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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Total revenue for the year ended 31 December 2011 amounted to approximately RMB34.7 billion, representing an increase of approximately 34.7% compared with the year 2010; recognised GFA reached approximately 5.90 million sq.m., representing an increase of approximately 19.6% compared with the year 2010.

- Profit attributable to owners of the Company amounted to approximately RMB5.8 billion, representing an increase of approximately 35.5% compared with the year 2010.

- Earnings per share amounted to approximately RMB35.00 cents, increased by approximately 35.2% compared with the year 2010.

- Proposed final dividend per share is RMB12.96 cents, increased by approximately 34.9% compared with the year 2010.

The board of directors (the "Board") of Country Garden Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

BUSINESS REVIEW AND OUTLOOK

During the year, Country Garden, as always, in accordance with national policies, actively responded to the market changes, offered high-value-for-money products and achieved excellent performance. The Group's full year contracted sales of 2011 amounted to approximately RMB43.2 billion and contracted gross floor area ("GFA") totaled approximately 6.87 million sq.m., posting a year-on-year growth of about 31% and 15%, respectively, and exceeding the full year target of RMB43 billion. Recognised GFA for the year amounted to approximately 5.90 million sq.m., representing an increase of approximately 19.6% compared with 2010. The Group's total revenue and gross profit reached approximately RMB34,748.3 million and RMB11,995.7 million respectively, representing a year-on-year increase of approximately 34.7% and 43.6%, respectively. Profit attributable to owners of the Company rose to approximately RMB5,813.2 million, posting a year-on-year increase of approximately 35.5%. The Board recommends the payment of a final dividend of RMB12.96 cents for the year ended 31 December 2011.

The Group launched 16 new projects for pre-sales in 2011, among which 10 were in Guangdong Province. New projects were welcomed by the home purchasers when they were initially launched, and recorded an aggregate contracted sales of approximately RMB12.8 billion. Of which, the Group's second project in Huizhou City of Guangdong Province, Country Garden — Ten Miles Beach, which was launched on 30 July, had more than 70% of the 5,080 units of the initial launch being subscribed on the first day with transaction amount of over RMB3 billion; the Group's second project in Jiangsu Province, Country Garden — Phoenix City (Jurong), which was launched for pre-sales on 15 May, had over 70% of the approximately 2,500 units initially launched being subscribed in the first two days of launch with transaction amount of nearly RMB1.2 billion. These successful new projects have provided sustainable high-quality products to the Group.

The Group continued to achieve strong results in Guangdong Province, its core market, which accounted for around 66% of the Group's total contracted sales. Moreover, with the new projects outside Guangdong Province gradually reaching the delivery phases, and the improvement in the surrounding environment and ancillary facilities of these new projects over the past two to three years, the Board believes that the recognition of Country Garden's brand name has been further enhanced outside Guangdong Province. This will not only boost the revenue growth of these new projects, but will also set a solid foundation for the long-term development of the Group. The ratio of the contracted sales of the projects outside Guangdong Province to that of the Group has increased from approximately 24% in 2008 to approximately 34% in 2011, which verifies that the Group's successful business model in Guangdong Province is replicable in places outside Guangdong Province.

As at 31 December 2011, the Group has 103 projects under different stages of development, including 62 in Guangdong Province. Attributable GFA with land use right certificates was approximately 54.85 million sq.m. (approximately 45.4% in Guangdong Province), among which attributable GFA with construction permits was around 15.31 million sq.m.. With the steady development in China, the Group is delighted to enter into an agreement on 23 December 2011 with Mayland Group, a well-known property development and investment group in Malaysia, to establish a joint venture company to acquire certain land use rights in Malaysia for developing into residential and ancillary commercial properties.

The encouraging and steadily growing contract sales during the year further validates the strong replicability and sustainability of Country Garden's business model, and proves that the strategy of offering high-value-for-money products has won extensive market recognition. It also demonstrates the Group's strong dedication, in accordance with the national policy, to develop high-quality housings that are affordable by the public.

Alongside the continuing expansion in property development and sales, the Group's hotel business has broadened its recurring income stream from non-residential developments, diversifying the Group's property income portfolio. Hotel revenue in 2011 amounted to approximately RMB801.7 million, representing a year-on-year growth of about 69.8%. As at 31 December 2011, the Group operated 5 five-star hotels, 21 five-star standard hotels, as well as 1 four-star hotel, with a total of 8,352 guest rooms. Most of the Group's hotels are located within the Group's property projects. The development of five-star standard hotels within these property projects assists in sales promotion and enhances the ancillary value of the projects. The Group has signed hotel management agreements with a few high calibre international hotel management firms, such as Hilton and Maritim, aiming at further unlocking the long-term value potential of the hotel business segment.

In the aspect of internal management, during the year, the Group further strengthened the series of reforms carried out in 2010. By emphasizing planning at an early stage, encouraging design innovation and enhancing the product quality, Country Garden has provided high-value-for-money quality products to the customers in various markets. Meanwhile, through the continuous fine-tuning of organization structure and management processes, along with the establishment of the result-oriented performance appraisal system, the execution ability of the projects has been remarkably strengthened.

