjiang City, Guangdong Province***

### ***Yangdong Country Garden (陽東碧桂園)***

Yangdong Country Garden is located at Hubin West Road, Yangdong Town, Yangjiang City, beside the Yangdong Central Station in proximity to Yangjiang City Centre and Jiangcheng District. It is being developed by Yangdong Country Garden Property Development Co., Ltd. ("Yangdong Country Garden Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 574,381 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 392,319 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 387,638 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 243,744 sq.m. Construction of these properties commenced on 29 April 2005 and was completed on 19 October 2007. The completed properties comprised 1,044 residential flats with an aggregate saleable GFA of approximately 206,822 sq.m. and 137 retail shops with an aggregate saleable GFA of approximately 21,874 sq.m. As of 31 December 2007, 849 residential flats, with an aggregate saleable GFA of approximately 151,517 sq.m. had been sold and delivered. The remaining completed properties, which includes sold but undelivered properties and unsold properties, comprised 195 residential flats, with an aggregate GFA of approximately 55,305 sq.m. and 137 retail shops with an aggregate GFA of approximately 21,874 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 186,743 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 148,575 sq.m. Construction of these properties commenced on 29 April 2005 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 907 residential flats with an aggregate saleable GFA of approximately 139,882 sq.m., as well as 59 retail shops with an aggregate saleable GFA of approximately 1,775 sq.m.

As of 31 December 2007, there was no property held for future development in Yangdong Country Garden.

As of 30 June 2007, the total development costs of Yangdong Country Garden (including the costs of land acquisition and construction) incurred were RMB623.3 million.

Yangdong Country Garden will offer various types of products, including villas, townhouses, low-rise apartment buildings, high-rise apartment buildings and retail shops. This development features a hotel developed to the five-star rating standard, Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店), Yanshan Lake City Plaza, a kindergarten and a commercial street.

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

## ***Zhaoqing City, Guangdong Province***

### ***Zhaoqing Lanling Residence (肇慶藍領公寓)***

Zhaoqing Lanling Residence is located inside the high-tech industrial park of Dawang District, Zhaoqing City. It is being developed by Zhaoqing Gaoxin Country Garden Property Development Co., Ltd. ("Zhaoqing Country Garden Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 123,593 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 186,030 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 10,894 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 14,430 sq.m. Construction of these properties commenced on 5 September 2006, and was completed on 18 October 2007. The completed properties comprised retail shops with an aggregate saleable GFA of approximately 2,532 sq.m. which remain unsold before 31 December 2007.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 112,699 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 171,600 sq.m. Construction of these properties commenced on 5 September 2006 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 227 retail shops with an aggregate saleable GFA of approximately 17,127 sq.m.

As of 31 December 2007, there was no property held for future development in Zhaoqing Lanling Residence.

As of 30 June 2007, the total development costs of Zhaoqing Lanling Residence (including the costs of land acquisition and construction) incurred were RMB84.3 million.

Zhaoqing Lanling Residence offers various types of products, including low-rise apartment buildings for rental purpose and retail shops.

### ***Zhaoqing City, Guangdong Province***

#### ***Zhaoqing Country Garden (肇慶碧桂園)***

Zhaoqing Country Garden is located in Xiangshan District, Zhaoqing City. It is being developed by Gaoyao Biyi Property Development Co., Ltd., a project company in which we hold a 51% interest. This development occupies an aggregate site area of approximately 650,877 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 517,932 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 75,177 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of 36,733 sq.m. Construction of these properties commenced on 16 September 2006 and was completed on 11 December 2007. The completed properties comprised 139 residential flats with an aggregate GFA of 36,733 sq.m. As of 31 December 2007, 116 residential flats, with an aggregate saleable GFA of 28,863 sq.m. had been sold and delivered. The remaining completed properties, which includes sold but undelivered and unsold properties, comprised 23 residential flats, with an aggregate GFA of 7,870 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 461,823 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 299,169 sq.m. Construction of these properties commenced on 19 September 2006 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 1,415 residential flats with an aggregate saleable GFA of approximately 287,020 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 113,877 sq.m. and had an expected aggregate GFA of approximately 182,030 sq.m.

As of 30 June 2007, the total development costs of Zhaoqing Country Garden (including the costs of land acquisition and construction) incurred were RMB227.9 million.

Zhaoqing Country Garden offers various types of products, including townhouses, low-rise apartment buildings and retail shops, and is expected to offer high-rise apartment buildings in the future. This development features a hotel developed to the five-star rating standards, Gaoyao Country Garden Phoenix Hotel (高要碧桂園鳳凰酒店). The development will feature a kindergarten, a commercial street.

### ***Huizhou City, Guangdong Province***

#### ***Huiyang Country Garden (惠陽碧桂園)***

Huiyang Country Garden is located in the industrial district of Huiyang Sanhe Economic Development Zone, Huizhou City. It is being developed by Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd., a project company in which we hold a 90% equity interest. This development occupies an aggregate site area of approximately 810,025 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 918,426 sq.m.

As of 31 December 2007, there was no completed property in Huiyang Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 585,043 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 797,850 sq.m. Construction of these properties commenced on 22 August 2007 and is expected to be completed in the fourth quarter of 2009. Upon completion, there will be 1,662 residential flats, with an aggregate saleable GFA of approximately 789,570 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 224,981 sq.m. and had an expected aggregate GFA of approximately 120,575 sq.m.

As of 30 June 2007, the total development costs of Huiyang Country Garden (including the costs of land acquisition) incurred were RMB43.9 million.

Huiyang Country Garden offers townhouses and high-rise apartment buildings. It will also feature a hotel developed to a five-star rating standard.

### ***Shanwei City, Guangdong Province***

#### ***Shanwei Country Garden (汕尾碧桂園)***

Shanwei Country Garden is located in the Shanwei City, close to Pinqing Lake. It is being developed by Shanwei Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 309,422 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 747,293 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Shanwei Country Garden.

As of 31 December 2007, the properties held for future development occupied a site area of 309,422 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 747,293 sq.m.

Shanwei Country Garden is expected to offer townhouses and high-rise apartment buildings in the future.

### ***Shaoguan City, Guangdong Province***

#### ***Shaoguan Country Garden (韶關碧桂園)***

Shaoguan Country Garden is located in Lashi Ba, Zhen Jiang District, Shaoguan City, in the proximity of the commercial centre. It is being developed by Shaoguan Shunhong Property Development Co., Ltd. ("Shaoguan Shun Hong Co."), our wholly-owned project company. This development occupies an aggregate site area of approximately 2,324,623 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,996,261 sq.m.

As of 31 December 2007, there was no completed property in Shaoguan Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 1,245,200 sq.m. and had an expected aggregate GFA (including saleable and non-saleable

GFA) of approximately 579,182 sq.m. Construction of these properties commenced on 17 January 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 2,687 residential flats with an aggregate saleable GFA of approximately 565,521 sq.m., as well as 70 retail shops with an aggregate saleable GFA of approximately 2,800 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 1,079,423 sq.m. and had an expected aggregate GFA of approximately 1,417,080 sq.m.

As of 30 June 2007, the total development costs of Shaoguan Country Garden (including the costs of land acquisition) incurred were RMB460.2 million.

Shaoguan Country Garden offers various types of products, including townhouses, low-rise apartment buildings and retail shops, and is expected to offer high-rise apartment buildings in the future. This development will also feature a commercial street and other amenities.

#### *Lechang Country Garden (樂昌碧桂園)*

Lechang Country Garden is located in Meile Road, Lechang Districts, Shaoguan City. It is being developed by Lechang Country Garden Property Development Co., Ltd. The project occupies an aggregate site area of approximately 192,248 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 261,926 sq.m.

As of 31 December 2007, there were no completed property developments in Lechang Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 167,883 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 186,700 sq.m. Construction of these properties commenced on 23 October 2007 and is expected to be completed in the second quarter of 2009. Upon completion, there will be 1,097 residential flats with an aggregate saleable GFA of approximately 186,474 sq.m.

As of 31 December 2007, the properties held for future development occupied a site area of 24,365 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 75,226 sq.m.

As of 30 June 2007, the total development costs of Lechang Country Garden (including the costs of land acquisition and construction) incurred were RMB12.9 million.

Lechang Country Garden offers townhouses and high-rise apartment buildings, and is expected to offer low-rise apartment buildings and retail shops in the future. The development will feature a hotel developed to a five-star rating standard.

#### *Shaoguan Country Garden — Sun Palace (韶關碧桂園·太陽城)*

Shaoguan Country Garden — Sun Palace is located in Furong Avenue, Wujiang District, Shaoguan City. It is being developed by Shaoguan Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 2,171,441 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 3,887,714 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Shaoguan Country Garden — Sun Palace.

As of 31 December 2007, the properties held for future development occupied a site area of 2,171,441 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 3,887,714 sq.m.

Shaoguan Country Garden — Sun Palace is expected to offer townhouses, high-rise apartment buildings and retail shops in the future. It will also feature a hotel developed to a five-star rating standard.

### *Changsha Country Garden (長沙碧桂園)*

Changsha Country Garden is located at the north end of Xingsha Avenue, Changsha City. It is being developed by Changsha Venice Palace Property Development Co., Ltd. ("Changsha Venice Co."), our wholly-owned project company. The project occupies an aggregate site area of approximately 1,724,298 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,273,403 sq.m.

As of 31 December 2007, the completed properties occupied an aggregate site area of approximately 726,830 sq.m. and had an aggregate GFA (including saleable and non-saleable GFA) of approximately 373,798 sq.m. Construction of these properties commenced on 30 September 2005 and was completed on 28 December 2007. The completed properties comprised 1,396 residential flats with an aggregate saleable GFA of approximately 319,964 sq.m. and 53 retail shops with an aggregate saleable GFA of approximately 10,729 sq.m. As of 31 December 2007, 1,008 residential flats, with an aggregate saleable GFA of approximately 208,513 sq.m. had been sold and delivered. The remaining completed properties, which includes sold but undelivered properties and unsold properties, comprised 388 residential flats, with an aggregate GFA of approximately 126,348 sq.m. and 53 retail shops with an aggregate GFA of approximately 10,729 sq.m.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 666,670 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 271,561 sq.m. Construction of these properties commenced on 18 December 2006 and is expected to be completed in the third quarter of 2008. Upon completion, there will be 837 residential flats with an aggregate saleable GFA of approximately 271,211 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 330,798 sq.m. and had an expected aggregate GFA of approximately 628,045 sq.m.

As of 30 June 2007, the total development costs of Changsha Country Garden (including the costs of land acquisition and construction) incurred were RMB1,194.5 million.

