# COUNTRY GARDEN HOLDINGS COMPANY LIMITED
# 碧 桂 園 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2007)**

# RESULTS ANNOUNCEMENT
# FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

The Board of Directors (the "**Board**") of Country Garden Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the nine months ended 30 September 2012.

# CONSOLIDATED INTERIM BALANCE SHEET

| | Note | **Unaudited 30 September 2012** *RMB'000* | Audited 31 December 2011 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **9,211,611** | 8,055,297 |
| Investment property | 7 | **120,238** | 125,963 |
| Intangible assets | 7 | **22,002** | 18,496 |
| Land use rights | 7 | **1,298,539** | 1,326,078 |
| Properties under development | 8 | **23,832,770** | 26,551,380 |
| Investment in an associate | 9 | **127,005** | 204,762 |
| Deferred income tax assets | | **1,390,990** | 1,299,297 |
| | | **36,003,155** | 37,581,273 |
| **Current assets** | | | |
| Properties under development | 8 | **40,890,223** | 28,370,042 |
| Completed properties held for sale | | **16,548,923** | 12,876,349 |
| Inventories | | **345,997** | 248,795 |
| Trade and other receivables | 10 | **15,739,351** | 12,535,495 |
| Prepaid taxes | | **4,050,419** | 3,305,092 |
| Restricted cash | 11 | **4,051,292** | 4,649,017 |
| Cash and cash equivalents | 12 | **8,853,276** | 7,744,362 |
| | | **90,479,481** | 69,729,152 |
| **Total assets** | | **126,482,636** | 107,310,425 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital and premium | 13 | **19,368,755** | 15,382,196 |
| Other reserves | 14 | **1,363,537** | 1,367,898 |
| Retained earnings | | | |
| — proposed final dividend | | **—** | 2,163,450 |
| — others | | **13,837,502** | 10,076,693 |
| | | **34,569,794** | 28,990,237 |
| **Non-controlling interests** | | **1,283,447** | 1,077,027 |
| **Total equity** | | **35,853,241** | 30,067,264 |

| | Note | Unaudited<br>30 September<br>2012<br>*RMB'000* | Audited<br>31 December<br>2011<br>*RMB'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 15 | **11,417,717** | 7,408,301 |
| Senior notes | 17 | **14,131,168** | 14,204,447 |
| Convertible bond | 16 | **—** | 884,128 |
| Deferred government grants | | **189,520** | 189,520 |
| Deferred income tax liabilities | | **661,192** | 785,163 |
| | | **26,399,597** | 23,471,559 |
| **Current liabilities** | | | |
| Advanced proceeds received from customers | | **35,185,562** | 27,865,011 |
| Trade and other payables | 18 | **14,224,833** | 12,810,345 |
| Income tax payable | | **6,476,867** | 5,707,482 |
| Bank borrowings | 15 | **7,418,615** | 6,468,990 |
| Derivative financial instruments | 19 | **—** | 919,774 |
| Convertible bond | 16 | **923,921** | — |
| | | **64,229,798** | 53,771,602 |
| **Total liabilities** | | **90,629,395** | 77,243,161 |
| **Total equity and liabilities** | | **126,482,636** | 107,310,425 |
| **Net current assets** | | **26,249,683** | 15,957,550 |
| **Total assets less current liabilities** | | **62,252,838** | 53,538,823 |

# CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | Note | Unaudited Nine months ended 30 September **2012** *RMB'000* | 2011 *RMB'000* |
|---|---|---|---|
| **Revenue** | 6 | **23,522,439** | 19,240,054 |
| Cost of sales | 21 | **(14,239,334)** | (13,230,558) |
| **Gross profit** | | **9,283,105** | 6,009,496 |
| Other gains — net | 20 | **38,335** | 35,717 |
| Selling and marketing costs | 21 | **(1,371,256)** | (760,180) |
| Administrative expenses | 21 | **(1,101,450)** | (861,779) |
| **Operating profit** | | **6,848,734** | 4,423,254 |
| Finance income | 22 | **97,675** | 394,391 |
| Finance costs | 22 | **(398,162)** | (277,027) |
| Finance (costs)/income — net | 22 | **(300,487)** | 117,364 |
| Share of (loss)/profit of an associate | 9 | **(77,757)** | 144,356 |
| Fair value changes on derivative financial instruments | | **73,585** | (147,635) |
| **Profit before income tax** | | **6,544,075** | 4,537,339 |
| Income tax expense | 23 | **(2,690,312)** | (1,670,745) |
| **Profit for the period** | | **3,853,763** | 2,866,594 |
| **Other comprehensive income** | | | |
| Currency translation differences | | **(7,896)** | — |
| **Total comprehensive income for the period** | | **3,845,867** | 2,866,594 |
| **Profit attributable to:** | | | |
| — Owners of the Company | | **3,849,329** | 2,865,059 |
| — Non-controlling interests | | **4,434** | 1,535 |
| | | **3,853,763** | 2,866,594 |
| **Total comprehensive income attributable to:** | | | |
| — Owners of the Company | | **3,844,968** | 2,865,059 |
| — Non-controlling interests | | **899** | 1,535 |
| | | **3,845,867** | 2,866,594 |
| **Earnings per share attributable to owners of the Company (expressed in RMB cents per share)** | | | |
| Basic | 24 | **21.42** | 16.40 |
| Diluted | 24 | **21.41** | 16.40 |

| | Note | Unaudited Nine months ended 30 September **2012** *RMB'000* | 2011 *RMB'000* |
|---|---|---|---|
| **Dividends** | 25 | **—** | — |

# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | |
| | **Share capital and premium** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total Equity** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 13)* | *(note 14)* | | | | |
| **Balance at 1 January 2011** | 15,392,104 | 993,012 | 8,436,305 | 24,821,421 | 596,654 | 25,418,075 |
| **Total comprehensive income for the nine months ended 30 September 2011** | — | — | 2,865,059 | 2,865,059 | 1,535 | 2,866,594 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Capital injection | — | — | — | — | 352,900 | 352,900 |
| Dividend | — | — | (1,604,790) | (1,604,790) | — | (1,604,790) |
| Purchase of treasury shares | (9,908) | — | — | (9,908) | — | (9,908) |
| Effect of redemption of convertible bond | — | (29,666) | — | (29,666) | — | (29,666) |
| **Total transactions with owners** | (9,908) | (29,666) | (1,604,790) | (1,644,364) | 352,900 | (1,291,464) |
| **Balance at 30 September 2011** | 15,382,196 | 963,346 | 9,696,574 | 26,042,116 | 951,089 | 26,993,205 |
| **Balance at 1 January 2012** | **15,382,196** | **1,367,898** | **12,240,143** | **28,990,237** | **1,077,027** | **30,067,264** |
| **Total comprehensive income for the nine months ended 30 September 2012** | **—** | **(4,361)** | **3,849,329** | **3,844,968** | **899** | **3,845,867** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Capital injection | **—** | **—** | **—** | **—** | **286,111** | **286,111** |
| Dividend (note 25) | **—** | **—** | **(2,251,970)** | **(2,251,970)** | **(80,590)** | **(2,332,560)** |
| Issue of shares as a result of placing | **1,734,589** | **—** | **—** | **1,734,589** | **—** | **1,734,589** |
| Issue of shares as a result of the scrip dividend scheme | **2,251,970** | **—** | **—** | **2,251,970** | **—** | **2,251,970** |
| **Total transactions with owners** | **3,986,559** | **—** | **(2,251,970)** | **1,734,589** | **205,521** | **1,940,110** |
| **Balance at 30 September 2012** | **19,368,755** | **1,363,537** | **13,837,502** | **34,569,794** | **1,283,447** | **35,853,241** |

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

| | **Unaudited Nine months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Net cash flows used in operating activities | **(5,153,227)** | (3,521,219) |
| Net cash used in investing activities | **(1,366,046)** | (1,844,587) |
| Net cash generated from financing activities | **7,628,187** | 7,494,846 |
| Net increase in cash and cash equivalents | **1,108,914** | 2,129,040 |
| Cash and cash equivalents at the beginning of the period | **7,744,362** | 5,094,298 |
| Cash and cash equivalents at the end of the period | **8,853,276** | 7,223,338 |

*Notes:*

## 1 GENERAL INFORMATION

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

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

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 April 2007.

This interim financial information is presented in units of Renminbi ("RMB") thousand Yuan, unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 2 January 2013.

This interim financial information has not been audited.

**Key events**

On 2 March 2012, the Company entered into an agreement with Merrill Lynch International to terminate the Equity Swap in whole (note 19).

## 2 BASIS OF PREPARATION

This interim financial information for the nine months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

**(i) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012:**

- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. This amendment had no impact on the Group's financial statements as the Group's investment property has been stated at cost.

- HKFRS 7 (Amendment) 'Disclosures — Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted. This amendment did not have a material impact on the Group's financial statements.

**(ii) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:**

- Amendment to HKAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassificable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The above amendment will be effective for annual periods beginning on or after 1 January 2013.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The above new standard will be effective for annual periods beginning on or after 1 January 2013.

- HKAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The above revised standard will be effective for annual periods beginning on or after 1 January 2013.

- HKFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The above new standard will be effective for annual periods beginning on or after 1 January 2013.

- HKAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The above revised standard will be effective for annual periods beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The above new standard will be effective for annual periods beginning on or after 1 January 2013.

- Amendments to HKFRSs 10, 11 and 12 on transition guidance. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. The above amendments will be effective for annual periods beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The above new standard will be effective for annual periods beginning on or after 1 January 2013.

- Amendment to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting. The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The above amendment will be effective for annual periods beginning on or after 1 January 2013.

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The above amendment will be effective for annual periods beginning on or after 1 January 2014.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The above new standard will be effective for annual periods beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The above amendments will be effective for annual periods beginning on or after 1 January 2015.

The Group is yet to assess the impact of the above new and revised standards and amendments on the Group's financial statements, and intends to adopt the above new and revised standards and amendments no later than their respective effective dates.

## 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no significant changes in any risk management policies since 31 December 2011.

### 5.2 Fair value estimation

As at 30 September 2012, the Group did not have financial instruments stated at fair value.

## 6 SEGMENT INFORMATION

The executive directors of the Company (the "ED") reviews the Group's internal reporting in order to assess performance and allocate resources. The ED has determined the operating segments based on these reports.

The ED considers the business from product perspective. From a product perspective, ED assesses the performance of:

- Property development;
- Construction, fitting and decoration;
- Property management; and
- Hotel operation.

The ED assesses the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment property, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets and collateral for Equity Swap. Segment liabilities consist primarily of operating liabilities. They exclude bank borrowings, convertible bond, senior notes, derivative financial instruments, deferred income tax liabilities and income tax payable.

Capital expenditure comprises additions to property, plant and equipment, land use rights, investment property and intangible assets.

Revenue consists of the following:

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Sales of properties | **22,260,478** | 18,197,004 |
| Rendering of construction, fitting and decoration services | **112,801** | 146,539 |
| Rendering of property management services | **445,470** | 371,190 |
| Rendering of hotel services | **703,690** | 525,321 |
| | **23,522,439** | 19,240,054 |

Sales between segments are carried out according to the terms and conditions agreed by both parties.

The Group's entire revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a number of customers, no revenue from a customer exceed 5% or more of the Group's revenue.

The segment information provided to the ED for the reportable segments for the nine months ended 30 September 2012 is as follows:

| | **Property development** *RMB'000* | **Construction, fitting and decoration** *RMB'000* | **Property management** *RMB'000* | **Hotel operation** *RMB'000* | **Total Group** *RMB'000* |
|---|---|---|---|---|---|
| **Nine months ended 30 September 2012** | | | | | |
| Total revenue | **22,260,478** | **6,270,004** | **445,536** | **728,656** | **29,704,674** |
| Inter-segment revenue | **—** | **(6,157,203)** | **(66)** | **(24,966)** | **(6,182,235)** |
| Revenue (from external customers) | **22,260,478** | **112,801** | **445,470** | **703,690** | **23,522,439** |
| Operating profit/(loss) | **6,851,387** | **13,536** | **60,014** | **(76,203)** | **6,848,734** |
| **At 30 September 2012** | | | | | |
| Total segment assets | **110,895,978** | **3,584,824** | **683,868** | **9,926,976** | **125,091,646** |
| Capital expenditure | **344,939** | **5,599** | **8,992** | **1,104,984** | **1,464,514** |
| Total segment liabilities | **45,032,424** | **3,361,077** | **617,137** | **589,277** | **49,599,915** |