With regards to financial management, the Group actively explored various funding channels in the capital markets in addition to its strong bank financing capabilities with major commercial banks. In February 2011, the Group re-entered the international capital market, and successfully issued senior notes with a 7-year tenor of US$900 million to consolidate the liquidity position and provide long-term capital for further development. The issuance is the largest single issuance among Asian property developers in 2011, and has received strong demand with significant oversubscription, which reflects investors' confidence in the Group's operation model and financial strength.

The Group appointed Ms. YANG Ziying as an executive director of the Company on 31 May 2011. Prior to joining the Group in 2008 as an assistant to Chairman, Ms. YANG worked in a renowned global investment bank. Ms. YANG is primarily responsible for overseeing finances of the Group, including offshore and onshore financing.

With the nationwide development of Country Garden's projects, the Group has paid more attention to its brand image of "Country Garden". During the year, on top of the guiding motto, "Country Garden — Giving you a five-star home", the Group has further launched a theme of "Happy Country Garden", and continues to provide high-quality "happy homes" to our customers through high-value-for-money products, beautiful environment, convenient transportation, comprehensive facilities and attentive services, and to help our home owners, employees, business partners and investors to experience "happy enterprise" through continuously improving internal management and healthily growing performance.

2012 marks the 20th anniversary of Country Garden's establishment, as well as the 5th anniversary of the Company's listing. Looking forward, the Group will continue to strategically select and develop property projects that are in line with national development strategies and the macroeconomic environment, leveraging on the Group's fast track development and strong project execution capabilities to maintain quick asset turnover. We are committed to offering high-value-for-money property products, creating value for the society and generating satisfactory returns for our shareholders.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,055,297**	5,552,483
Investment property		**125,963**	133,597
Intangible assets		**18,496**	18,499
Land use rights		**1,326,078**	1,095,982
Properties under development	3	**26,551,380**	17,398,573
Investment in an associate	4	**204,762**	83,825
Deferred income tax assets		**1,299,297**	1,137,203
		37,581,273	25,420,162
Current assets			
Properties under development	3	**28,370,042**	23,761,354
Completed properties held for sale		**12,876,349**	8,079,369
Inventories		**248,795**	206,010
Trade and other receivables	5	**12,535,495**	12,372,767
Prepaid taxes		**3,305,092**	2,388,472
Restricted cash		**4,649,017**	4,758,815
Cash and cash equivalents		**7,744,362**	5,094,298
		69,729,152	56,661,085
Total assets		**107,310,425**	82,081,247
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	6	**15,382,196**	15,392,104
Other reserves		**1,367,898**	993,012
Retained earnings			
— proposed final dividend		**2,163,450**	1,604,790
— others		**10,076,693**	6,831,515
		28,990,237	24,821,421
Non-controlling interests		**1,077,027**	596,654
Total equity		**30,067,264**	25,418,075

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**7,408,301**	4,680,370
Senior notes	8	**14,204,447**	8,872,270
Convertible bond	7	**884,128**	—
Deferred government grants		**189,520**	107,780
Deferred income tax liabilities		**785,163**	671,903
		23,471,559	14,332,323
Current liabilities			
Advanced proceeds received from customers		**27,865,011**	21,729,615
Trade and other payables	10	**12,810,345**	9,077,248
Income taxes payable		**5,707,482**	4,023,448
Bank borrowings		**6,468,990**	5,184,536
Derivative financial instruments	9	**919,774**	934,948
Convertible bond	7	**—**	1,381,054
		53,771,602	42,330,849
Total liabilities		**77,243,161**	56,663,172
Total equity and liabilities		**107,310,425**	82,081,247
Net current assets		**15,957,550**	14,330,236
Total assets less current liabilities		**53,538,823**	39,750,398

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	11	**34,748,305**	25,804,105
Cost of sales	13	**(22,752,634)**	(17,452,939)
Gross profit		**11,995,671**	8,351,166
Other gains — net	12	**43,115**	40,950
Selling and marketing costs	13	**(1,128,443)**	(621,497)
Administrative expenses	13	**(1,319,473)**	(833,183)
Operating profit		**9,590,870**	6,937,436
Finance income		**101,318**	138,465
Finance costs		**(221,564)**	(363,242)
Finance costs — net	14	**(120,246)**	(224,777)
Share of profit/(loss) of an associate		**120,937**	(48,050)
Fair value changes on derivative financial instruments		**15,174**	55,176
Profit before income tax		**9,606,735**	6,719,785
Income tax expenses	15	**(3,768,582)**	(2,402,011)
Profit and total comprehensive income for the year		**5,838,153**	4,317,774
Profit and total comprehensive income attributable to:			
Owners of the Company		**5,813,180**	4,290,578
Non-controlling interests		**24,973**	27,196
		5,838,153	4,317,774
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic and diluted	16	**35.00**	25.89