Changsha Country Garden offers various types of products, including villas, townhouses, low-rise apartment buildings and retail shops and is expected to offer high-rise apartment buildings in the future. This development features a hotel built to a five-star standard, bilingual schools and a commercial plaza.

### ***Changsha City, Hunan Province***

#### *Ningxiang Country Garden (寧鄉碧桂園)*

Ningxiang Country Garden is located at Jinzhou Avenue, Ningxiang County, Changsha City. It is being developed by Changsha Ningxiang Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 187,265 sq.m. and has an aggregate GFA (including saleable and non-saleable GFA) of approximately 186,972 sq.m.

As of 31 December 2007, there was no completed property in Ningxiang Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 97,632 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 59,949 sq.m. Construction of these properties commenced on 12 November 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 116 residential flats, with an aggregate saleable GFA of approximately 34,553 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 89,633 sq.m. and had an expected aggregate GFA of approximately 127,023 sq.m.

Ningxiang Country Garden offers townhouses and is expected to offer high-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.



### ***Taizhou City, Jiangsu Province***

#### ***Taizhou Country Garden (泰州碧桂園)***

Taizhou Country Garden is located in the northeast of Hailing District, Taizhou City. It is being developed by Taizhou Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 473,371 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 741,430 sq.m.

As of 31 December 2007, there was no completed property in Taizhou Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 220,522 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 217,041 sq.m. Construction of these properties commenced on 27 June 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 882 residential flats, with an aggregate saleable GFA of approximately 213,810 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 272,849 sq.m. and had an expected aggregate GFA of approximately 524,388 sq.m.

As of 30 June 2007, the total development costs of Taizhou Country Garden (including the costs of land acquisition) incurred were RMB154.8 million.

Taizhou Country Garden offers townhouses and high-rise apartment buildings. The development will feature a hotel developed to a five-star rating standard.

### ***Wuhan City, Hubei Province***

#### ***Wuhan Country Garden (武漢碧桂園)***

Wuhan Country Garden is located at Zilin Street of Hannan District, Wuhan City. It is being developed by Wuhan Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 374,294 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 514,855 sq.m.

As of 31 December 2007, there were no completed property developments in Wuhan Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 78,965 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 42,926 sq.m. Construction of these properties commenced on 28 December 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 143 residential flats, with an aggregate saleable GFA of approximately 42,926 sq.m.

As of 31 December 2007, the properties held for future development occupied a site area of 295,329 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 471,929 sq.m.

Wuhan Country Garden offers townhouses, and is expected to offer high-rise apartment buildings in the future. It will also feature a hotel developed to a five-star rating standard.

### ***Xianning City, Hubei Province***

#### ***Xianning Country Garden (咸寧碧桂園)***

Xianning Country Garden is located in Pansizhou of Xian'an District, Xianning City. It is being developed by Xianning Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 666,690 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 1,232,718 sq.m.



As of 31 December 2007, there were no completed property developments or properties under development in Xianning Country Garden.

As of 31 December 2007, the properties held for future development occupied a site area of 666,690 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 1,232,718 sq.m.

Xianning Country Garden is expected to offer townhouses, high-rise apartment buildings and low-rise apartment buildings in the future.

#### *Country Garden — Fountain Village (碧桂園·溫泉城)*

Country Garden — Fountain Village is located at Yuzuo Village, Xian'an District, Xianing City. It is being developed by Xianning Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 466,457 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 755,023 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Country Garden — Fountain Village.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 466,457 sq.m. and had an expected aggregate GFA of approximately 755,023 sq.m.

Country Garden — Fountain Village is expected to offer townhouses and high-rise apartment buildings in the future. It will also feature a hotel developed to a five-star rating standard.

### ***Chongqing Municipality***

#### *Changshou Country Garden (長壽碧桂園)*

Changshou Country Garden is located at the eastern part of Taohuaxincheng, Changshou District, Chongqing Municipality. It is being developed by Chongqing Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 288,825 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 425,501 sq.m.

As of 31 December 2007, there was no completed property in Changshou Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 221,430 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 381,100 sq.m. Construction of these properties commenced on 5 November 2007 and is expected to be completed in the fourth quarter of 2009. Upon completion, there will be 2,990 residential flats, with an aggregate saleable GFA of approximately 360,129 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 67,395 sq.m. and had an expected aggregate GFA of approximately 44,401 sq.m.

Changshou Country Garden offers townhouses, high-rise apartment buildings and low-rise apartment buildings. The development will feature a hotel developed to a five-star rating standard.

### ***Chaohu City, Anhui Province***

#### *Country Garden — Grand Lake City (碧桂園·濱湖城)*

Country Garden-Grand Lake City is located at Jingtanghe Village, Zhongmiao Town, Chaohu City. It is being developed by Anhui Zhongmiao Country Garden Property Development co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 255,532 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 260,453 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Country Garden-Grand Lake City.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 255,532 sq.m. and had an expected aggregate GFA of approximately 260,453 sq.m.

Country Garden-Grand Lake City is expected to offer townhouses, low-rise apartment buildings and high-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.

### ***Chizhou City, Anhui Province***

#### ***Chizhou Country Garden (池州碧桂園)***

Chizhou Country Garden is located at the opposite site of Chizhou Railway Station, Chizhou City. It is being developed by Chizhou Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 436,795 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 483,372 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Chizhou Country Garden.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 436,795 sq.m. and had an expected aggregate GFA of approximately 483,372 sq.m.

Chizhou Country Garden is expected to offer townhouses and high-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.

### ***Huangshan City, Anhui Province***

#### ***Huangshan Country Garden (黃山碧桂園)***

Huangshan Country Garden is located at Meilin Avenue, Huangshan Economic and Technological Development Zone, Huangshan City. It is being developed by Huangshan Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 257,952 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 321,893 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Huangshan Country Garden.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 257,952 sq.m. and had an expected aggregate GFA of approximately 321,893 sq.m.

Huangshan Country Garden is expected to offer townhouses, high-rise apartment buildings and low-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.

### ***Wuhu City, Anhui Province***

#### ***Wuhu Country Garden (蕪湖碧桂園)***

Wuhu Country Garden is located at Longwo Lake, Sanshan District, Wuhu City. It is being developed by Wuhu Jinzhi Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 1,186,704 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 2,228,630 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Wuhu Country Garden.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 1,186,704 sq.m. and had an expected aggregate GFA of approximately 2,228,630 sq.m.

Wuhu Country Garden is expected to offer townhouses and high-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.

### ***Shenyang City, Liaoning Province***

#### ***Country Garden — Sun Palace (碧桂園·太陽城)***

Country Garden — Sun Palace is located in Shangxiao Village Daoyi Town, Shenbei District, Shenyang City. It is being developed by Shenyang Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 443,782 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 766,538 sq.m.

As of 31 December 2007, there was no completed property in Country Garden — Sun Palace.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 178,300 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 94,662 sq.m. Construction of these properties commenced on 21 July 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 306 residential flats, with an aggregate saleable GFA of approximately 91,765 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 265,482 sq.m. and had an expected aggregate GFA of approximately 671,875 sq.m.

As of 30 June 2007, the total development costs of Country Garden — Sun Palace (including the costs of land acquisition) incurred were RMB194.1 million.

Country Garden — Sun Palace offers townhouses, and is expected to offer high-rise apartment buildings in the future. The development will feature a hotel developed to a five star rating standard.

#### ***Shenyang Country Garden (瀋陽碧桂園)***

Shenyang Country Garden is located in Huashan Village, Huishan Agricultural High-tech Development Zone, Shenyang City. It is being developed by Shenyang Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 211,354 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 267,544 sq.m.

As of 31 December 2007, there was no completed property in Shenyang Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 33,198 sq.m., and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 13,942 sq.m. Construction of these properties commenced on 21 July 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 35 residential flats, with an aggregate saleable GFA of approximately 11,039 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 178,156 sq.m. and had an expected aggregate GFA of approximately 253,601 sq.m.

As of 30 June 2007, the total development cost of Shenyang Country Garden (including the costs of land acquisition) incurred were RMB147.6 million.

Shenyang Country Garden offers townhouses and is expected to offer high-rise apartment buildings in the future. The development will feature a hotel developed to a five star rating standard.

### *Country Garden — Galaxy Palace (碧桂園·銀河城)*

Country Garden — Galaxy Palace is located at Wanghe Road of Yuhong District, Shenyang City. It is being developed by Shenyang Hua Rui Zhi Ye Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 687,064 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 1,760,074 sq.m.

As of 31 December 2007, there were no completed property developments or properties under development in Country Garden — Galaxy Palace.

As of 31 December 2007, the properties held for future development occupied a site area of 687,064 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 1,760,074 sq.m.

As of 30 June 2007, the total development costs of Country Garden — Galaxy Palace (including the costs of land acquisition and construction) incurred were RMB9.1 million.

Country Garden — Galaxy Palace is expected to offer townhouses and high-rise apartment buildings in the future. It will also feature a hotel developed to a five-star rating standard.

### *Country Garden — Phoenix City (碧桂園·鳳凰城)*

Country Garden — Phoenix City is located at Dingxiang Street of Sujiatun District, Shenyang City. It is being developed by Shengyang Hunnan Xincheng Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 764,399 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 1,430,849 sq.m.

As of 31 December 2007, there were no completed property developments in Country Garden — Phoenix City.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 729,799 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,294,400 sq.m. Construction of these properties commenced on 24 September 2007 and is expected to be completed in the fourth quarter of 2010. Upon completion, there will be 9,166 residential flats, with an aggregate saleable GFA of approximately 1,189,102 sq.m..

As of 31 December 2007, the properties held for future development occupied a site area of 34,600 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 136,449 sq.m.

Country Garden — Phoenix City offers townhouses and high-rise apartment buildings. It will also feature a hotel developed to a five-star rating standard.

### ***Anshan City, Liaoning Province***

#### *Haicheng Country Garden (海城碧桂園)*

Haicheng Country Garden is located at Tiexixinghai Administration District, Anshan City. It is being developed by Haicheng Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 429,894 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 552,000 sq.m.

As of 31 December 2007, there was no completed property in Haicheng Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 429,894 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 552,000 sq.m. Construction of these properties commenced on 25 October 2007 and is expected to be completed in the fourth quarter of 2012. Upon completion, there will be 2,799 residential flats, with an aggregate saleable GFA of approximately 552,000 sq.m.

As of 31 December 2007, there was no property held for future development in Haicheng Country Garden.

Haicheng Country Garden offers townhouses and high-rise apartment buildings.