The segment information provided to the ED for the reportable segments for the nine months ended 30 September 2011 was as follows:

| | Property development *RMB'000* | Construction, fitting and decoration *RMB'000* | Property management *RMB'000* | Hotel operation *RMB'000* | Total Group *RMB'000* |
|---|---|---|---|---|---|
| **Nine months ended 30 September 2011** | | | | | |
| Total revenue | 18,197,004 | 5,039,770 | 371,307 | 525,321 | 24,133,402 |
| Inter-segment revenue | — | (4,893,231) | (117) | — | (4,893,348) |
| Revenue (from external customers) | 18,197,004 | 146,539 | 371,190 | 525,321 | 19,240,054 |
| Operating profit/(loss) | 4,406,784 | 17,585 | 54,120 | (55,235) | 4,423,254 |
| **At 31 December 2011** | | | | | |
| Total segment assets | 93,587,632 | 2,612,195 | 476,717 | 7,759,359 | 104,435,903 |
| Capital expenditure | 655,324 | 5,006 | 15,004 | 2,137,572 | 2,812,906 |
| Total segment liabilities | 37,509,289 | 2,201,791 | 490,196 | 663,600 | 40,864,876 |

Reportable operating profits are reconciled to profit for the period as follows:

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Total operating profit | **6,848,734** | 4,423,254 |
| Financial (costs)/income — net | **(300,487)** | 117,364 |
| Share of (loss)/profit of an associate | **(77,757)** | 144,356 |
| Fair value changes on derivative financial instruments | **73,585** | (147,635) |
| Profit before income tax | **6,544,075** | 4,537,339 |
| Income tax expense | **(2,690,312)** | (1,670,745) |
| Profit for the period | **3,853,763** | 2,866,594 |

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

| | **30 September** | 31 December |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Total segment assets | **125,091,646** | 104,435,903 |
| Deferred income tax assets | **1,390,990** | 1,299,297 |
| Collateral for Equity Swap | **—** | 1,575,225 |
| **Total assets** | **126,482,636** | 107,310,425 |
| Total segment liabilities | **49,599,915** | 40,864,876 |
| Deferred income tax liabilities | **661,192** | 785,163 |
| Income tax payable | **6,476,867** | 5,707,482 |
| Derivative financial instruments | **—** | 919,774 |
| Bank borrowings | **18,836,332** | 13,877,291 |
| Convertible bond | **923,921** | 884,128 |
| Senior notes | **14,131,168** | 14,204,447 |
| **Total liabilities** | **90,629,395** | 77,243,161 |

## 7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

| | **Property, plant and equipment** | **Land use rights** | **Investment property** | **Intangible assets** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Nine months ended 30 September 2012** | | | | |
| **Opening net book amount at 1 January 2012** | **8,055,297** | **1,326,078** | **125,963** | **18,496** |
| Additions | **1,456,729** | **—** | **—** | **7,785** |
| Disposals | **(27,629)** | **—** | **—** | **—** |
| Depreciation/amortisation | **(272,786)** | **(27,539)** | **(5,725)** | **(4,279)** |
| **Closing net book amount at 30 September 2012** | **9,211,611** | **1,298,539** | **120,238** | **22,002** |
| **Nine months ended 30 September 2011** | | | | |
| **Opening net book amount at 1 January 2011** | 5,552,483 | 1,095,982 | 133,597 | 18,499 |
| Additions | 1,968,272 | 29,528 | — | 565 |
| Reclassification | — | 234,129 | — | — |
| Disposals | (490) | — | — | — |
| Depreciation/amortisation | (190,202) | (21,347) | (5,725) | (3,983) |
| **Closing net book amount at 30 September 2011** | 7,330,063 | 1,338,292 | 127,872 | 15,081 |

## 8 PROPERTIES UNDER DEVELOPMENT

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Properties under development expected to be completed: | | |
| Within normal operating cycle included under current assets | **40,890,223** | 28,370,042 |
| Beyond normal operating cycle included under non-current assets | **23,832,770** | 26,551,380 |
| | **64,722,993** | 54,921,422 |
| Amount comprises: | | |
| Construction costs | **33,067,093** | 26,870,421 |
| Land use rights | **28,992,458** | 26,831,403 |
| Interest capitalised | **2,663,442** | 1,219,598 |
| | **64,722,993** | 54,921,422 |

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2012 was 10.42% (2011: 10.68%). The properties under development are located in the PRC.

## 9 INVESTMENT IN AN ASSOCIATE

| | *RMB'000* |
|---|---|
| **At 1 January 2011** | 83,825 |
| Share of profit | 144,356 |
| **At 30 September 2011** | 228,181 |
| **At 1 January 2012** | **204,762** |
| Share of loss | **(77,757)** |
| **At 30 September 2012** | **127,005** |

The Group's share of the results of its associate, which is unlisted, and its aggregated assets and liabilities, are as follows:

| **Name** | **Place of establishment** | **Principal activities** | **Assets** | **Liabilities** | **Revenue** | **Share of loss** | **% interest held** |
|---|---|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | |
| Li He Property Development Company Limited ("Li He") | PRC | Development of a real estate project in Guangzhou | 4,606,256 | 4,479,251 | 231,167 | (77,757) | 20% |

The land of the aforementioned property development project of Li He consists of three phases. According to the agreed payment schedule of land premium, the third phase land premium of RMB10,200,000,000 should be settled in December 2011. As at 30 September 2012, there was an outstanding land premium totaling RMB8,200,000,000 remained unsettled. Management of Li He is in the progress of negotiating with related government authorities about the repayment schedule of this outstanding land premium. Based on the continuing negotiation initiated by the management of Li He and their consultation with external lawyer, the directors of the Company consider that the delayed payment of land premium does not render significant adverse impact on the operating results and financial position of the Group as at 30 September 2012.

## 10 TRADE AND OTHER RECEIVABLES

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables (note (a)) | **1,902,173** | 1,181,362 |
| Land auction deposits | **1,011,922** | 1,195,382 |
| Other receivables | **3,850,261** | 1,865,709 |
| Amount due from an associate (note 28(d)) | **1,139,745** | 1,139,745 |
| Amounts due from customers for contract work (note (b)) | **476,130** | 404,190 |
| Prepayments for land (note (c)) | **4,850,107** | 4,293,512 |
| Other prepayments | **2,509,013** | 2,455,595 |
| | **15,739,351** | 12,535,495 |

As at 30 September 2012, the fair value of trade and other receivables approximates their carrying amounts.