		Year ended 31 December	
		2011	2010
		RMB'000	*RMB'000*
Dividends	17	**2,163,450**	1,604,790

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 shares of the Company is listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board on 28 February 2012.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 Changes in accounting estimates and accounting policies

(i) Changes in accounting estimates

The estimated useful lives of hotel properties, included in buildings, were previously determined as 20 years when the hotel business of the Group newly commenced and management's intention of holding those hotel properties was not certain. With the continuous growth of the hotel business, the directors (the "Directors") are confident that the Group will hold the hotel properties for self-use, and therefore believe it is more appropriate to use remaining period of the underlying land use rights as the estimated useful lives of hotel properties. From 1 January 2011, deprecation on hotel properties is calculated using the straight-line method to allocate their costs to their residual values over their remaining period of underlying land use rights (ranging from 29 to 39 years). The Directors believe the above change in accounting estimate reflects management's current intention of holding hotel properties that is also consistent with the industry practice.

Hong Kong Accounting Standards ("HKAS") 8 requires disclosure of the impact of a change in accounting estimate on both the current and future periods. Had hotel properties continued to be depreciated over 20 years, the depreciation charge for the year ended 31 December 2011 would have been RMB86,437,000 higher than the amount reported in these financial statements. Since the hotel business is continuously growing, it is infeasible for the Directors to reliably estimate the effect of this change on deprecation charges in future periods.

(ii) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

    - The name of the government and the nature of their relationship;

    - The nature and amount of any individually significant transactions; and

    - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. This revised standard does not have a material impact on the Group as the Group is not controlled by the government.

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This amendment is currently not relevant to the Group as it has not made any rights issue.

- Amendment to HK(IFRIC) — Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This amendment is currently not relevant to the Group as it does not have such minimum funding requirement.

- HK(IFRIC) — Int-19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This interpretation is currently not relevant to the Group as it currently has no extinguishment of financial liabilities with equity instruments.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are currently not relevant to the Group. All improvements are effective in the financial year of 2011.

(iii) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted, and would be expected to have a material impact on the Group

The Group's assessment of the impact of these new and amended standards is set out below:

- 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 Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- 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 Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period 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 Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period 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 Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period 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 Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

3 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Properties under development expected to be completed:		
— Within the normal operating cycle included under current assets	**28,370,042**	23,761,354
— Beyond normal operating cycle included under non-current assets	**26,551,380**	17,398,573
	54,921,422	41,159,927
Amounts comprise:		
— Construction cost	**26,870,421**	22,692,559
— Land use rights	**26,831,403**	17,676,443
— Interest capitalised	**1,219,598**	790,925
	54,921,422	41,159,927

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2011 was 10.68% (2010: 11.04%). The properties under development are located in the PRC.

4 INVESTMENT IN AN ASSOCIATE

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**83,825**	—
Capital injection	**—**	217,600
Partial disposal	**—**	(85,725)
Share of profit/(loss)	**120,937**	(48,050)
At 31 December	**204,762**	83,825

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

Name	**Country of incorporation**	**Principal activities**	**Assets**	**Liabilities**	**Revenues**	**Profit**	**% interest held**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Li He Property Development Company Limited ("Li He")	PRC	Property Development	4,632,829	4,428,067	1,289,614	120,937	20%

5 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**1,181,362**	593,812
Land auction deposits	**1,195,382**	1,801,055
Other receivables	**1,865,709**	974,444
Amounts due from customers for contract work *(note (b))*	**404,190**	342,774
Prepayments for land *(note (c))*	**4,293,512**	5,587,595
Amounts due from an associate	**1,139,745**	1,522,096
Other prepayments	**2,455,595**	1,550,991
	12,535,495	12,372,767

As at 31 December 2011, the fair value of trade and other receivables approximates their carrying amounts.

(a) Trade receivables are mainly arisen from sales of properties and rendering of construction services. Customers are generally granted credit terms of 1 to 3 months for construction business and there are basically no credit terms for property development business. The aging analysis of trade receivables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**1,009,043**	493,877
Over 90 days and within 180 days	**110,161**	67,350
Over 180 days and within 365 days	**33,920**	18,518
Over 365 days	**28,238**	14,067
	1,181,362	593,812

Trade receivables are analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Fully performing under credit terms	**1,009,043**	493,877
Past due but not impaired	**172,319**	99,935
	1,181,362	593,812

Past due but not impaired receivables mainly represent management fees receivable. The Directors consider that these receivables would be recovered and no provision was therefore made against past due receivables as at 31 December 2011 (31 December 2010: nil).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Cost incurred	**4,077,952**	3,877,449
Recognised profits (less recognised losses)	**1,747,764**	1,707,386
	5,825,716	5,584,835
Less: progress billings	**(5,421,526)**	(5,242,061)
	404,190	342,774
Represented by:		
Amounts due from customers	**404,190**	342,774
Including: Related companies	**381,992**	325,010
Third parties	**22,198**	17,764

(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 31 December 2011.