### ***Hulunbeier City, Inner Mongolia***

#### ***Manzhouli Country Garden (滿洲裏碧桂園)***

Manzhouli Country Garden is located at the intersection of Xinjia East Road and Hubei Road, Manzhouli City. It is being developed by Manzhouli Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 2,643,302 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 3,675,700 sq.m.

As of 31 December 2007, there was no completed property in Manzhouli Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 187,200 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 126,630 sq.m. Construction of these properties commenced on 23 July 2007 and is expected to be completed in the fourth quarter of 2008. Upon completion, there will be 624 residential flats, with an aggregate saleable GFA of approximately 123,630 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 2,456,102 sq.m. and had an expected aggregate GFA of approximately 3,549,070 sq.m.

As of 30 June 2007, the total development costs of Manzhouli Country Garden (including the costs of land acquisition) incurred were RMB168.7 million.

Manzhouli Country Garden offers townhouses and low-rise apartment buildings, and is expected to offer high-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard and a commercial street.

### ***Tongliao City, Inner Mongolia***

#### ***Tongliao Country Garden (通遼碧桂園)***

Tongliao Country Garden is located at Jianguo North Road, Tongliao City. It is being developed by Tongliao Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 609,179 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 636,844 sq.m.

As of 31 December 2007, there was no completed property in Tongliao Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 52,799 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 13,725 sq.m. Construction of these properties commenced on 3 November 2007 and is expected to be completed in the second quarter of 2009. Upon completion, there will be 36 residential flats, with an aggregate saleable GFA of approximately 10,821 sq.m.

As of 31 December 2007, the properties held for future development occupied an aggregate site area of approximately 556,380 sq.m. and had an expected aggregate GFA of approximately 623,119 sq.m.

Tongliao Country Garden offers townhouses, and is expected to offer high-rise apartment buildings and low-rise apartment buildings in the future. The development will feature a hotel developed to a five-star rating standard.

### ***Xing'anmeng, Inner Mongolia***

#### ***Xing'anmeng Country Garden (興安盟碧桂園)***

Xing'anmeng Country Garden is located at Keerqin Town of Keyouqianqi, Xing'anmeng. It is being developed by Keyouqianqi Country Garden Property Development Co., Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 1,259,396 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 1,018,400 sq.m.

As of 31 December 2007, there were no completed property at Xing'anmeng Country Garden.

As of 31 December 2007, the properties under development occupied an aggregate site area of approximately 856,696 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 516,253 sq.m. Construction of these properties commenced on 20 September 2007 and is expected to be completed in the third quarter of 2009. Upon completion, there will be 2,468 residential flats, with an aggregate saleable GFA of approximately 439,885 sq.m.

As of 31 December 2007, the properties held for future development occupied a site area of 402,700 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 502,147 sq.m.

Xing'anmeng Country Garden offers townhouses, high-rise apartment buildings, low-rise apartment buildings and retail shops. This development features a hotel developed to a five-star rating standard and a commercial street.

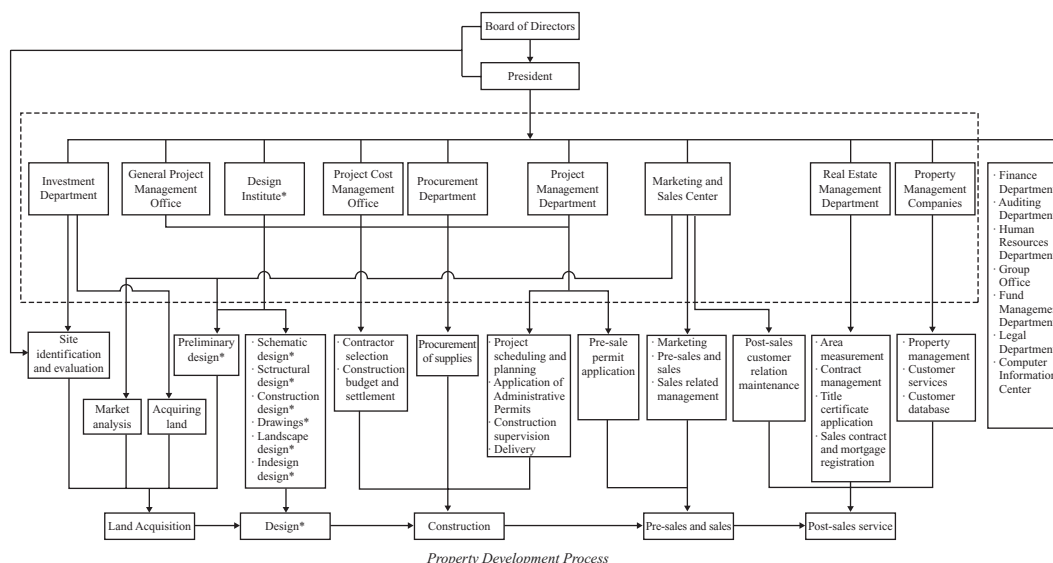
## **PROPERTY DEVELOPMENT**

As of 31 December 2007, we had 45 projects at various stages of development. Our properties are located in Guangzhou City, Foshan City, Jiangmen City, Yangjiang City, Shaoguan City, Zhaoqing City, Huizhou City and Shanwei City in Guangdong Province, Changsha City and Yiyang City in Hunan Province, Hulunbeier City, Xing'anmeng and Tongliao City in Inner Mongolia, Taizhou City in Jiangsu Province, Shenyang City and Anshan City in Liaoning Province, Wuhan City and Xianning City in Hubei Province, Chaoahu City, Chizhou City, Huangshan City, Wuhu City in Anhui Province and Chongqing Municipality. As of 31 December 2007, our projects had an aggregate completed GFA of approximately 8,760,936 sq.m., including approximately 47,998 units to house an estimated approximately 191,000 people, an aggregate GFA under development of approximately 9,884,000 sq.m., as well as an aggregate GFA of approximately 28,560,443 sq.m. relating to properties held for future development. For a profile of our property developments, please refer to the subsection headed "— Description of Our Property Projects" above.



## Our property development and project management procedure

We integrate our resources to conduct land acquisition, planning, project design and construction, sales and post-sales support, and a series of development works. These areas are coordinated and supervised by our central management and carried out by our various functional departments, subsidiaries, and affiliates, giving rise to a highly effective flat management structure. The process is summarized in the following flow-chart, followed by a more detailed description of each stage of the process carried out by our various departments, subsidiaries and affiliates.



### Note:

- \* Our project design work is handled by Elite Architectural Co., an affiliate of our controlling shareholder. See “—site selection” and “Project design work”. Our landscaping and greenery design was handled by Shunde Country Garden Co. before October 2006 and since then had been handled by an independent third party, Foshan Shunde Oasis Greenery Design Co., Ltd.

## Site selection

Site selection is a fundamental step in our property development process. Our investment department, consisting of a team of full-time staff members, is responsible for identifying sites for prospective property development. Our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centres or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications; and
- estimated cost, investment and financial return.

Our marketing and sales centre and our design service providers are involved in the early stages of the site identification process. The marketing and sales centre carries out research and analysis relating to potential market demand. Design services, including planning and concept design, are provided by Elite Architectural Co. which is our affiliate and principal design service provider.

Upon completion of the preliminary feasibility studies, our executive Directors become more closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

Once we have decided to acquire a site, Elite Architectural Co. begins its preliminary site-planning work.

### ***Land acquisition***

Prior to July 2002, land use rights could be obtained through a land grant contract from local government authorities. Since 1 July 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyse the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process.

As of 31 December 2007, we had obtained land use rights for 314 parcels of land in aggregate. We obtained the land use rights to 85 out of the 314 parcels of land prior to 1 July 2002 through land grant contracts or land use rights transfer agreements entered into between the relevant government land administration authorities at or above the county level, or the original grantees of the land use rights, and our PRC subsidiaries. The land use rights of 227 out of the remaining 229 parcels of land were acquired after 1 July 2002 through a public tender, auction or listing-for-sale, and the land use rights for the remaining two parcels of land were acquired after 1 July 2002 through land use rights transfer agreements entered into between the original grantees of the land use rights and our PRC subsidiaries. We have paid in full the land premium or the consideration payable under the land grant contracts and the land use rights transfer agreements regarding the land use rights of these 314 parcels of land, and there is no outstanding land premium or consideration with respect to these parcels of land.

Historically, our average land cost has been relatively low. Most of the land parcels acquired by us after 2004 have been relatively large in size. When these parcels of land were listed for auction, the property developer generally were required to take responsibility for constructing the related infrastructure and urban development. With these additional responsibilities, the entry barrier for pursuing such property projects has been raised. Only those property developers that are financially strong and have integrated development capability, sound management and operational skills can develop such projects. We believe that there are only a handful of property developers in China which possess such capabilities. Of those developers, there are only a few whose development model is same as ours and adopted land acquisition strategies similar to ours. Given the general lack of direct competition, we were able to acquire land at the listing price set by the government. For these reasons, the land acquisition cost for our land has been relatively low.

As of 31 December 2007, we had an aggregate GFA under development and for future development of approximately 38,444,443 sq.m. for which we have obtained the relevant land use rights certificates. We estimate that our current land reserves will be sufficient for our development needs for the next five years or more.

In addition, as of 31 December 2007, our project companies had entered into land grant contracts in respect of land in various cities in Guangdong Province, Changsha City and Yiyang City in Hunan Province, Shenyang City and Anshan City in Liaoning Province, Chaohu City, Huangshan City, Anqing City and Wuhu City in Anhui Province, Suizhou City in Hubei Province, Tongliao City in Inner Mongolia. with an aggregate site area of approximately 12,443,121 sq.m. for which we have applied or are in the process of applying for land use rights certificates, with an aggregate expected GFA of approximately 18,172,924 sq.m. for future development.

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocate the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realised by the local government on the land sale. We do not control the timing of

the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. If we are interested in bidding for the land, we are required to go through the tender, auction and listing-for-sale process as with other developers and there can be no assurance that we will win the bid. See “Risk Factors — Risks Relating to our Business — We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.

Our ability to acquire land for development is subject to extensive regulations issued by the PRC central and local governments. Further to the requirement of public tender, auction and listing-for-sale, on 28 September 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land and commence development, which has been the practice in many Chinese cities. The implementation of the regulation will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially adversely affected as a result of the implementation of this regulation. We believe that larger property developers like ourselves generally are in a better position to compete for large pieces of land because they are normally stronger financially.