*Notes:*

(a) Trade receivables are mainly arisen from sales of properties. The ageing analysis of trade receivables is as follows:

| | As at 30 September 2012 *RMB'000* | 31 December 2011 *RMB'000* |
|---|---|---|
| Within 90 days | **1,505,324** | 1,009,043 |
| Over 90 days and within 180 days | **298,046** | 110,161 |
| Over 180 days and within 365 days | **57,658** | 33,920 |
| Over 365 days | **41,145** | 28,238 |
| | **1,902,173** | 1,181,362 |

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

| | As at 30 September 2012 *RMB'000* | 31 December 2011 *RMB'000* |
|---|---|---|
| Cost incurred | **4,165,603** | 4,077,952 |
| Recognised profits | **1,772,914** | 1,747,764 |
| | **5,938,517** | 5,825,716 |
| Less: progress billings | **(5,462,387)** | (5,421,526) |
| Amounts due from customers | **476,130** | 404,190 |
| Including: Related companies (note 28(d)) | **427,613** | 381,992 |
| Third parties | **48,517** | 22,198 |

(c) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 September 2012.

## 11 RESTRICTED CASH

| | As at 30 September 2012 *RMB'000* | 31 December 2011 *RMB'000* |
|---|---|---|
| Guarantee deposits for construction of pre-sale properties (note) | **3,273,871** | 2,871,622 |
| Collateral for borrowings (note 15) | **777,421** | 202,170 |
| Collateral for Equity Swap (note 19) | **—** | 1,575,225 |
| | **4,051,292** | 4,649,017 |

*Note:*

In accordance with relevant documents issued by the PRC State-owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is earlier.

## 12 CASH AND CASH EQUIVALENTS

| | **As at 30 September 2012** | 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cash at bank and in hand: | | |
| Denominated in RMB | **12,415,743** | 9,720,308 |
| Denominated in HK dollar | **327,444** | 57,215 |
| Denominated in US dollar | **157,273** | 2,615,856 |
| Denominated in other currencies | **4,108** | — |
| | **12,904,568** | 12,393,379 |
| Less: restricted cash (note 11) | **(4,051,292)** | (4,649,017) |
| | **8,853,276** | 7,744,362 |

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 13 SHARE CAPITAL AND PREMIUM

| | | Number of ordinary shares | Nominal value of ordinary shares | Equivalent nominal value of ordinary shares | Share premium | Treasury Shares | Total |
|---|---|---|---|---|---|---|---|
| | | | *HK$'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Authorised** | | | | | | | |
| Authorised ordinary share of HK$0.10 each at 30 September 2011 and 2012 | | 100,000,000,000 | 10,000,000 | 9,905,008 | — | — | 9,905,008 |
| **Issued and fully paid** | | | | | | | |
| Opening balance at 1 January 2011 | | 16,699,138,043 | 1,669,914 | 1,647,530 | 14,114,902 | (370,328) | 15,392,104 |
| Treasury shares purchased | | — | — | — | — | (9,908) | (9,908) |
| At 30 September 2011 and 1 January 2012 | | 16,699,138,043 | 1,669,914 | 1,647,530 | 14,114,902 | (380,236) | 15,382,196 |
| Issue of shares as a result of placing | (a) | 677,191,602 | 67,719 | 54,895 | 1,679,694 | — | 1,734,589 |
| Issue of shares as a result of the scrip dividend scheme | (b) | 853,330,509 | 85,333 | 69,206 | 2,182,764 | — | 2,251,970 |
| At 30 September 2012 | | 18,229,660,154 | 1,822,966 | 1,771,631 | 17,977,360 | (380,236) | 19,368,755 |

*Note:*

(a) On 29 February 2012, the Company entered into a placing and subscription agreement with Concrete Win Limited ("Concrete Win"), the holding company of the Company, and certain placing agents (the "Agreement"). Pursuant to the Agreement, the Company conditionally agreed to issue to Concrete Win, and Concrete Win conditionally agreed to subscribe for 677,191,602 new shares of the Company at a price of HK$3.23 per share. On 8 March 2012, 677,191,602 new shares were issued and allotted at a price of HK$3.23 per share. These new shares are entitled to the scrip dividend as described in note (b) below.

(b) On 18 May 2012, a scrip dividend scheme was issued whereby the 2011 final dividend was satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to the shareholders to elect to receive such dividend in cash in lieu of such allotment. On 15 June 2012, 853,330,509 new shares were issued as of result of the above scrip dividend scheme at a price of HK$3.254 per share representing the average of the closing prices of the Company's ordinary shares for the five consecutive trading days up to and including 4 May 2012.

## 14 OTHER RESERVES

| | Merger reserve (note) | Statutory reserve | Conversion option reserve | Translation reserve | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Nine months ended 30 September 2011** | | | | | |
| Balance at 1 January 2011 | (149,801) | 1,083,346 | 59,467 | — | 993,012 |
| Effect of redemption of convertible bond | — | — | (29,666) | — | (29,666) |
| **Balance at 30 September 2011** | (149,801) | 1,083,346 | 29,801 | | 963,346 |
| **Nine months ended 30 September 2012** | | | | | |
| Balance at 1 January 2012 | **(149,801)** | **1,487,898** | **29,801** | **—** | **1,367,898** |
| Currency translation differences | **—** | **—** | **—** | **(4,361)** | **(4,361)** |
| **Balance at 30 September 2012** | **(149,801)** | **1,487,898** | **29,801** | **(4,361)** | **1,363,537** |

*Note:*

Merger reserve of the Group represents the difference between the share capital of subsidiaries, acquired pursuant to a group reorganisation undertaken for the listing of the Company on the main board of the Stock Exchange, over the nominal value of shares of the Company issue in exchange thereof.

## 15 BANK BORROWINGS

| | As at 30 September 2012 RMB'000 | As at 31 December 2011 RMB'000 |
|---|---|---|
| Borrowings included in non-current liabilities: | | |
| Bank borrowings | | |
| — secured | **15,080,520** | 9,910,250 |
| — unsecured | **2,364,990** | 2,859,501 |
| Less: current portion of non-current borrowings | **(6,027,793)** | (5,361,450) |
| | **11,417,717** | 7,408,301 |
| Borrowings included in current liabilities: | | |
| Bank borrowings | | |
| — secured | **861,457** | 885,400 |
| — unsecured | **529,365** | 222,140 |
| Current portion of non-current borrowings | **6,027,793** | 5,361,450 |
| | **7,418,615** | 6,468,990 |