6 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						
Ordinary shares of HK$0.10 each upon incorporation	3,800,000	380	384	—	—	384
Increase in authorised share capital	99,996,200,000	9,999,620	9,904,624	—	—	9,904,624
At 31 December 2010 and 2011	100,000,000,000	10,000,000	9,905,008	—	—	9,905,008
Issued and fully paid						
Opening balance at 1 January 2010	16,451,419,578	1,645,142	1,625,831	13,663,559	(363,739)	14,925,651
Treasury shares purchased	—	—	—	—	(6,589)	(6,589)
Issue of shares as a result of the scrip dividend scheme	247,718,465	24,772	21,699	451,343	—	473,042
At 31 December 2010 and 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)
Closing balance at 31 December 2011	16,699,138,043	1,669,914	1,647,530	14,114,902	(380,236)	15,382,196

7 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.

Also, at the option of the bond holders, the Company would redeem some or all of the Bond on 22 February 2011 at the U.S. dollar equivalent of their principal amount in RMB multiplied by 111.997%, together with accrued but unpaid interest to the date of redemption (the "Put Option"). As the above Put Option has been expired, the Bond is classified as a non-current liability at 31 December 2011.

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.

During the year, the Company redeemed the Bond totaling approximately RMB522.6 million out of the RMB1,303.6 million of remaining principal amount as a result of the exercise of the above Put Option by certain bond holders (the "Redemption").

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 Redemption resulted in a loss of approximately RMB243,000 and a decrease of RMB29,666,000 in the conversion option reserve.

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

	RMB'000
Liability component as at 1 January 2010	4,278,511
Interest expenses *(note 14)*	249,436
Coupon paid	(78,651)
Repurchase	(3,068,242)
Liability component as at 31 December 2010	1,381,054
Liability component as at 1 January 2011	1,381,054
Interest expenses *(note 14)*	84,518
Coupon paid	(26,057)
Redemption	(555,387)
Liability component as at 31 December 2011	884,128

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

The fair value of the liability component of the Bond at 31 December 2011 amounts to RMB844,261,000. The fair value is calculated using the market price of the Bond on the balance sheet date.

8 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.

Period	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 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.

Period	Redemption price
2015	105.5625%
2016	102.7813%
2017 and thereafter	100.0000%

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 2018 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 31 December 2011.

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 1st January 2010	2,602,423
Additions	6,294,734
Exchange gains	(203,259)
Interest expenses *(note 14)*	684,288
Coupon paid	(505,916)
Carrying amount as at 31 December 2010	**8,872,270**
Additions	**5,770,437**
Exchange gains	**(664,889)**
Interest expenses *(note 14)*	**1,503,628**
Coupon paid	**(1,276,999)**
Carrying amount as at 31 December 2011	**14,204,447**

The fair value of the senior notes at 31 December 2011 amount to RMB12,655,332,000. The fair value is calculated using the market price of the senior notes on the balance sheet date.

9 DERIVATIVE FINANCIAL INSTRUMENTS

Upon the issue of the RMB denominated USD settled 2.5% Bond as disclosed in note 7, 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. 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 contract, both the Company and Merrill Lynch International have the option to early terminate the Equity Swap upon the occurrence of any holder of the Bond exercises the Put Option on the Put Option date, which was 22 February 2011.

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.

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 equity swap multiplied by the dividend per Company's share as a return of the Equity Swap *(note 12)*.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Equity Swap	**919,774**	934,948

During the effective period of the Equity Swap, the Company has put up collateral in the amount of US$250 million (equivalent to approximately RMB1,575 million) (the "Collateral") to Merrill Lynch International. Prior to the termination date of the Equity Swap, the change in fair value of the Equity Swap caused by fluctuation in the share price shall not pose any effect on the cash flow or normal operation of the Company. As at the termination date of the Equity Swap, the maximum loss caused by the Equity Swap due to decrease in the share price shall not exceed the value of the Collateral.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade payables *(note below)*	**8,629,421**	7,058,506
Other payables — third parties	**2,305,622**	1,004,533
Other taxes payable	**604,993**	340,578
Salaries payable	**917,749**	539,087
Accrued expenses	**352,560**	134,544
	12,810,345	9,077,248

The carrying amounts of trade and other payables approximate their fair values.

Note:

The aging analysis of trade payables was as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**8,115,814**	6,685,400
Over 90 days and within 180 days	**200,181**	150,163
Over 180 days and within 365 days	**199,549**	124,925
Over 365 days	**113,877**	98,018
	8,629,421	7,058,506

11 SEGMENT INFORMATION

The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The Executive Directors have determined the operating segments based on these reports.

The Executive Directors consider the business from product perspective. From a product perspective, the Executive Directors assess the performance of:

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

The Executive Directors assess 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, Bond, senior notes, derivative financial instruments, deferred income tax liabilities and income taxes payable.