#### ***Financing property developments and land premium***

Our financing methods vary from project to project. We are required by PBOC to fund at least 35% of our property developments with internal resources. The balance of the funding generally comes from a combination of bank loans, capital markets financing and sales proceeds. Generally we use internal funds to pay for the land acquisition costs and use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Bank financing therefore is an important source of funding for our property development projects. As of 31 January 2008, our outstanding bank borrowings amounted to RMB7,168.7 million. Our operations generate additional cash through pre-sales after the properties meet the requirements of pre-sale under PRC regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our property developments.

We are a customer of local branches of Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank, China Minsheng Banking Corp. Ltd., Shunde Beijiao Agricultural Credit Union, Guangzhou Panyu Agricultural Credit Union and Citibank, Shenzhen Branch. For five consecutive years from 2002 to 2006, we have been ranked as one of the “Top 20 Creditworthy Property Developers” jointly by the South China Branch of People’s Daily and local branches of the Industrial and Commerce Bank of China, the Agricultural Bank of China, the Bank of China, the China Construction Bank and China Minsheng Bank.

We cannot assure you that we will be able to continue to obtain sufficient bank loans or facilities in the future. See “Risk Factors — Risk Relating to Our Business — We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations”.

On 5 June 2003, the PBOC published the Notice on Further Strengthening the Management of loans for Property Business (中國人民銀行關於進一步加強房地產信貸業管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land premiums. As a result, property developers may use only their own funds to pay for land premiums. Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on 2 September 2004, any property developer applying for property development loans must have, as its own working capital, at least 35% of the project capital required for the development.

According to the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資準入和管理的意見), issued jointly by the Ministry of Construction, the PRC Ministry of Commerce (“MOFCOM”), NDRC, PBOC, SAIC and SAFE, real estate development enterprises owned at least in part by a foreign investor will not be allowed to obtain a loan in or outside the PRC if they have not fully paid up their registered capital, or have failed to obtain a land use rights certificate, or have less than 35% of the project capital required for a development. In addition, SAFE departments are not permitted to approve any registration of overseas loans that have been made to such foreign-invested real estate development enterprises. Further on 10 July 2007, the SAFE issued a circular indicating that it would not process for foreign-invested real estate enterprises any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after 1 June 2007. See “Risk Factors — Risks Relating to our Business — The PRC government has recently implemented restrictions on the ability of PRC property developers which could affect how quickly we can deploy, as well as our ability to deploy the funds raised in the offering in our business in the PRC.

Further, following the publication of the notice, we have paid land premiums from the proceeds from the sale of properties and not from any of our outstanding bank borrowings. We plan to continue to use the proceeds from the sale of our properties, our other internal funds and proceeds from capital market financing to finance our future land premium payments.

### ***Project design work***

Our general design work is mainly undertaken by Elite Architectural Co., which is an affiliate of our controlling shareholder and is providing services to us on a priority basis. In 2004, 2005 and 2006 and 2007, most of our project design work was provided by Elite Architectural Co. Our landscaping and greenery design was handled by Shunde Country Garden Co. until October 2006 and since has been handled by Foshan Shunde Oasis Greenery Design Co., Ltd., an independent third party.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales centre regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

### ***Construction work and procurement***

#### ***Construction work***

The construction phase of a development project begins once we obtain the Construction Permit for the project. The General Project Management Office is responsible for the overall coordination and allocation of responsibilities in respect of the construction of each project area at different stages and supervises the progress of construction work. Prior to that, our Project Cost Management Office prepares the overall budget for a development at different stages. We set up a project company for each project to manage the whole property development project. The project company has a project manager, a project management department, a finance department and a sales department, all of which report to their corresponding functional departments at our headquarters.

Giant Leap Construction Co., our wholly-owned subsidiary, currently undertakes most of the construction work for our development projects in Guangdong Province. For the year ended 31 December 2006 and the six months ended 30 June 2007, construction costs attributable to Giant Leap amounted to 51.4% and 61.2%, respectively, of our total construction costs. In most cases, we prefer Giant Leap Construction Co. over other construction companies. Apart from a few related parties and other third parties, we are the principal customer of Giant Leap Construction Co.

As we develop more property projects outside Guangdong Province, we expect to outsource more construction work to third party contractors to leverage on their local expertise. In addition, when Giant Leap Construction Co. does not have adequate resources to deal with a particular development or when the projected profits from a project are not economically attractive, we outsource project construction work in whole or in part to independent third parties. In such outsourcing cases, we select construction contractors through a tender process organised by our project cost management department.

Under PRC national laws and regulations, a tender process is usually required to select the contractors for public construction projects. When a tender process is required for one of our projects, the Tender Law of the PRC (中華人民共和國招標投標法) will apply. Certain local governments in Guangdong Province may require that all construction projects go through a tender process.

Because of the growth in the number of our projects and their geographical coverage, we expect that we will increasingly engage the services of independent construction contractors. See “Risk Factors — Risks relating to Our Business — We will be increasingly affected by independent contractors.” Without any long-term construction outsourcing contracts in place, we intend to work with a number of qualified contractor candidates in order to create a competitive environment among them.

#### *Procurement*

Currently, most of the construction work for our projects is undertaken by Giant Leap Construction Co., our wholly-owned subsidiary. Most of the supplies, including equipment and material, for our construction work undertaken by Giant Leap Construction Co. are centrally procured through our procurement department. Our procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalises the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our procurement department, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies or to our central warehouse, which has a computerised record-keeping system for inventory. Our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

When we outsource the construction work for a project to a third party contractor, the contractor generally undertakes the procurement of key construction materials such as steel, cement, sand and stone according to the specifications provided in the construction contract. The total contractor fee takes into account the costs of these materials and the construction contract typically allows adjustment to the total contractor fees if at the time of purchases, the prices of such construction materials have fluctuated beyond the range stipulated in the construction contract.

#### *Fitting and decoration work*

The finishing of most of our projects includes fitting and decoration in accordance with the standards set out in our design specifications for the project. Our wholly-owned subsidiary, Finest Decoration Co., provides most of the fitting and decoration services for our projects. Finest Decoration Co. will continue to provide fitting and decoration services exclusively for our projects in the future. We also outsource some components of the fitting and decoration work to independent third parties through a tender process.

#### *Quality control*

We have established procedures to ensure that the quality of our properties and services complies with relevant regulations and meets market standards. Quality control procedures are implemented by the relevant functional departments as well as by each project company. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and the project management department.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase.

We select construction supervisory companies through a tender process. In the past, we have often engaged Guangzhou Construction Supervision Co., Ltd (廣州建築工程監理有限公司), Guangzhou Jianfa Supervision Co., Ltd (廣州市建發監理有限公司), and Guangdong Jianke Construction Supervision Co., Ltd (廣東建科建設監理有限公司), to supervise our property developments.

### ***Pre-sales***

Pre-sale of our property units commences before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;
- the construction works planning permit and construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are to be pre-sold must reach 25% or above of the total amount to be invested in the project, the project must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and
- pre-sale permits must have been obtained from the county-level construction bureau or real estate administration authority.

According to the Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province and a notice issued by the Guangdong provincial construction bureau on 2 January 2001, we must fulfill the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit:

- a business license and a real property development qualification certificate have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- in the case of properties of not more than seven stories, the main structural construction must have been completed and in the case of properties of more than seven stories, at least two-thirds of the main structural construction must have been completed;
- a special property pre-sale account has been opened with a commercial bank in the place where the project is located; and
- the land use rights with respect to the properties in the project are free from third-party rights.

Other cities and regions in which we have property developments or to which we are expanding have imposed similar conditions to pre-sales of properties, which require the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the set up of a special pre-sale proceeds account.

Under PRC laws, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction material and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. As of 31 December 2007, we were in compliance, in all material respects, with the relevant laws and regulations applicable to the pre-sale of properties in the PRC.



## ***Marketing and sales***

Our marketing and sales centre is responsible for formulating and implementing our marketing and sales strategies. We support our marketing and sales activities through cooperation with external professional marketing and sales service providers. As of 31 December 2007, our marketing and sales team comprised 1,210 employees. Our marketing and sales budget is usually set at approximately 3% of our recognised revenue.

Our marketing and sales centre is involved in our property development starting from the early stages and provides its input at key steps. When a potential project is identified by our investment department, our marketing and sales centre conducts local property market research and studies the government's land policies. Before we decide to acquire land, our marketing and sales centre provides the results of the research and analysis of the relevant land. During the land acquisition process, our marketing and sales centre provides suggestions on the site plan and design and assists us in the design preparation. Once the construction work is underway, our marketing and sales centre proceeds to adjust our products and fitting and decoration works according to customer interest.

Each sales consultant is responsible for following through the entire sales process with his customers and helping the customers deal with our other departments in charge of different aspects of project development and management. Our sales team regularly provides customer feedback to Elite Architectural Co. and other departments for future improvements.

## ***Customers***

While the local residents in Guangdong Province constitute our core customer base, we have also generated demand from residents in Hong Kong, Macau and neighbouring provinces. We target a broad base of customers with varied income levels and backgrounds, with customers with middle and upper level incomes our primary targets.

## ***Payment arrangements***

### ***With mortgage financing***

Our customers, including those making pre-sales purchases, can pay with mortgage facilities arranged with banks. The mortgage payment terms for sales and pre-sales of properties are substantially the same. The PRC government has in recent years tightened control over mortgage financing and increased the down payment requirement.

On 16 March 2005, the PBOC published the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知), which states that in the cities and areas where the price of housing increases too quickly, the minimum down payment when securing mortgages on residential properties would, from 17 March 2005, increase from 20% to 30% of the purchase price. Commercial banks can independently determine the percentage of the minimum down payment in accordance with the appreciation in real estate prices in different cities or areas announced by the relevant governmental departments in the PRC.

Following the Opinion on Adjusting the Housing Supply Structures and Stabilising House Prices (關於調整住房供應結構穩定住房價格意見) promulgated by the State Council on 24 May 2006, the following regulations apply to real estate credit:

- (a) Credit conditions on real estate development must be strictly imposed in order to deter real estate development enterprises from using bank loans to store land and housing development resources. Commercial banks may not provide loans to real estate development enterprises that fail to meet loan conditions, such as having less than 35% of the project capital required for the

development. For real estate development enterprises that have plenty of idle land and vacant commodity housing developments, commercial banks must, in the interests of prudent operations, be stricter in renewing their loans or any form of rolling credit. Commercial banks may not accept as additional security for loans any commodity housing development that has been idle for three or more years.

- (b) From 1 June 2006, the down payment made when securing a mortgage of residential property may not be less than 30% of the purchase price. However, considering the high demand for housing from people in low and medium income levels, the down payment for a mortgage of residential property shall be not less than 20% of the purchase price where the residential property has a total floor area of 90 sq.m. or less.