Movements in borrowings are analysed as follows:

| | *RMB'000* |
|---|---|
| **Nine months ended 30 September 2011** | |
| Opening amount as at 1 January 2011 | 9,864,906 |
| Additions of borrowings | 7,921,441 |
| Repayments of borrowings | (4,348,557) |
| **Closing amount as at 30 September 2011** | 13,437,790 |
| **Nine months ended 30 September 2012** | |
| Opening amount as at 1 January 2012 | **13,877,291** |
| Additions of borrowings | **9,523,160** |
| Repayments of borrowings | **(4,564,119)** |
| **Closing amount as at 30 September 2012** | **18,836,332** |

The Group's borrowings of RMB14,346,337,000 as at 30 September 2012 (31 December 2011: RMB9,122,750,000), were jointly secured by certain properties and land use rights of the Group with total carrying values of RMB20,622,517,000 as at 30 September 2012 (31 December 2011: RMB12,108,012,000). The Group's borrowings of RMB960,000,000 as at 30 September 2012 (31 December 2011: RMB1,330,000,000) were guaranteed by the Company and secured by the Group's equity interest in certain subsidiaries. The Group's remaining secured borrowings of RMB635,640,000 at 30 September 2012 (31 December 2011: RMB342,900,000) were secured by certain bank deposits of the Group (note 11).

The weighted average effective interest rates were as follows:

| | As at 30 September 2012 | 31 December 2011 |
|---|---|---|
| Bank borrowings | **9.08%** | 7.21% |

The carrying amounts of the Group's bank borrowings are denominated in RMB and approximate their fair value.

## 16 CONVERTIBLE BOND

In 2008, the Company issued a RMB denominated USD settled 2.5% convertible bond (the "Bond") due 2013, of an initial principal amount of US$600 million (equivalent to approximately RMB4,314 million). The Bond is listed on the Singapore Exchange Securities Trading Limited. At the option of bond holders, the aggregate amount of RMB4,314 million will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The value of the liability component of RMB3,781.3 million and the equity conversion component of RMB424.8 million, net of transaction costs of RMB107.9 million, were determined at issuance of the Bond.

The Bond matures in five years (February 2013) from the issue date at 121.306% of the nominal value or can be converted into ordinary shares of the Company on or after 3 April 2009 at contracted price (the initial conversion price is HK$9.05 per share) at a fixed exchange rate of RMB0.922 to HK$1.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the Bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The total consideration (including transaction costs) paid to redeem the Bond is allocated to liability and equity components at the date of redemption. The difference between the consideration allocated to the liability component and its carrying value at the date of redemption is recognised in profit or loss. The amount of consideration allocated to the equity component is recognised in equity.

The Bond recognised in the balance sheet is calculated as follows:

| | *RMB'000* |
|---|---|
| **Liability component as at 1 January 2011** | 1,381,054 |
| Interest expenses | 65,351 |
| Coupon paid | (26,057) |
| Redemption | (555,387) |
| **Liability component as at 30 September 2011** | 864,961 |
| **Liability component as at 1 January 2012** | **884,128** |
| Interest expenses | **59,318** |
| Coupon paid | **(19,525)** |
| **Liability component at 30 September 2012** | **923,921** |

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

Up to 30 September 2012, there was no conversion of the Bond.

## 17 SENIOR NOTES

The Group issued the following senior notes in the current and prior years:

(i) On 2 September 2009, the Company issued senior notes in an aggregate principal amount of US$300,000,000. On 16 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of US$75,000,000 (collectively the "2014 Notes"). The 2014 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2014 Notes carry interest at the rate of 11.75% per annum, payable semi-annually on March 10 and September 10 in arrears, and will mature on 10 September 2014, unless redeemed earlier.

At any time, the Company may at its option redeem the 2014 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes plus certain premium as of, and accrued and unpaid interest, if any, to the redemption date.

At any time prior to 10 September 2012, the Company may redeem up to 35% of the aggregate principal amount of the 2014 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 111.75% of the principal amount of the 2014 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) On 15 April 2010, the Company issued senior notes in an aggregate principal amount of US$550,000,000 (the "2017 Notes"). The 2017 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 Notes carry interest at the rate of 11.25% per annum, payable semi-annually on April 22 and October 22 in arrears, and will mature on 22 April 2017, unless redeemed earlier.

At any time on or after 22 April 2014, the Company may redeem the 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on 22 April of each of the years indicated below.

| | **Redemption price** |
|---|---|
| 2014 | 105.625% |
| 2015 | 102.8125% |
| 2016 and thereafter | 100.00% |

At any time prior to 22 April 2014, the Company may at its option redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to 22 April 2013, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Notes with the proceeds from sales of certain kinds of the Company's capital stock at a redemption price of 111.25% of the principal amount of the 2017 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2017 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of the Company's capital stock and subject to certain conditions.

(iii) On 4 August 2010, the Company issued senior notes in an aggregate principal amount of US$400,000,000 (the "2015 Notes"). The 2015 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2015 Notes carry interest at the rate of 10.50% per annum, payable semi-annually on February 11 and August 11 in arrears, and will mature on 11 August 2015, unless redeemed earlier.

At any time prior to 11 August 2015, the Company may at its option redeem the 2015 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 11 August 2013, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.50% of the principal amount of the 2015 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2015 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(iv) On 23 February 2011, the Company issued senior notes in an aggregate principal amount of US$900,000,000 (the "2018 Notes"). The 2018 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 Notes carry interest at the rate of 11.125% per annum, payable semi-annually on February 23 and August 23 in arrears, and will mature on 23 February 2018, unless redeemed earlier.

At any time and from time to time on or after 23 February 2015, the Company may redeem the 2018 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on 23 February of each of the years indicated below.

| | **Redemption price** |
|---|---|
| 2015 | 105.5625% |
| 2016 | 102.7813% |
| 2017 and thereafter | 100.00% |

At any time prior to 23 February 2015, the Company may at its option redeem the 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to 23 February 2014, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes with the proceeds from sales of certain kinds of the Company's capital stock at a redemption price of 111.125% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2018 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of the Company's capital stock and subject to certain conditions.

The 2014 Notes, 2017 Notes, 2015 Notes and 2018 Notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 12.11%, 11.81%, 11.23% and 11.69% per annum to the liability component of the 2014 Notes, 2017 Notes, 2015 Notes and 2018 Notes, respectively.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 September 2012.