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

Revenue consists of the following:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Sales of properties	**33,193,982**	24,637,843
Rendering of construction, fitting and decoration services	**240,881**	288,665
Rendering of property management services	**511,719**	405,377
Rendering of hotel services	**801,723**	472,220
	34,748,305	25,804,105

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 Executive Directors for the reportable segments for the year ended 31 December 2011 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*
For the year ended 31 December 2011					
Segment revenue	**33,193,982**	**7,825,142**	**511,870**	**801,723**	**42,332,717**
Inter-segment revenue	**—**	**(7,584,261)**	**(151)**	**—**	**(7,584,412)**
Revenue (from external customers)	**33,193,982**	**240,881**	**511,719**	**801,723**	**34,748,305**
Operating profit	**9,527,525**	**28,906**	**69,576**	**(35,137)**	**9,590,870**
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**

The segment information provided to the Executive Directors for the year ended 31 December 2010 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*
For the year ended 31 December 2010					
Segment revenue	24,637,843	8,138,917	405,677	472,220	33,654,657
Inter-segment revenue	—	(7,850,252)	(300)	—	(7,850,552)
Revenue (from external customers)	24,637,843	288,665	405,377	472,220	25,804,105
Operating profit	6,907,385	34,640	86,743	(91,332)	6,937,436
At 31 December 2010					
Total segment assets	72,049,141	1,591,634	252,735	5,392,082	79,285,592
Capital expenditure	664,053	14,526	3,536	1,317,301	1,999,416
Total segment liabilities	28,703,180	1,717,649	85,697	408,117	30,914,643

Reportable operating profits are reconciled to net profit as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total operating profit	**9,590,870**	6,937,436
Financial costs — net	**(120,246)**	(224,777)
Share of profit/(loss) of an associate	**120,937**	(48,050)
Fair values change on derivative financial instruments	**15,174**	55,176
Profit before income tax	**9,606,735**	6,719,785
Income tax expenses	**(3,768,582)**	(2,402,011)
Profit for the year	**5,838,153**	4,317,774

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total segment assets	**104,435,903**	79,285,592
Deferred income tax assets	**1,299,297**	1,137,203
Collateral for equity swap	**1,575,225**	1,658,452
Total assets per consolidated balance sheet	**107,310,425**	82,081,247
Total segment liabilities	**40,864,876**	30,914,643
Deferred income tax liabilities	**785,163**	671,903
Income taxes payable	**5,707,482**	4,023,448
Derivative financial instruments	**919,774**	934,948
Bank borrowings	**13,877,291**	9,864,906
Bond	**884,128**	1,381,054
Senior notes	**14,204,447**	8,872,270
Total liabilities per consolidated balance sheet	**77,243,161**	56,663,172

12 OTHER GAINS — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Forfeiture income	**18,351**	15,205
Return on equity swap *(note 9)*	**26,604**	12,918
Gain on disposals of property, plant and equipment	**896**	4,735
Others	**(2,736)**	8,092
	43,115	40,950

13 EXPENSES BY NATURE

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Auditor's remuneration	**6,500**	6,500
Advertising costs	**548,517**	234,814
Amortisation of intangible assets	**4,594**	4,178
Business taxes and other levies *(note)*	**2,193,236**	1,618,350
Costs of completed properties sold	**20,378,225**	15,189,806
Donations	**133,547**	91,958
Depreciation	**268,766**	276,582
Employee benefit expenses	**1,245,013**	824,605
Land use rights amortisation	**38,963**	29,442
Surveillance charges	**39,563**	21,455
Rental expenses	**27,156**	18,351
Others	**316,470**	591,578
Total cost of sales, selling and marketing costs and administrative expenses	**25,200,550**	18,907,619

Note:

Business tax

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

Category	**Rate**
Sales of properties	5%
Property construction, fitting and decoration	3%
Property management	5%
Hotel service	5%

14 FINANCE COSTS — NET

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Interest expenses:		
— Bank borrowings	**860,679**	545,755
— Bond *(note 7)*	**84,518**	249,436
— Senior notes *(note 8)*	**1,503,628**	684,288
	2,448,825	1,479,479
Loss on redemption of the Bond *(note 7)*	**243**	—
Less:		
— Net foreign exchange gains on financing activities	**(437,998)**	(110,144)
— Amounts capitalised on qualifying assets	**(1,789,506)**	(1,006,093)
Finance costs	**221,564**	363,242
Finance income:		
— Interest income on short-term bank deposits	**(101,318)**	(76,592)
— Gain on repurchase of the Bond	**—**	(61,873)
Finance costs — net	**120,246**	224,777

15 INCOME TAX EXPENSES

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax *(note (a))*	**2,368,788**	1,484,462
— Hong Kong profits tax *(note (b))*	**—**	—
— Land appreciation tax *(note (c))*	**1,448,628**	873,367
Deferred income tax		
— PRC corporate income tax	**(290,637)**	(86,782)
— Withholding tax on profit to be distributed in future *(note (a))*	**241,803**	130,964
	3,768,582	2,402,011

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**9,606,735**	6,719,785
Tax calculated at PRC corporate income tax rate of 25% (2010: 25%)	**2,401,684**	1,679,946
Land appreciation tax deductible for calculation of income tax purpose	**(362,157)**	(218,342)
Effect of different tax rate	**—**	36
Effect of tax exemption *(note a)*	**—**	(202,476)
Tax losses not recognised as deferred income tax assets	**18,830**	16,212
Income not subject to tax	**(118,181)**	(57,429)
Expenses not deductible for tax	**137,975**	179,733
	2,078,151	1,397,680
Withholding tax on profit to be distributed in future *(note a)*	**241,803**	130,964
Land appreciation tax	**1,448,628**	873,367
Income tax expenses	**3,768,582**	2,402,011

Notes:

(a) PRC enterprise income tax is provided at the rate of 25% (2010: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose.