In September 2007, the PBOC and CBRC promulgated a Circular on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知). The circular aims to tighten the control over real-estate loans from commercial banks to prevent excessive lending. The measures by the circular include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square metres or more and the purchaser is buying the property as his or her own residence;
- for a second-time home purchaser (unless the buyer has paid off his or her outstanding loans on his or her first property), increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate;
- for a commercial property purchaser, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are provided with certain flexibility based on their risk assessment;
- for a purchaser of commercial and residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

On 5 December 2007, the PBOC and CBRC jointly issued the Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor children.

#### *Without mortgage financing*

If purchasers choose not to finance their purchase with mortgage loan facilities, those not purchasing from pre-sale are required to pay the purchase price in full at the time of the execution of the purchase contract. In the case of a pre-sale, 90% of the purchase price (including the amount of down payment) must be paid within two months following the signing of the contract, and the balance of 10% of the purchase price is payable no later than one month prior to the delivery of the property.

#### *Guarantees to mortgage banks*

In accordance with market practice, we provide guarantees to banks for the repayment of the mortgage loans offered to our customers. Such guarantees are divided into short-term and long-term

guarantees. Currently, our short-term guarantees are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權利證) to the mortgage bank by the relevant housing administration department, which are generally available within three months after we deliver the relevant property to our customers, or the full settlement of the mortgaged loan by our customers. Prior to 2003, we also provided long-term guarantees for the mortgage loans of some of our customers. These long-term guarantees were provided to increase confidence of the mortgage banks in providing mortgages to our customers in the then less sophisticated PRC property market. These guarantees are discharged two years from the day the mortgaged loans become due.

In line with customary practice in the industry, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for mortgage loans of our customers, see note 30 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 20 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

Historically, we have not experienced material losses due to default of purchases on the mortgages loans. See “Risk Factors — Risk Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgage banks if our purchasers default on their mortgage payments”.

## **PROPERTY MANAGEMENT**

Through our wholly-owned property management subsidiary, Guangdong Management Co., we currently provide post-sales property management and services to the residents of each of the projects we develop. Our property management subsidiary also services certain projects that were not included among our projects in the Reorganisation. As of 31 December 2007, we had approximately 15,785 staff members working for our 22 property management branches. We aim to continue to provide to purchasers of our properties comprehensive post-sales property management and services, including public security and assistance with 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. We have 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.

The typical property management contract entered into by our property management companies and the owners of the properties sets out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. We may not increase management fees without the prior consent of a majority of the owners of the properties.

Under PRC law, owners have a right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. See “Risk Factors — Risk Relating to Our Business — Our branding and marketing strategy as well as our financial condition could be adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services”.

## **HOTEL DEVELOPMENT AND OPERATION**

Certain residential communities developed or to be developed by us include hotel and resort operations. Our hotel operations own and operate two five-star hotels, one four-star hotel and five hotels that we have developed in accordance with the five-star standard of the “Star-Rating Standard for Tourist Hotels”. In addition, we have four hotels that are under construction in accordance with the five-star standard of the “Star-Rating Standard for Tourist Hotels”. Under PRC laws, hotels cannot apply for star hotel certification until after one year of operations. We intend to apply for such star hotel certification for all our hotels after their first year of operations.

While we believe that the demand for luxury hotels in Guangdong Province will increase as the economy of the region continues to grow and that our hotels and resorts will generate recurrent income for us in the long run, we do not place significant emphasis on the revenue or profit contributions from our hotel business on a stand-alone basis. Rather, we believe that our hotel business assists in enhancing our brand name recognition in the real estate market and contributes to our overall marketing and sales strategies for, and the overall value of, our residential projects.

The availability of our hotel facilities to the residents of our property projects is usually seen as an attractive feature by potential purchasers of our properties.

Our commitment to building and running hotels in certain localities has received support from local governments, which seek to improve the local investment environment and attract more tourist traffic and business establishments to their jurisdictions.

The table below sets out details of our hotel developments and operations.

<b>Name of Hotel</b>	<b>Location</b>	<b>Date opened / to be opened</b>	<b>Star-rating<sup>(1)</sup></b>	<b>Number of Rooms</b>
<b>With Land use rights certificates</b>				
Shunde Country Garden Holiday Resort (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	Four-star (in operation)	152 rooms
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	Five-star (in operation)	573 rooms
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	Five-star (in operation)	201 rooms
Heshan Country Garden Phoenix Hotel (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen, Guangdong Province	July 2005	According to five-star rating standard (in operation) <sup>(2)</sup>	111 rooms
Wuyi Country Garden Phoenix Hotel (五邑碧桂園鳳凰酒店)	Wuyi Country Garden, Jiangmen, Guangdong Province	December 2005	According to five-star rating standard (in operation)	95 rooms
Yangjiang Country Garden Phoenix Hotel (陽江碧桂園鳳凰酒店)	Yangjiang Country Garden, Yangjiang, Guangdong Province	May 2007	According to five-star rating standard (in operation)	342 rooms
Changsha Venice Palace Hotel (長沙威尼斯酒店)	Venice Palace, Changsha, Hunan Province	October 2007	According to five-star rating standard (in trial operation)	343 rooms
Taishan Country Garden Phoenix Hotel (台山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen, Guangdong Province	December 2007	According to five-star rating standard (in trial operation)	337 rooms
Xinhui Country Garden Phoenix Hotel (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen, Guangdong Province	October 2008	According to five-star rating standard (under construction)	374 rooms
Gaoming Country Garden Phoenix Hotel (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	February 2009	According to five-star rating standard (under construction)	357 rooms

Name of Hotel	Location	Date opened / to be opened	Star-rating <sup>(1)</sup>	Number of Rooms
Gaoyao Country Garden Phoenix Hotel (高要碧桂園鳳凰酒店)	Gaoyao Country Garden, Zhaoqing, Guangdong Province	May 2009	According to five-star rating standard (under construction)	286 rooms
Xing'anmeng Country Garden Phoenix Hotel (興安盟碧桂園鳳凰酒店)	Xing'anmeng Country Garden, Xing'anmeng, Inner Mongolia	January 2010	According to five-star rating standard (under construction)	340 rooms

Notes: (1) Hotels are only allowed to apply for star hotel certification after one year of operation.

(2) The phase-two project is under construction and expected to open in May 2008.

Heshan Country Garden Phoenix Hotel has commenced the process to apply for the five-star rating in August 2006. It has already obtained recognition from the Jiangmen City Hotel Star-rating Assessment Committee. Its application will be subject to review by the Guangdong Province Hotel Star-rating Assessment Committee and the Star-Rating Committee under the China National Tourism Administration.

## COMPETITION

The property industry in the PRC is highly competitive. Competitive factors include the size of land reserves and the geographical location, the types of properties offered, recognition by customers, brand creditworthiness, price and design qualities. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. We believe our principal competitors include China Vanke Co., Ltd. (萬科企業股份有限公司), Agile Property Holdings Limited (雅居樂地產控股有限公司), Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司) and Hopson Development Holdings Limited (合生創展集團有限公司) because they have a presence in the regions in which we operate. For more information on competition, please refer to the section headed “Risk Factors — Risks Relating to Our Business — Increasing competition in the PRC, particularly in Guangdong Province, may adversely affect our business and financial condition”.

## INTELLECTUAL PROPERTY RIGHTS

Shunde Country Garden Co. has registered the trademarks and service marks of “碧桂園” in the form of Chinese characters, as well as in the form of logos, with the PRC Trademark Office (中華人民共和國商標局) under various categories including construction, realty leasing, realty management and realty agency.

On 27 March 2007, Shunde Country Garden Co. entered into a trademark license agreement with each of Qingyuan Country Garden Co., Jun'an Golf Club Co. and our original shareholders to grant a non-exclusive right to use the “碧桂園” and certain other trademarks and service marks in respect of their businesses which, apart from Qingyuan Country Garden Co.'s business, are services ancillary to the housing properties constructed by us. Qingyuan Country Garden Co. has also granted Holiday Islands Hotel Co., our wholly-owned subsidiary, a non-exclusive right to use the trademarks and service marks of “假日半島 Holiday Islands” (with respect to which Qingyuan Country Garden Co. has applied to register as a trademark in the PRC) in its business operation pursuant to a trademark license agreement entered into between Qingyuan Country Garden and Holiday Islands Hotel Co. dated 27 March 2007.



We are also the owner of the domain names “bgy.cn”, “bgy.com.cn”, “countrygarden.cn” and “countrygarden.com.cn”. The information contained on our websites is not part of this Memorandum.

## INSURANCE

We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, we carry social insurance for our employees, and our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We do not, however, maintain insurance coverage for non-performance of contract during construction and other risks associated with construction and installation works during the construction period. Consistent with what we believe to be customary practice in the property development industry in China, we also do not maintain insurance against other personal injuries or property damage that may occur during the construction of our properties, except that we carry accidental insurance (i.e., employer’s liability insurance) against personal injuries that may occur to construction workers.

To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to comply with during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. However, there is a risk that we do not have sufficient insurance coverage for losses and damages that may arise in our business operations. See “Risk Factors — Risks Relating to Our Business — We do not have insurance to cover potential losses and claims in our operations”.

## EMPLOYEES

As of 31 December 2004, 2005, 2006, and 2007, we had 13,855, 16,866, 17,968 and 27,839 full-time employees, respectively. The following table provides a breakdown of our employees by responsibilities as of 31 December 2007:

Administration and Human Resources Management .....	197
Marketing and Sales .....	1,210
Finance Management .....	387
Property Project Management .....	1,904
Construction and Decoration Management .....	5,548
Property Management .....	15,785
Hotel .....	<u>2,808</u>
	<u>27,839</u>

As of 31 December 2007, approximately 5,915 of our full-time employees had post secondary education. The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organised by the PRC local governments. In accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay on behalf of our

employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labour disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

## **ENVIRONMENTAL MATTERS**

PRC environmental laws and regulations provide that if a construction project includes environmental facilities, such facilities will have to pass the inspection of the environmental authorities and an inspection approval must be obtained before the environment facilities can start to operate. If a construction project does not include any environmental facilities, no such approval is required.

As advised by our PRC legal advisor, our business is the property development and related business which does not require environmental facilities be constructed. Therefore, no approval from the environmental authorities is necessary. Instead, each property project developed by us is required under the PRC environmental laws and regulations to undergo an environmental assessment before commencement of construction. See “Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs” for further information.