The 2014 Notes, 2017 Notes, 2015 Notes and 2018 Notes recognised in the balance sheet were calculated as follows:

| | *RMB'000* |
|---|---|
| **Carrying amount as at 1 January 2011** | 8,872,270 |
| Additions | 5,770,437 |
| Exchange gains | (558,809) |
| Interest expenses | 1,114,374 |
| Coupon paid | (1,080,394) |
| **Carrying amount as at 30 September 2011** | 14,117,878 |
| **Carrying amount as at 1 January 2012** | **14,204,447** |
| Exchange losses | **82,144** |
| Interest expenses | **1,216,336** |
| Coupon paid | **(1,371,759)** |
| **Carrying amount as at 30 September 2012** | **14,131,168** |

## 18 TRADE AND OTHER PAYABLES

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables (note) | **8,576,590** | 8,629,421 |
| Other payables — third parties | **3,872,493** | 2,305,622 |
| Other taxes payable | **777,207** | 604,993 |
| Staff welfare benefit payable | **443,347** | 917,749 |
| Accrued expenses | **555,196** | 352,560 |
| | **14,224,833** | 12,810,345 |

*Note:*

The ageing analysis of trade payables at the balance sheet dates is as follows:

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **8,029,923** | 8,115,814 |
| Over 90 days and within 180 days | **219,511** | 200,181 |
| Over 180 days and within 365 days | **198,748** | 199,549 |
| Over 365 days | **128,408** | 113,877 |
| | **8,576,590** | 8,629,421 |

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

Upon the issue of the RMB denominated USD settled 2.5% convertible bond as disclosed in note 16, the Company entered into a cash settled equity swap transaction (the "Equity Swap") for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million) on 22 February 2008, and as a result, the Company has put up collateral in the amount of US$250 million (the "Collateral") to Merrill Lynch International. Under the Equity Swap, the Company will either receive a payment from or settle a payment to Merrill Lynch International if the final price is higher or lower than the initial price upon termination of the Equity Swap. The initial price was determined in accordance with the formula as set out in the Equity Swap contract, and the final price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates upon termination of the Equity Swap. Besides, the termination date of the Equity Swap will be determined based on the earlier of 2013 or a date when certain condition as stipulated in the Equity Swap contract is fulfilled.

According to the Equity Swap transactions entered with Merrill Lynch International, Merrill Lynch International would pay the Company an amount equivalent to the number of shares under the Equity Swap multiplied by the dividend per Company's share as a return of the Equity Swap.

On 5 January 2011, the Company entered into an amendment and restatement agreement with Merrill Lynch International (the "Amendment"). Pursuant to the Amendment, Merrill Lynch International no longer has the above option to early terminate the Equity Swap and only the Company has the option to terminate the Equity Swap early on any scheduled trading day, at its election, prior to the termination of the Equity Swap.

On 2 March 2012, the Company entered into an agreement with Merrill Lynch International to terminate the Equity Swap in whole. As a result of the termination of the Equity Swap, the Collateral was released and the Company is entitled to receive and has received approximately US$113 million of cash back during the period ended 30 September 2012.

Derivative financial instruments liabilities as at balance sheet date are as follows:

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Equity Swap | **—** | 919,774 |

## 20 OTHER GAINS — NET

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Forfeiture income | **18,778** | 13,051 |
| Refund of land usage tax | **22,050** | 3,375 |
| Gains on disposal of property, plant and equipment | **781** | 361 |
| Return from Equity Swap | **—** | 26,758 |
| Others | **(3,274)** | (7,828) |
| | **38,335** | 35,717 |

## 21 EXPENSES BY NATURE

| | Nine months ended 30 September 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Advertising costs | **620,441** | 324,910 |
| Amortisation of intangible assets (note 7) | **4,279** | 3,983 |
| Business taxes and other levies (note) | **1,527,791** | 1,228,672 |
| Costs of completed properties sold | **12,369,932** | 11,508,573 |
| Donations | **63,068** | 91,897 |
| Depreciation (note 7) | **278,511** | 195,927 |
| Employee benefit expenses | **992,669** | 535,156 |
| Land use rights amortisation (note 7) | **27,539** | 21,347 |
| Surveillance charges | **14,521** | 31,851 |
| Rental expenses | **31,751** | 18,704 |
| Others | **781,538** | 891,497 |
| Total cost of sales, selling and marketing costs and administrative expenses | **16,712,040** | 14,852,517 |

*Note:*

**Business tax**

The PRC companies now comprising the Group are subject to business taxes on their revenues at the following rates:

| Category | Rate |
|---|---|
| Sales of properties | 5% |
| Property, fitting construction and decoration | 3% |
| Property management | 5% |
| Hotel operation | 5% |

## 22 FINANCE (COSTS)/INCOME — NET

| | Nine months ended 30 September 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Interest expenses: | | |
| — Bank borrowings | **(1,097,548)** | (581,285) |
| — The Bond (note 16) | **(59,318)** | (65,351) |
| — Senior notes (note 17) | **(1,216,336)** | (1,114,374) |
| | **(2,373,202)** | (1,761,010) |
| — Loss on redemption of the Bond | **—** | (243) |
| — Net foreign exchange loss on financing activities | **(66,530)** | — |
| Less: | | |
| — Amounts capitalised on qualifying assets | **2,041,570** | 1,484,226 |
| Finance costs | **(398,162)** | (277,027) |
| Finance income: | | |
| — Interest income on short-term bank deposits | **97,675** | 71,187 |
| — Net foreign exchange gain on financing activities | **—** | 323,204 |
| Finance income | **97,675** | 394,391 |
| Finance (costs)/income — net | **(300,487)** | 117,364 |

## 23 INCOME TAX EXPENSE

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| — PRC corporate income tax (note (a)) | **1,404,791** | 992,615 |
| — Land appreciation tax (note (c)) | **1,501,185** | 518,187 |
| Deferred income tax | **(215,664)** | 159,943 |
| | **2,690,312** | 1,670,745 |

(a) PRC corporate income tax is provided at the rate of 25% (2011: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

Furthermore, in accordance with the "Corporate Income Tax Law of the People's Republic of China" and the "Implementation Regulations of the Corporate Income Tax Law of the People's Republic of China" promulgated by the State Council on 6 December 2007 and effective on 1 January 2008, an income tax rate of 10% shall be applicable to any dividends payable to non-PRC Tax Resident Enterprises from PRC Tax Resident Enterprises.

In accordance with the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", if the beneficial owner of the dividends is a company directly owning at least 25% of the capital of the company which pays the dividends, 5% of the gross amount of the dividends is applied.

(b) No Hong Kong profits tax was provided for the nine months ended 30 September 2012 as the Group did not have any assessable profit (2011: nil).

(c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

## 24 EARNINGS PER SHARE

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

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 13).