As approved by the local tax authority in August 2006, Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap"), a subsidiary of the Group, has enjoyed a tax holiday of "two years exemption and followed by three years of a 50% tax reduction" since 2006. The preferential tax rate adopted by Giant Leap will also be gradually transited to the unified tax rate of 25% over a five-year transitional period. In light of the clarification for the transition to the new tax rate issued by the State Administration of Taxation issued on 6 December 2008, the preferential tax rate adopted by Giant Leap was expired at 31 December 2010.

Furthermore, in accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2008 and effective 1 January 2009, an income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

(b) No Hong Kong profits tax was provided for the year as the Group did not have any assessable profit in Hong Kong (2010: 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.

16 EARNINGS PER SHARE

(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 year, excluding ordinary shares purchased by the Group and held as treasury shares.

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the Company (RMB'000)	**5,813,180**	4,290,578
Weighted average number of ordinary shares in issue (thousands)	**16,610,447**	16,574,939
Earnings per share — Basis (RMB cents per share)	**35.00**	25.89

(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. Since the impact of conversion of the Bond on earnings per share is anti-dilutive for the years ended 31 December 2011 and 2010, diluted earnings per share equalled to basic earnings per share.

17 DIVIDENDS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Proposed final dividend of RMB12.96 cents per share (2010: RMB9.61 cents) *(note)*	**2,163,450**	1,604,790

Note:

The dividends paid in 2011 and 2010 were RMB1,604,790,000 (RMB9.61 cents per ordinary share) and RMB740,320,000 (RMB4.50 cents per ordinary share) respectively. The Directors recommend the payment of a 2011 final dividend of RMB12.96 cents per ordinary share, totaling RMB2,163,450,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 26 April 2012. These financial statements do not reflect this dividend payable.

18 COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Contracted but not provided for		
Property, plant and equipment	**16,687**	25,029
Property development expenditure (including land premium)	**19,179,413**	12,256,870
	19,196,100	12,281,899

FINANCIAL REVIEW

Revenue

Revenue of the Group was primarily comprised of the proceeds from the sales of properties and provision of services after the elimination of transactions among subsidiaries of the Company. Revenue was primarily generated from its four business segments: property development, construction, fitting and decoration, property management and hotel operation. Revenue increased by 34.7% to approximately RMB34,748.3 million in 2011 from approximately RMB25,804.1 million in 2010, primarily attributable to the increase in sales of properties. Revenues generated from property development, construction, fitting and decoration, property management and hotel operation are approximately RMB33,194.0 million, RMB240.9 million, RMB511.7 million and RMB801.7 million, respectively.

Property development

Revenue generated from property development increased by 34.7% to approximately RMB33,194.0 million in 2011 from approximately RMB24,637.8 million in 2010; primarily attributable to a 19.6% increase in total gross floor area ("GFA") sold to 5,895,762 sq.m in 2011 from 4,928,607 sq.m in 2010. The recognized average selling price of property increased to approximately RMB5,630 per sq.m in 2011 from approximately RMB4,999 per sq.m in 2010, which indicated a 12.6% increase.

Construction, fitting and decoration

Revenue generated from construction, fitting and decoration decreased by 16.6% to approximately RMB240.9 million in 2011 from approximately RMB288.7 million in 2010, primarily attributable to a decrease in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd., a related party of the Group.

Property management

Revenue generated from property management increased by 26.2% to approximately RMB511.7 million in 2011 from approximately RMB405.4 million in 2010, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Country Garden Phoenix City, Shaoguan Country Garden, Holiday Islands-Qingyuan, Country Garden-Galaxy Palace in 2011.

Hotel operation

Revenue generated from hotel operation increased by 69.8% to approximately RMB801.7 million in 2011 from approximately RMB472.2 million in 2010, primarily attributable to further maturity of the hotel segment and the opening of the five-star rating standard Shaoguan Country Garden Phoenix Hotel in January 2011, Huangshan Country Garden Phoenix Hotel in March 2011 and Chizhou Country Garden Phoenix Hotel in May 2011.

Cost of sales

Cost of sales of the Group represented primarily the costs incurred directly by the property development activities which included construction, decoration and design costs, land use rights cost and business taxes.