As of 30 June 2007, we had not breached any applicable environmental laws and regulations which has led to penalties imposed by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

## **LEGAL PROCEEDINGS**

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, and we have not incurred significant legal costs and expenses in relation to our overall operating results. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations.

In the past few months, there were news articles which claimed that we acquired land under value or in violation of PRC laws and regulations relating to land acquisitions in Chongqing Municipality, Hunan Province and Anhui Province, and that we were investigated by the relevant PRC land authorities as a result of such violations. Such allegations are ungrounded and we are not aware of any investigation on us by any PRC government authorities on the ground of violation of PRC laws and regulations relating to land acquisition.

## MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this Memorandum.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Mr. Yeung Kwok Keung .....	53	Chairman and an Executive Director
Mr. Cui Jianbo .....	42	President and an Executive Director
Ms. Yang Huiyan .....	26	Executive Director
Mr. Yang Erzhu .....	56	Executive Director
Mr. Su Rubo .....	53	Executive Director
Mr. Zhang Yaoyuan .....	62	Executive Director
Mr. Ou Xueming .....	58	Executive Director
Mr. Yang Zhicheng .....	34	Executive Director
Mr. Yang Yongchao .....	33	Executive Director
Mr. Lai Ming, Joseph .....	63	Independent Non-Executive Director
Mr. Shek Lai Him, Abraham .....	62	Independent Non-Executive Director
Mr. Tong Wui Tung, Ronald .....	57	Independent Non-Executive Director
Ms. Ng Yi Kum .....	50	Chief Financial Officer (since 21 January 2008)
Mr. Huen Po Wah .....	59	Company Secretary
Mr. Song Jun .....	40	Vice-President
Mr. Xie Shutai .....	43	Vice-President
Mr. Wang Zhidun .....	38	Vice-President
Mr. Hu Ran .....	38	Vice-President

## DIRECTORS

Our Board currently consists of 12 Directors, three of whom are independent non-executive Directors. Mr. Yang Erzhu was appointed as an executive Director in November 2006. All the remaining Directors were appointed in December 2006.

### *Executive Directors*

**Yeung Kwok Keung (楊國強)**, aged 53, is the chairman and an executive Director of our Company. Mr. Yeung graduated from the School of Economic Management of Jinan University (暨南大學). Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning. From 1992 to 1997, he was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司). From 1986 to 1997, Mr. Yeung served as the general manager of Shunde Beijiao Construction Company Limited (順德市北滘建築工程有限公司) and also served as the general manager of the Group from 1997 to 2003. He had been the chairman of the Group from 2003 to 2005 and became chairman of the Company after its formation in 2006. Mr. Yeung has over 30 years of experience in construction and over 15 years of experience in property development. Mr. Yeung was recognised as “Guangzhou Real Estate Excellent Contributor for 20 years” in 2005. Mr. Yeung is currently a member of the Standing Committee of the People’s Political Consultative Conference of Foshan (佛山市政協常務委員).

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

**Yang Huiyan (楊惠妍)**, aged 26, is an executive Director of our Company. Ms. Yang graduated from Ohio State University with a degree in marketing and logistic. She joined the Group in 2005 and served as the manager of the procurement department. She is primarily responsible for the overall supervision on procurement, enterprise resources management and formulation of development strategies. Ms. Yang is the daughter of Mr. Yeung Kwok Keung.

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

**Su Rubo (蘇汝波)**, aged 53, is an executive Director of our Company. Mr. Su graduated from the School of Economic Management of Jinan University. He is primarily responsible for construction management, supervision and coordination of our property development projects in Jiangmen, Heshan, Taishan, Gaoming, Xinhui, Zhaoqing and Yangdong, Guangdong Province. From 1994 to 1997, Mr. Su served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. Su served as deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. Su has over 30 years of experience in construction and approximately 13 years of experience in property development and approximately ten years of experience in procurement of construction materials.

**Zhang Yaoyuan (張耀垣)**, aged 62, is an executive Director of our Company. He is primarily responsible for construction management, supervision and coordination of our property development projects in Guangzhou, Zengcheng, Nansha and Shaoguan, Guangdong Province. From 1994 to 1997, Mr. Zhang served as a deputy general manager of Shunde Sanhe Property Development Co., Ltd. From 1986 to 1997, Mr. Zhang served as manager and deputy general manager of Shunde Beijiao Construction Company Limited and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden Co. since 1997. Mr. Zhang has over 40 years of experience in construction and approximately 13 years of experience in the management of property development.

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

**Yang Zhicheng (楊志成)**, aged 34, is an executive Director of our Company and the director and general manager of Changsha Venice Co. He is primarily responsible for the overall development and management of our property project in Changsha, Hunan Province. Prior to joining the Group in 1997, Mr. Yang had worked in Shunde Sanhe Property Development Co., Ltd. as project manager. He had also served as the general manager of Jun'an Country Garden Co. and project general manager of the Group. Mr. Yang has approximately 13 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung.

**Yang Yongchao** (楊永潮), aged 33, is an executive Director of our Company and the general manager of our sales centre. He is primarily responsible for our overall sales management. He has been responsible for the management of the operation and sales centre of Shunde Country Garden Co. since 1997. Mr. Yang has approximately ten years of experience in property sales management, market research, product planning proposal, pricing, marketing, sales and customer resource management. Mr. Yang is a nephew of Mr. Yeung Kwok Keung.

#### ***Independent Non-Executive Directors***

**Lai Ming, Joseph** (黎明), aged 63, is an independent non-executive Director, chairman of the audit committee and a member of the remuneration committee of our Company. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants (“HKICPA”), CPA Australia and the Chartered Institute of Management Accountants (“CIMA”) and the Hong Kong Institute of Directors. He was the president of HKICPA in 1986 and the president of the Hong Kong Branch of CIMA in 1974 to 1975 and 1979 to 1980. Mr. Lai was the managing director of Hsin Chong International Holdings Ltd., which is a substantial shareholder of Hsin Chong Construction Group Ltd., a listed company in Hong Kong which engages primarily in construction and related business in Hong Kong, Macau and the PRC, from November 2001 until December 2003. He was also a non-executive director of Synergis Holdings Ltd., a listed company in Hong Kong which is a property and facility management services provider in Hong Kong and PRC from August 2003 until August 2005. He was an independent non-executive director of SNP Leefung Holdings Ltd. (a company previously listed on the Hong Kong Stock Exchange) from August 2004 until its privatisation in September 2006. Mr. Lai is an independent non-executive director and chairman of the audit committee of Dynasty Fine Wines Group Limited, Shinhint Acoustic Link Holdings Limited, Jolimark Holdings Limited and Guangzhou R&F Properties Co., Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development in Canada. Mr. Lai is also a founding member and first treasurer of Opera Hong Kong Ltd. and a director of the Hong Kong University of Science and Technology R & D Corporation Limited. He is also an advisor to the corporate governance committee of the Hong Kong China Division of CPA Australia.

**Shek Lai Him, Abraham** (石禮謙) SBS, JP, aged 62, is an independent non-executive Director, a member of the audit committee and remuneration committee of our Company. Mr. Shek is a member of the Hong Kong Legislative Council representing the Real Estate and Construction Functional Constituency and was appointed a Justice of the Peace in 1995. He was previously an independent non-executive director of New World TMT Limited whose shares are listed on the Hong Kong Stock Exchange. Mr. Shek is an independent non-executive director of Midas International Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, See Corporation Limited, ITC Corporation Limited, Hop Hing Holdings Limited, Hsin Chong Construction Group Limited and Mass Transit Railway Corporation Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Paliburg Holdings Limited and Chuang’s Consortium International Limited, both of which are listed companies in Hong Kong which engage in property investment. Mr. Shek is currently an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, a real estate investment fund formed primarily to own and invest in a portfolio of office and retail properties in Hong Kong and the units of which are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, a real estate investment fund formed primarily to own and invest in a portfolio of hotels in Hong Kong and the units of which are listed on the Hong Kong Stock Exchange. Mr. Shek also holds directorships in several property-related private companies. He is a director of The Hong Kong Mortgage Corporation Limited.

**Tong Wui Tung, Ronald** (唐滙棟), aged 57, is an independent non-executive Director, a member of the audit committee and remuneration committee of our Company. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions.

Mr. Tong is currently a non-executive director of Yip's Chemical Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Tong was a non-executive director of Multifield International Holdings Limited from September 1997 to September 2004, an independent non-executive director of Beauforte Investors Corporation Limited from November 2000 to March 2004, an independent non-executive director of Wonson International Holdings Limited from December 1999 to November 2006 and a non-executive director of Perfectech International Holdings Limited from August 1994 to May 2007.

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

#### **QUALIFIED ACCOUNTANT**

**Ng Yi Kum, Estella** (伍綺琴), aged 50, is the chief financial officer and qualified accountant of the Company with effect from 21 January 2008. From September 2005 to November 2007, Ms. Ng was an executive director of Hang Lung Properties Limited, a company listed on the Hong Kong Stock Exchange. Prior to her joining Hang Lung Properties in 2003, she was employed by the Hong Kong Stock Exchange in a number of senior positions, most recently as Senior Vice President of its Listing Division. Prior to that she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an Association of The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administration and a Fellow of the Chartered Association of Certified Accountants, the HKICPA and a member of the American Institute of Certified Public Accountants. She has also contributed her time to various public service appointments including being a co-opted member of the Audit Committee of the Hospital Authority, and Corporate Advisor to the Business School of Hong Kong University of Science and Technology.

#### **COMPANY SECRETARY**

**Huen Po Wah** (禰寶華), aged 59, is our company secretary. Mr. Huen joined the Group in March 2007. Mr. Huen is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators. Mr. Huen is also a director of Fair Wind Secretarial Services Limited. Mr. Huen has over 25 years of experience in company management and secretarial fields and has served in many listed companies over the years.



## SENIOR MANAGEMENT

**Song Jun** (宋軍), aged 40, is a vice-president of our Company. Mr. Song graduated from the Chongqing College of Construction and Architecture (重慶建築工程學院), currently known as Chongqing University (重慶大學), with a degree in architecture and is a qualified PRC architect. Mr. Song is responsible for the overall management and supervision of our property development projects. Prior to joining the Group in 1997, he worked in Xiangxi Construction Institute (湘西自治州建築規劃勘察設計院) and Elite Architectural Co. with responsibility for architectural design work. Since 1997, he has been serving in Shunde Country Garden Co. as project manager and project supervisor responsible for the management of property development. Mr. Song has approximately ten years of experience in the management of property development.