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| Profit attributable to owners of the Company (RMB'000) | **3,849,329** | 2,865,059 |
| Weighted average number of ordinary shares in issue (thousands) | **17,968,837** | 17,465,149 |
| Basic (RMB cents per share) | **21.42** | 16.40 |

**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only dilutive potential ordinary shares is the Bond. The Bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses charged to profit or loss.

| | **Nine months ended 30 September 2012** |
|---|---|
| Profit attributable to owners of the Company (RMB'000) | 3,849,329 |
| Interest expense on the Bond (RMB'000) | 17,576 |
| Profit used to determine diluted Earnings per share (RMB'000) | 3,866,905 |
| Weighted average number of ordinary shares in issue (thousands) | 17,968,837 |
| Adjustments — conversion of the Bond (thousands) | 93,599 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 18,062,436 |
| Diluted (RMB cents per share) | 21.41 |

The impact of conversion of the Bond to earnings per share was anti-dilutive for the nine months ended 30 September 2011, diluted earnings per share was therefore equal to basic earnings per share for the nine months ended 30 September 2011.

## 25 DIVIDENDS

The Board of Directors did not recommend the payment of any interim dividend for the nine months ended 30 September 2012 (2011: nil).

A final dividend in respect of 2011 of RMB12.96 cents per share, amounting to total dividends of approximately RMB2,251,970,000 has been declared in the Annual General Meeting on 26 April 2012.

On 18 May 2012, a scrip dividend scheme was issued whereby the 2011 final dividend was satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to the shareholders to elect to receive such dividend in cash in lieu of such allotment (note 13).

## 26 CONTINGENCIES

The Group had the following contingent liabilities:

| | **As at** | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Guarantees in respect of mortgage facilities for certain purchasers (note (a)) | **17,902,905** | 15,782,991 |
| Guarantee in respect of borrowings (note (b)) | **1,805,491** | 1,500,400 |
| | **19,708,396** | 17,283,391 |

*Note:*

(a) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. As at 30 September 2012, the amount of RMB33,006,000 (31 December 2011: RMB106,354,000) was to be discharged two years from the day the mortgaged loans become due; and RMB17,869,899,000 (31 December 2011: RMB15,676,637,000) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

(b) This represents the maximum exposure of the guarantee provided for Li He for its bank borrowings.

## 27 COMMITMENTS

### (a) Commitments for capital and property development expenditures

| | As at | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Contracted but not provided for | | |
| Property, plant and equipment | **11,066** | 16,687 |
| Property development expenditure (including land premium) | **19,861,891** | 19,179,413 |
| | **19,872,957** | 19,196,100 |

### (b) Operating lease commitments

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

| | As at | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Not later than one year | **8,428** | 16,414 |
| Later than one year and not later than five years | **12,166** | 55,623 |
| Later than five years | **21,152** | 134,438 |
| | **41,746** | 206,475 |

**(c) Operating lease rentals receivable**

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

| | As at | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| Not later than one year | **53,757** | 48,113 |
| Later than one year and not later than five years | **208,896** | 196,006 |
| Later than five years | **41,979** | 42,047 |
| | **304,632** | 286,166 |

## 28 RELATED PARTY TRANSACTIONS

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

*Shareholders*

Mr. Yang Erzhu, Ms. Yang Huiyan, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming.

*Close family members of Shareholders*

Mr. Yeung Kwok Keung, Mr. Zhang Chibiao, Ms. Zhang Yingyan, Mr. Yang Minsheng, Mr. Su Zhixian, Mr. Yang Zhicheng, Mr. Yang Zhigang, Ms. Yang Ziying, Ms. Ou Jieping, Ms. Ou Jieling and Mr. Wu Weizhong.

*Controlled By Shareholders*

| | |
|---|---|
| Guangdong Elite Architectural Co., Ltd. | 廣東博意建築設計院有限公司 |
| Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden") | 清遠碧桂園物業發展有限公司 |

*Controlled by Shareholders and their close family members*

| | |
|---|---|
| Foshan Shunde Jiangkou Water Plant Co., Ltd. | 佛山市順德區江口自來水有限公司 |
| Zengcheng Crystal Water Plant Co., Ltd. | 增城市清源自來水廠有限公司 |
| Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pipe") | 廣東鴻業管樁有限公司 |

*Associate*

| | |
|---|---|
| Li He | 廣州利合房地產開發有限公司 |

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

**(b) Transactions with related parties**

During the period, the Group had the following significant transactions with related parties:

*(i) Construction and decoration service income*

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Controlled by Shareholders** | | |
| 清遠碧桂園物業發展有限公司 | | |
| Qingyuan Country Garden | **73,627** | 142,624 |

*(ii) Purchase of design service*

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Controlled by Shareholders** | | |
| 廣東博意建築設計院有限公司 | | |
| Guangdong Elite Architectural Co., Ltd. | **264,495** | 154,695 |

*(iii) Purchase of construction materials and water*

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Controlled by Shareholders and their close family members** | | |
| 佛山市順德區江口自來水有限公司 | | |
| Foshan Shunde Jiangkou Water Plant Co., Ltd. | **3,133** | 3,264 |
| 增城市清源自來水廠有限公司 | | |
| Zengcheng Crystal Water Plant Co., Ltd. | **4,726** | 3,771 |
| 廣東鴻業管椿有限公司 | | |
| Grand Pipe | **9,555** | 18,022 |
| | **17,414** | 25,057 |

*(iv) Providing guarantee for borrowings*

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Associate** | | |
| 廣州利合房地產開發有限公司 | | |
| Li He (note 26) | **1,805,491** | 1,530,400 |

**(c) Key management compensation**

| | Nine months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Salaries and other short-term employee benefits | **12,396** | 13,146 |

**(d) Balances with related parties**

As at 30 September 2012, the Group had the following significant balances with related parties:

*(i) Balances due from related parties*

| | As at | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Included in amount due from customers of contract work:** | | |
| — Controlled by Shareholders: | | |
| 清遠碧桂園物業發展有限公司 | | |
| Qingyuan Country Garden | **427,613** | 381,992 |
| **Included in other receivables and prepayments:** | | |
| — Controlled by Shareholders: | | |
| 廣東博意建築設計院有限公司 | | |
| Guangdong Elite Architectural Co., Ltd. | **483,491** | 53,392 |
| — Controlled by Shareholders and their close family members: | | |
| 廣東鴻業管椿有限公司 | | |
| Grand Pipe | **53,030** | 53,030 |
| — Associate: | | |
| 廣州利合房地產開發有限公司 | | |
| Li He | **1,139,745** | 1,139,745 |
| | **1,676,266** | 1,246,167 |