Cost of sales increased by 30.4% to approximately RMB22,752.6 million in 2011 from approximately RMB17,452.9 million in 2010. The increase in cost of sales was in line with the increase in total sales of properties.

Gross profit

Gross profit (before land appreciation tax provision) of the Group increased by 43.6% to approximately RMB11,995.7 million in 2011 from approximately RMB8,351.2 million in 2010. The gross margin in 2011 increased to 34.5% from 32.4% in 2010.

Other gains — net

Other gains — net of the Group increased by 5.4% to approximately RMB43.1 million of gain in 2011 from approximately RMB40.9 million of gain in 2010. It was primarily attributable to a 106.2% increase in return from Equity Swap from approximately RMB12.9 million in 2010 to approximately RMB26.6 million in 2011, as a result of the increase of dividend per share.

Selling and marketing costs

Selling and marketing costs of the Group increased by 81.6% to approximately RMB1,128.4 million in 2011 from approximately RMB621.5 million in 2010, which was primarily attributable to a 133.6% increase in advertisement expense from approximately RMB234.8 million in 2010 to approximately RMB548.5 million in 2011, as the Group made great efforts to promote the sales of new projects in 2011 by launching more advertisements.

Administrative expenses

Administrative expenses of the Group increased by 58.4% to approximately RMB1,319.5 million in 2011 from approximately RMB833.2 million in 2010, primarily attributable to a 41.9% increase of salary expenses in 2011, from approximately RMB291.0 million in 2010 to approximately RMB412.9 million in 2011.

Finance costs — net

Finance costs — net of the Group decreased by 46.5% to approximately RMB120.2 million in 2011 from approximately RMB224.8 million in 2010. Total interest expenses increased by 65.5% to approximately RMB2,448.8 million in 2011 from approximately RMB1,479.5 million in 2010. The capitalised interest expenses increased by 77.9% to approximately RMB1,789.5 million in 2011 from approximately RMB1,006.1 million in 2010. In addition, due to the appreciation of Renminbi, the net exchange gain of the Group increased by 297.8% to approximately RMB438.0 million in 2011 from approximately RMB110.1 million in 2010.

Fair value changes on derivative financial instruments

On 22 February 2008, the Company entered into a cash settled equity swap transaction (the "Equity Swap") with Merrill Lynch International for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million). Under the Equity Swap, the Company receives a payment if the Final Price (as defined in the announcement of the Company dated 17 February 2008 (the "Announcement")) is higher than the Initial Price (as defined in the Announcement) and the Equity Swap Counterparty (as defined in the Announcement) receives a payment if the Final Price is lower than the Initial Price. The Initial Price will be determined in accordance with the formula sets out in the Equity Swap and the Final Price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates. Measured by the market price on 31 December 2011, the gain from the fair value change on the equity swap was approximately RMB15.2 million.

Profit attributable to owners of the Company

Profit attributable to owners of the Company in 2011 increased by 35.5% to approximately RMB5,813.2 million from approximately RMB4,290.6 million in 2010. The net earning margin increased from 16.6% in 2010 to 16.7% in 2011.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB12,393.4 million as at 31 December 2011 (31 December 2010: approximately RMB9,853.1 million). As at 31 December 2011, 78.4% and 21.6% of the Group's cash and bank deposits were denominated in Renminbi and other currencies (mainly US dollars and HK dollars), respectively.

As at 31 December 2011, the carrying amount of the restricted cash was approximately RMB4,649.0 million (31 December 2010: approximately RMB4,758.8 million). Pursuant to relevant regulations, certain of the project companies were required to deposit a portion of proceeds from pre-sales of properties into designated bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials, equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities. Additionally, the Group had US$250.0 million (equivalent to approximately RMB1,575.2 million) deposit as collateral for the Equity Swap with Merrill Lynch International.

Net current assets and current ratio

The Group had net current assets of approximately RMB15,957.6 million as at 31 December 2011 (31 December 2010: approximately RMB14,330.2 million). The current ratio being current assets over current liabilities was approximately 1.3 as at 31 December 2011, which was basically the same as that as at 31 December 2010.

Debt and charges on group assets

The Group had an aggregated debt as at 31 December 2011 of approximately RMB28,965.9 million, including borrowings of approximately RMB13,877.3 million, Bond of approximately RMB884.1 million, and senior notes of approximately RMB14,204.5 million.

For borrowings, approximately RMB6,469.0 million will be repayable within 1 year, approximately RMB7,010.1 million will be repayable between 2 and 5 years and the remaining approximately RMB398.2 million to be repayable beyond 5 years. As at 31 December 2011, the substantial part of the bank borrowings are secured by land use rights and properties of the Group and guaranteed by Group companies.

Gearing ratio

The gearing ratio is measured by the net debt (total debt net of disposable cash and cash equivalents) over the equity attributable to owners of the Company. As at 31 December 2011, the gearing ratio was 63.3% (2010: 48.4%).