**Xie Shutai** (謝樹太), aged 43, is a vice-president of our Company. Mr. Xie graduated from Hunan University (湖南大學) with a degree in civil engineering and is a qualified PRC civil engineer. He is responsible for the overall management of our hotels and property management companies. Prior to joining the Group in 1997, he had worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 with responsibility for structural design work and worked in Shunde Sanhe Property Development Co., Ltd. from 1992 to 1997 with responsibility for property management. Since 1997, he has been working in Shunde Country Garden Co. and Guangdong Management Co. responsible for the overall property and hotel management of the Group. Mr. Xie has approximately 15 years of experience in property management and approximately ten years of experience in hotel management.

**Wang Zhidun** (王志敦), aged 38, is a vice-president of our Company. Mr. Wang graduated from Shantou University (汕頭大學), majoring in international business laws and is a qualified PRC lawyer. Mr. Wang is responsible for investment development and legal matters of the Group. He joined the Group in 2003 and prior to joining the Group, Mr. Wang was a partner in Guangdong Bowen Law Offices from 1996 to 2003.

**Hu Ran** (胡冉), aged 38, is a vice-president of our Company. Mr. Hu graduated from Tsing Hua University (清華大學), majoring in hydraulic-engineering and corporate management. He also studied a master degree in industrial external trading and is now studying a doctoral degree in finance at the National Sun Yat-Sen University (中山大學). Mr. Hu is responsible for capital management. He joined the Group in 2006 and prior to joining the Group, Mr. Hu was the vice-head of China Citic Bank Guangzhou Branch Beixiu Sub-branch (中信銀行廣州分行北秀支行) as well as the general manager of China Southern Airline Group Finance Company (中國南航集團財務公司).

## COMPENSATION OF DIRECTORS

Our executive Directors receive remuneration in the form of salaries, discretionary bonuses, contributions to pension schemes and benefits in kind. The aggregate salary paid to our executive Directors for each of the three years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, was approximately RMB4.0 million, RMB5.2 million, RMB7.4 million and RMB3.0 million, respectively. In accordance with the rules and regulations in the PRC, our PRC based employees, including employees who are Directors, participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which we and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. For the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, we contributed RMB14,000, RMB13,000, RMB15,000 and RMB8,000, respectively, to the plans in respect of our executive Directors. The aggregate amounts of compensation (including salaries, discretionary bonuses, contributions to pension schemes and benefits in kind) which were paid to our executive Directors during each of the three years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, were approximately RMB4.7 million, RMB6.6 million, RMB8.9 million and RMB5.9 million, respectively.

Save as disclosed above, no other amounts have been paid or are payable by us to the Directors in respect of each of the three years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

## AUDIT COMMITTEE

We established an audit committee on 5 December 2006. The audit committee is to serve as a focal point for communication between our Directors, our external auditors and our internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determine from time to time. The audit committee is to assist our Board of Directors in providing an independent review of the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as may be assigned by our Board of Directors from time to time. The members of the audit committee are our independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Lai Ming, Joseph is the chairman of the audit committee.

## REMUNERATION COMMITTEE

We established a remuneration committee on 5 December 2006. The remuneration committee consists of five members, of whom two are executive Directors being Mr. Yeung Kwok Keung and Mr. Cui Jianbo, and three are independent non-executive Directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. The primary duty of the remuneration committee is to review and formulate policies in respect of remuneration structure for all our Directors and senior management and make recommendations to our Board of Directors for its consideration. Mr. Yeung Kwok Keung is the chairman of the remuneration committee.

## Directors' and Chief Executives' Interests

As of the date of this Memorandum, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company as recorded in the register which were required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Capacity	Number of ordinary shares <sup>(1)</sup>	Percentage to issued share capital
Ms. Yang Huiyan . . . . .	Interest of Controlled Corporation	9,520,000,000	58.19%
Mr. Yang Erzhu . . . . .	Interest of Controlled Corporation	1,632,000,000	9.98%
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%

*Note:*

- (1) These shares represent shares held by Concrete Win Limited, Automic Group Limited, Easy Hope Holdings Ltd, Acura International Global Limited and Highlander Group Limited ("Highlander"), a BVI limited liability company wholly owned by Ou Xueming, in which Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming, respectively, beneficially owns the entire issued share capital.

## PRINCIPAL SHAREHOLDERS

As of the date of this Memorandum, the interests persons, other than our Directors or chief executive in our shares and underlying shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in our register kept under Section 336 of the SFO were as follows:

<u>Name of shareholder</u>	<u>Capacity</u>	<u>Number of ordinary shares</u>	<u>Percentage to issued share capital</u>
Concrete Win Limited . . . . .	Beneficial Owner	9,520,000,000	58.19%
Automic Group Limited . . . . .	Beneficial Owner	1,632,000,000	9.98%

*Notes:*

- (1) These 9,520,000,000 shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
- (2) These 1,632,000,000 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 our Directors knows of any person (not being a Director or chief executive of the Company) who will have an interest or short position in our 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.

## RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with our related parties. Substantially all of our related party transactions after our IPO arose from trade activities. As of 30 June 2007, we had the following significant trading balances with our related parties:

	As of 31 December			As of 30 June 2007
	2004	2005	2006	
	(RMB in thousands)			(unaudited)
<b>Balances due from related parties —</b>				
Included in trade receivables .....	14,740	26,055	—	11,762
Included in amounts due from customers for contract work .....	534,944	401,395	92,623	260,376
Included in other receivables .....	723,388	1,719,844	638,797	—
<b>Total</b> .....	<u>1,273,072</u>	<u>2,147,294</u>	<u>731,420</u>	<u>272,138</u>
<b>Balances due to related parties —</b>				
Included in trade payables .....	111,451	154,255	37,567	30,730
Included in advanced proceeds from customers .....	260,000	—	—	—
Included in other payables .....	1,056,649	464,841	—	—
<b>Total</b> .....	<u>1,428,100</u>	<u>619,096</u>	<u>37,567</u>	<u>30,730</u>

As of 31 December 2004, 2005 and 2006 and 30 June 2007, we had the following significant loan balances with related parties:

	As of 31 December			As of 30 June 2007
	2004	2005	2006	
<b>Loans from related parties</b>				
Original shareholders .....	189,944	225,317	—	—
Controlled by original shareholders .....	—	—	64,592	—
Close family members of original shareholders .....	205,776	208,888	—	—
Controlled by close family members of original shareholders .....	110,000	210,000	—	—
<b>Total</b> .....	<u>505,720</u>	<u>664,205</u>	<u>64,592</u>	<u>—</u>

For further information on our related party transactions, see note 34 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 23 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

## CONSTRUCTION AND DECORATION SERVICES

A substantial amount of our related party transactions consist of construction and decoration services we provided to related parties. Pursuant to two contracts dated on 9 November and 15 November 2006, and various contracts entered into between 10 August 2005 and 10 April 2006, we provide decoration and construction services through our subsidiaries, Finest Decoration Co. (for interior decoration) and Giant Leap Construction Co. (for construction), to Qingyuan Country Garden Co., a company controlled by our original shareholders. We sell such construction and decoration services to Qingyuan Country Garden Co. with reference to market prices and on terms no more favourable than those offered by independent third parties for comparable services. For further information on the charges relating to the services we have provided to Qingyuan Country Garden Co., see note 34(b)(i) to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 23(b)(i) to our unaudited

interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum. We do not intend to provide any further decoration or construction services to Qingyuan Country Garden Co. after the relevant contracts expire on 9 April 2009. We estimate that the maximum total fee for construction will not exceed RMB590.0 million for each of the three years ending 31 December 2007, 2008 and 2009, and the maximum total fee for decoration to be charged to Qingyuan Country Garden Co. will not exceed RMB34.0 million for the year ending 31 December 2007.

#### **PURCHASE OF DESIGN SERVICES**

Our design work is mainly undertaken by Elite Architectural Co., which is controlled by one of our original shareholders. In 2004, 2005 and 2006 and the six months ended 30 June 2007, all of our design work was undertaken by Elite Architectural Co. The design services are provided on terms (including but not limited to pricing) no less favourable than those offered by independent third parties for comparable services. For further information on the purchase made by us for design services provided by Elite Architectural Co., see note 34(b)(i) to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 23(b)(iii) to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum. We estimate that the maximum total fees for design services provided by Elite Architectural Co. to us will not exceed RMB75.0 million for each of three years ending 31 December 2007, 2008 and 2009.

#### **PURCHASE OF CEMENT PRODUCTS**

We purchase cement products from Foshan Shunde Grand Cement Co., Ltd. ("Grand Cement Co."), a company controlled by our original shareholders, for the construction of most of our property development projects. The cement products are sold to us on terms (including but not limited to pricing) no less favourable than those offered by Grand Cement Co. to independent third parties. We estimate that the maximum amount of annual purchases of cement products by us from Grand Cement Co. will not exceed RMB240 million for each of the three years ending 31 December 2007, 2008 and 2009.

#### **OTHER RELATED PARTY TRANSACTIONS**

Other related transactions include the purchase of construction materials and water from our original shareholders and their controlled companies. Generally, the terms of such transactions (including but not limited to pricing or rates, as applicable) are no less favourable than those offered by independent third parties for comparable products and services. We estimate that the maximum total fee for other such ongoing transactions will not exceed an aggregate of approximately RMB60.0 million for each of three years ending 31 December 2007, 2008 and 2009.

#### **GUARANTEE AND PLEDGE**

As of 31 December 2004 and 2005, certain of our land use rights were pledged as collateral for the borrowings of Qingyuan Country Garden. This pledge was released on 31 December 2006 before our IPO in April 2007. See also note 7 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006, which is included elsewhere in this Memorandum.

Certain of our borrowings as of 31 December 2004, 2005 and 2006 were jointly secured by certain properties and land use rights of the Group and of certain related parties, and also jointly guaranteed by some of our subsidiaries and related parties. All of the guarantees and security provided by our related parties were released on or before our IPO in April 2007. See note 17 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 12 to our unaudited interim

financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

For further information about our related party transactions, see Note 34 to the financial statements as of and for the years ended 31 December 2004, 2005 and 2006 and Note 23 to the financial statements as of 30 June 2007 and for the six months ended 30 June 2006 and 2007 included elsewhere in this Memorandum.



## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks. As of 31 January 2008, our total indebtedness for interest-bearing bank loans totalled RMB7,168.7 million (US\$998.2 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

### PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, China Minsheng Bank, Shunde Beijiao Agricultural Credit Union, Guangzhou Panyu Agricultural Credit union and Citibank, Shenzhen Branch. These loans typically are project loans to finance the construction of our projects (the “project loans”) and have terms ranging from one year to five years, which generally correspond to the construction periods of the particular projects. As of 30 June 2007, the aggregate outstanding amount under these project loans totalled approximately RMB4,606.4 million, RMB1,270.5 million of which was due within one year.