*(ii) Balances due to related parties*

| | As at | |
|---|---|---|
| | **30 September 2012** | 31 December 2011 |
| | ***RMB'000*** | *RMB'000* |
| **Included in trade payables:** | | |
| — Controlled by Shareholders: | | |
| 廣東博意建築設計院有限公司 | | |
| Guangdong Elite Architectural Co., Ltd. | **28,851** | 75,019 |
| — Controlled by Shareholders and their close family members: | | |
| 廣東鴻業管椿有限公司 | | |
| Grand Pipe | **392** | 9,329 |
| 增城市清源自來水廠有限公司 | | |
| Zengcheng Crystal Water Plant Co., | **1,871** | — |
| | **31,114** | 84,348 |

# Financial Review

## Revenue

Revenue of the Group increased by 22.3% to RMB23,522.4 million for the nine months ended 30 September 2012 from RMB19,240.1 million for the corresponding period in 2011, primarily attributable to an increase in revenue from property development of 22.3%.

### *Property development*

Revenue generated from property development increased by 22.3% to RMB22,260.5 million for the nine months ended 30 September 2012 from RMB18,197.0 million for the corresponding period in 2011. Recognized average selling price of property increased by 29.9% to approximately RMB6,511 per sq.m. for the first 9 months of 2012 from approximately RMB5,013 per sq.m. for the corresponding period in 2011, which has offset the impact on revenue due to a 5.8% decrease in total GFA sold to 3,419,088 sq.m. for the first 9 months in 2012 from 3,629,896 sq.m. for the corresponding period in 2011.

### *Construction, fitting and decoration*

Revenue generated from construction, fitting and decoration decreased by 23.0% to RMB112.8 million for the nine months ended 30 September 2012 from RMB146.5 million for the corresponding period in 2011, primarily due to a decrease in the volume of construction, fitting and decoration services rendered to related parties.

### *Property management*

Revenue generated from property management increased by 20.0% to RMB445.5 million for the nine months ended 30 September 2012 from RMB371.2 million for the corresponding period in 2011, primarily due to an increase in the cumulative GFA under management resulting from construction completion and delivery of our properties in line with the expansion of our operations.

### *Hotel operation*

Revenue generated from hotel operation increased by 34.0% to RMB703.7 million for the nine months ended 30 September 2012 from RMB525.3 million for the corresponding period in 2011, primarily due to increased revenues from existing hotels and the opening of new hotels such as five-star rating standard Maritim Hotel, Shenyang in July 2011, and Country Garden Phoenix Hotel, Chizhou in June 2012 respectively.

## Cost of sales

Cost of sales of the Group increased by 7.6% to RMB14,239.3 million for the nine months ended 30 September 2012 from RMB13,230.6 million for the corresponding period in 2011. The increase in cost of sales was in line with the increase in revenue. The rate of increase in cost of sales was less than that of revenue primarily due to the larger increase in recognized average selling price over the period.

**Gross profit**

Gross profit (before land appreciation tax provision) of the Group increased by 54.5% to RMB9,283.1 million for the nine months ended 30 September 2012 from RMB6,009.5 million for the corresponding period in 2011. The gross profit margin for the nine months ended 30 September 2012 increased to 39.5% from 31.2% for the corresponding period in 2011.

**Other gains — net**

Other gains — net of the Group increased by 7.3% to RMB38.3 million for the nine months ended 30 September 2012 from RMB35.7 million for the corresponding period in 2011, primarily due to an increase of refund of land usage tax to RMB22.1 million for the nine months ended 30 September 2012 from RMB3.4 million for the corresponding period in 2011.

**Selling and marketing costs**

Selling and marketing costs of the Group increased by 80.4% to RMB1,371.3 million for the nine months ended 30 September 2012 from RMB760.2 million for the corresponding period in 2011. The increase was primarily attributable to an increase in advertising costs from RMB324.9 million for the nine months ended 30 September 2011 to RMB620.4 million for the corresponding period in 2012, as well as an increase in commissions we offered to our sales staff during the period.

**Administrative expenses**

Administrative expenses of the Group increased by 27.8% to RMB1,101.5 million for the nine months ended 30 September 2012 from RMB861.8 million for the corresponding period in 2011, primarily due to an increase of employee benefit expenses to RMB353.3 million for the nine months ended 30 September 2012 from RMB256.2 million for the corresponding period in 2011 as we increased salaries and bonuses for employees during the period.

**Finance (costs)/income — net**

The Group recorded finance costs — net of RMB300.5 million for the nine months ended 30 September 2012 as compared to a finance income — net of RMB117.4 million for the corresponding period in 2011, primarily due to increased interest expenses to RMB2,373.2 million for the nine months ended 30 September 2012 from RMB1,761.0 million for the corresponding period in 2011 because of increased bank borrowings, as well as a net foreign exchange loss on financing activities of RMB66.5 million for the nine months ended 30 September 2012 compared to a net foreign exchange gain on financing activities of RMB323.2 million for the corresponding period in 2011. The increase in finance costs was partially offset by an increase of capitalized interest expenses to RMB2,041.6 million for the nine months ended 30 September 2012 from RMB1,484.2 million for the corresponding period in 2011.

**Fair value changes on derivative financial instruments**

The Company recognized fair value changes on the Equity Swap. Based on the market price on 31 September 2011, the loss from the fair value change on the Equity Swap was RMB147.6 million. The Company terminated the Equity Swap in March 2012. Measured by the termination price, the gain from the fair value change on the equity swap since 1 January 2012 to the termination date was approximately RMB73.6 million.

**Profit attributable to owner of the Company**

Profit attributable to owners of the Company for the nine months ended 30 September 2012 increased by 34.4% to RMB3,849.3 million from RMB2,865.1 million for the corresponding period in 2011. The net profit margin increased to 16.4% for the nine months ended September 30, 2012 from 14.9% for the corresponding in 2011.

By Order of the Board
**Country Garden Holdings Company Limited**
**MO Bin**
*President and Executive Director*

Foshan, Guangdong Province, PRC
2 January 2013

*As of the date of this announcement, the executive directors of the Company are Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Vice Chairman), Mr. MO Bin, Ms. YANG Ziying, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan, Mr. OU Xueming, Mr. YANG Zhicheng and Mr. YANG Yongchao. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Ronald, Mr. HUANG Hongyan and Ms. HUANG Xiao.*