Interest rate risk

The weighted average interest rate of the Group's bank borrowings increased to 7.21 % in 2011 from 5.52% in 2010. In addition, the Group issued senior notes in the first half of 2011, at which interest rate is calculated using effective rate method. The effective annual interest rate of the above senior notes is 11.69%. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. In 2011, the exchange rates of Renminbi to HK dollars and US dollars kept increasing steadily. For the year ended 31 December 2011, there was an exchange gain of approximately RMB438.0 million. The Directors expect that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operation of the Group.

Land appreciation tax

According to relevant regulations and laws of the State Administration of Taxation, in the past, the Group has made full provision of land appreciation tax ("LAT") but paid provisional LAT calculated according to certain rates (varying from 0.5% to 5%) over sales amounts assessed by local tax bureau. For the year ended 31 December 2011, the Group's LAT expenses were approximately RMB1,448.6 million.

Contingent liability

As at 31 December 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB15,783.0 million (31 December 2010: approximately RMB18,664.1 million).

The above guarantees represent 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 31 December 2011, the amount of approximately RMB106.4 million (31 December 2010: approximately RMB751.6 million) was to be discharged two years from the day when the mortgaged loans become due; and approximately RMB15,676.6 million (31 December 2010: approximately RMB17,912.5 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally to be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loan by the purchasers of properties.

In addition, of the amounts as at 31 December 2011, approximately RMB1,500.4 million represented the guarantee provided to Guangzhou Li He Property Development Company Limited for its borrowings.

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.

Capital and property development commitments

As at 31 December 2011, the commitments in connection with capital and property development expenditures amounted to approximately RMB19,196.1 million (31 December 2010: approximately RMB12,281.9 million). This amount primarily arised from contracted construction fees or other capital commitments for future property developments. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

Employees and remuneration policy

As at 31 December 2011, the Group had approximately 35,206 full-time employees, which increased by 2,263 from 32,943 as at 31 December 2010.

The remuneration package of the employees includes salary, bonus and other cash subsidies. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary increase, bonus and promotion. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates. The employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. The Group believes its relationship with the employees is good. As at the date of this announcement, there were no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the Group.

Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tong, Ronald. Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The annual results have been reviewed by the Audit Committee of the Company.

REMENURATION COMMMITTEE

The Remuneration Committee consists of five members, of whom two are executive Directors being Mr. YEUNG Kwok Keung and Mr. MO Bin, and three are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald; and is being chaired by Mr. YEUNG Kwok Keung.

The primary responsibility of the committee is to review and formulate policies in respect of remuneration structure for all Directors and senior management of the Company and make recommendations to the Board for its consideration.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the time being in force throughout the year ended 31 December 2011, except for the deviation from the code provision E.1.2 of the Code. Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 28 April 2011 (the "Meeting") due to another business engagement. Mr. MO Bin, the president and executive Director of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard of dealings set out therein throughout the year ended 31 December 2011. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

SHARE OPTION SCHEME

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

EMPLOYEE INCENTIVE SCHEME

The trust deed in respect of an employee incentive scheme (the "Employee Incentive Scheme") for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company has been approved in principle, while the scheme rules are under preparation for the Board's approval. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. During the year ended 31 December 2011, for the purpose of the Employee Incentive Scheme, the Company, through its subsidiary, purchased from the market a total of 5,584,000 shares of the Company. The total amount paid to acquire these shares during the year was about RMB9,908,000. As of 31 December 2011, the cumulative total number of the shares acquired under the Employee Incentive Scheme were 92,760,819 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for (i) those referred to under the section Employee Incentive Scheme and (ii) the Bond referred to as set out in Note 7 to the consolidated financial statements in this announcement.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of RMB12.96 cents (2010: RMB9.61 cents) per share for the year ended 31 December 2011 by way of scrip shares without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment (the "Scrip Dividend Scheme") to shareholders (the "Shareholders") whose names appear on the register of members of the Company on 4 May 2012 ("Record Date").

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend at the annual general meeting of the Company to be held on 26 April 2012; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme will be sent to the Shareholders on or around 18 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 20 April 2012 to Thursday, 26 April 2012, both days inclusive, during which period no transfer of Shares will be registered in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company. All duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 19 April 2012.

Subject to approval of shareholders in the annual general meeting, the proposal final dividend will be payable to shareholders whose names appears on the register of members of the Company on Friday, 4 May 2012. The register of members will be closed at Friday, 4 May 2012, during that day no transfer of Shares will be registered in order to determine the identity of the shareholders who are qualified for the proposal final dividend. All duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2012.

PUBLICATION OF INFORMATION ON THE WEBSITE ON THE STOCK EXCHANGE AND OF THE COMPANY

The results announcement is published on the Company's website (http://www.countrygarden.com.cn) and the Stock Exchange designated website (http://www.hkexnews.hk).

By Order of the Board
MO Bin
President and Executive Director

Hong Kong, 28 February 2012

As at the date of this announcement, the executive Directors of the Company are Mr. YEUNG Kwok Keung (Chairman), Mr. MO Bin, Ms. YANG Huiyan, 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 and Mr. TONG Wui Tung, Ronald.