#### *Interest*

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. For information on the weighted average interest rate on the aggregate outstanding amount of our project loans, see note 17 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 12 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

#### *Covenants*

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganisations or change the company’s status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

#### *Dividend Restriction*

Pursuant to the project loans with Shunde Beijiao Agricultural Credit Union and Agricultural Bank of China, Shunde Branch, some of our PRC subsidiaries also agreed not to distribute any dividends:

- if the distribution exceeds 50% of the borrower’s after-tax profit;

- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- without the bank's prior consent.

### ***Guarantee and Security***

Certain of our PRC subsidiaries and associates have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers under these project loans. See also note 17 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 12 our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

### ***Customer Guarantees***

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. For further information on our outstanding guarantees for mortgage loans of our customers, see note 30 to our audited combined financial information for the years ended 31 December 2004, 2005 and 2006 and note 20 to our unaudited interim financial information for the six months ended 30 June 2007, each of which is included elsewhere in this Memorandum.

### **TERM LOAN**

On 15 October 2007, we entered into a facility agreement as borrower in connection with a six months non-revolving term loan facility with Bank of China (Hong Kong) Limited, as lender, for an aggregate principal amount up to HK\$1,500,000,000 for the purpose of financing our working capital. We have drawn down the entire principal amount available under this facility. We intend to repay the outstanding amount under this term loan facility in the near future.

### ***Guarantors***

Angel View International Limited, Estonia Development Ltd., Falcon Investments Development Ltd. and Impreza Group Limited, each a wholly-owned subsidiary of the Company, are guarantors (each a "Term Loan Guarantor") under the term loan facility. Each Term Loan Guarantor provides a corporate guarantee for the repayment of up to the full principal balance of the loan and accrued interest and defaulted interest and other costs and expenses.

### ***Interest***

Under the facility agreement, the interest applicable for an interest period is a margin over the Hong Kong Interbank Offered Rate ("HIBOR") for that interest period. If we fail to pay the sum due on its payment date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment at a higher margin over HIBOR. Undrawn balance of the facility agreement bears a commitment fee.

### ***Maturity and Prepayment***

The loan facility under the facility agreement is due six months from the date of the first drawdown or at any time prior to such date on demand of the lender.

We may prepay all or any part of the term loan facility provided we give 30 days notice of such expected prepayment. If prepayment is made without such advance notice, a prepayment fee will be charged. Subject to certain exceptions, if we prepay the loan facility, in full or in part within three months, a prepayment charge will be payable.

### ***Covenants***

Pursuant to the facility agreement, we agreed to the following financial covenants:

- our consolidated tangible net worth shall not at any time be less than RMB15,500,000,000;
- the consolidated bank borrowings shall not at any time be more than RMB16,600,000,000
- the ratio of consolidated current assets to consolidated current liabilities in respect of any relevant period shall not be less than 1.50:1;
- the ratio of consolidated net borrowings to consolidated tangible net worth shall not at any time be more than 0.80:1;
- the ratio of consolidated net borrowings to consolidated EBITDA in respect of any relevant period shall not be more than 3.00:1.

We have further agreed, among other things that:

- the Company will not merge or consolidate with or into any other corporation or take any step with a view to dissolution or winding up;
- the Company will not make any material change to its business;
- the Company will not create, incur or suffer or permit to exist any charge upon any of the Company's property, assets, revenues or rights, present or future, except in favor of the lender;
- the Company will not make loans, advance moneys, grant credit to or guarantee or indemnify the liability of any person, firm or company;
- there be no material change in the existing registered or ultimate beneficial shareholding of the Company without the prior written consent of the lender;
- Ms. Yang Huiyan and Mr. Yang Erzhu shall maintain not less than 50% shareholding in the Company (whether directly or indirectly);
- Mr. Yeung Kwok Keung shall remain as the chairman of the Company;
- we maintain our listing on the Hong Kong Stock Exchange; and
- upon the financing of a new syndicated loan and/or a bond or indenture, we will repay/prepay the facility in full.

### ***Events of Default***

The facility agreement contains certain customary events of default, including nonpayment of principal or interest, insolvency and breaches of the terms of the facility agreement. If an event of default has occurred, the lender may by notice to us and declare that an event of default has occurred and that all advances under the facility together with all interest accrued thereon shall become immediately due and payable and no further advances may be drawn under the facility agreement.

## **DESCRIPTION OF THE SHARES**

The following is a description of the Shares, including summaries of material relevant provisions of our Memorandum of Association and the Articles of Association (“Articles”) and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). These summaries do not purport to be complete and are qualified in their entirety by reference to the full Memorandum of Association and the Articles.

### **GENERAL**

We were incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law. As an exempted company, our operations must be conducted mainly outside the Cayman Islands. Our current authorised share capital is HK\$10,000,000,000 divided into 100,000,000,000 ordinary shares of a nominal or par value of HK\$0.10 each (the “Shares”). As at the date of this Memorandum, our issued share capital was HK\$1,636,000,000 divided into 16,360,000,000 Shares fully paid or credited as fully paid.

### **MEETINGS**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days’ notice in writing and any other extraordinary general meeting shall be called by not less than 14 days’ notice in writing. Notice of every general meeting shall be given to all our members other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from us, and also to our directors and auditors for the time being.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, it shall be deemed to have been duly called, if it is so agreed (i) in the case of a meeting called as an annual general meeting by all our members entitled to attend and vote at the meeting; (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the ordinary shares giving that right.

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the commencement of business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum.

A corporation being a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the relevant general meeting or at any relevant general meeting of any class of members. Such duly authorised representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were our individual member.

### **VOTING RIGHTS**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote, and on a poll every member present in person or by proxy (or, in the case of a member being a corporation, by its duly appointed representative) shall have one vote for each fully paid share of which such member is the holder.

Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

No member shall be entitled to vote or be reckoned in a quorum, in respect of any share unless such member is registered as our shareholder at the applicable record date for that meeting and all calls or instalments due by such member have been paid.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Hong Kong Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding our shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Hong Kong Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member it may authorise such persons as it thinks fit to act as its representatives at any meeting or at any meeting of any class of members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. A person so authorised shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of shares held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where we have any knowledge that any shareholder is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

## **MODIFICATION OF RIGHTS**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum.

Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

## **PRE-EMPTION RIGHTS**

There are no pre-emption rights applicable to the issue of new shares by us under either Cayman Islands law or the Articles.

## **TRANSFER OF SHARES**

Subject to such of the restrictions of the Articles as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in such other form prescribed by the Hong Kong Stock Exchange or in any other form which our board of directors may approve.

Our board of directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any share unless:

- (a) the instrument of transfer lodged with us is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) a fee of such maximum sum as the Hong Kong Stock Exchange may determine to be payable or such lesser sum as our board of directors may from time to time require is paid to us in respect thereof.

If the directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers of shares or any class of shares may, on notice being given by advertisement in an appointed newspaper or any other newspapers or by any other means in accordance with the requirements of the Hong Kong Stock Exchange, be suspended and the register closed at such times and for such periods as the directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

## **SHARE REPURCHASE**

We are empowered by the Companies Law and the Articles to purchase our own shares subject to certain restrictions. Our board of directors may exercise such power on our behalf, subject to the Companies Law, the Memorandum, the Articles and, where applicable, any rules of the Hong Kong Stock Exchange and/or any competent regulatory authority.

## **DIVIDENDS**

Subject to the Companies Law, in a general meeting we may declare dividends in any currency but no dividends shall exceed the amount recommended by our board of directors. Dividends may be declared and paid out of our profits, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.



Except in so far as the rights attaching to or the terms of issue of, any share otherwise provides (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share; and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our board of directors may deduct from any dividend or other moneys payable to any member all sums of money (if any) presently payable by him to us on account of calls or otherwise.

No dividend or other moneys payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on any class of our share capital, the board of directors may resolve and direct that: (i) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the board of directors so determine) in cash in lieu of such allotment; or (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board of directors may think fit. The directors may also, with the sanction of the members in general meeting, resolve in respect of any particular dividend that, notwithstanding the foregoing, it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right of members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company.

Any dividend or bonus unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to us.

Whenever the directors or the members in general meeting have resolved that a dividend be paid or declared, the directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or any other company, or in any one or more of such ways, and where any difficulty arises with regard to such distribution, the directors may settle it as they think expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the directors.

## **INSPECTION OF BOOKS AND RECORDS**

Our members will have no general right under Cayman Islands law to inspect or obtain copies of the register of our members or our corporate records. However, the Articles allow our members and the public to inspect the register of our members and we will provide our shareholders with annual audited financial statements.

## **PROTECTION OF MINORITIES**

The Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of our shares in issue, appoint an inspector to examine into our affairs and to report thereon in a manner as the Grand Court shall direct.

Any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up.

Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the Memorandum and the Articles.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against, or derivative actions in our name to challenge (a) an act which is ultra vires or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

## **LIQUIDATION RIGHTS**

A resolution that we be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if we should be wound up and the assets available for distribution among our members should be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if we should be wound up and the assets available for distribution among our members as such should be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If we should be wound up, the liquidator may with the sanction of a special resolution and any other sanction required by the Companies Law, divide among our members in specie or kind the whole or any part of our assets (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like authority, shall think fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

## MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since 20 April 2007. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Trading Volume of Shares (‘000)
	High	Low	End of Period	
		(HK\$)		
<b>2007</b>				
Second quarter (from 20 April) .....	7.27	6.59	6.60	2,576,971
Third quarter .....	13.76	6.48	13.22	3,910,546
Fourth quarter .....	13.24	8.83	9.02	2,016,297
<b>2008</b>				
First quarter (up to 19 February) .....	8.95	5.80	7.85	764,631

Source: Bloomberg

## **DIVIDENDS**

Subject to the Companies Law and our Articles, we may declare dividends at our general meeting but no dividends shall exceed the amount recommended by our Board of Directors. Our Board of Directors may from time to time pay such interim dividends to our members as may appear to the Board of Directors to be justified by our profits. No dividend shall be paid otherwise than out of our profits or with the sanction of an ordinary resolution, out of the share premium account or other fund or account which can be authorised for this purpose in accordance with the Companies Law. No dividends shall carry interest.

Dividends of RMB512.6 million were paid by our subsidiaries to their then shareholders as special dividend prior to the Reorganisation. Since the initial public offering, we have not declared or paid any dividends in respect of our Shares.