恒大地產集團®
EVERGRANDE REAL ESTATE GROUP

Evergrande Real Estate Group Limited
恒 大 地 產 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3333)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

1. Revenue increased by 51.0% from RMB41.95 billion in the corresponding period of 2013 to RMB63.34 billion, of which the revenue from the property development segment amounted to RMB62.03 billion, accounting for 97.9%.

2. Net profit increased by 45.8% from RMB6.51 billion in the corresponding period of 2013 to RMB9.49 billion.

3. Profit attributable to shareholders increased by 13.6% from RMB6.24 billion in the corresponding period of 2013 to RMB7.09 billion.

4. Net profit excluding the revaluation gain on investment properties increased by 39.3% to RMB6.49 billion from RMB4.66 billion for the corresponding period in 2013.

5. Total assets as at 30 June 2014 increased by 21.1% from RMB348.15 billion as at the end of 2013 to RMB421.65 billion.

6. Contracted sales for the six months ended 30 June 2014 amounted to RMB69.32 billion, accomplishing 63.0% of the planned contracted sales for the entire year; whereas the gross floor area of contracted sales was 9.796 million square metres.

7. As at 30 June 2014, the Group had total cash (including cash and cash equivalents and restricted cash) of RMB64.03 billion, together with the unutilised banking facilities of RMB50.39 billion, the Group had available funds of RMB114.42 billion, which provided sufficient capital for the Group.

The board of directors (the "Board") of Evergrande Real Estate Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**63,336,747**	41,952,314
Cost of sales	*5*	**(45,242,114)**	(30,500,297)
Gross profit		**18,094,633**	11,452,017
Fair value gains on investment properties		**4,408,172**	2,890,742
Other income	*6*	**514,367**	424,537
Selling and marketing costs	*5*	**(3,539,235)**	(1,497,504)
Administrative expenses	*5*	**(1,939,506)**	(1,243,705)
Other operating expenses	*5*	**(758,098)**	(843,466)
Operating profit		**16,780,333**	11,182,621
Finance (costs)/income, net	*7*	**(224,984)**	118,285
Profit before income tax		**16,555,349**	11,300,906
Income tax expenses	*8*	**(7,060,480)**	(4,786,272)
Profit for the period		**9,494,869**	6,514,634
Other comprehensive income			
Item that may be reclassified to profit or loss			
Fair value gain on available-for-sale financial assets, net of tax		**171,296**	—
Total comprehensive income for the period		**9,666,165**	6,514,634
Profit attributable to:			
Shareholders of the Company		**7,093,578**	6,237,273
Holders of perpetual capital instruments		**1,883,863**	—
Non-controlling interests		**517,428**	277,361
		9,494,869	6,514,634
Total comprehensive income attributable to:			
Shareholders of the Company		**7,264,874**	6,237,273
Holders of perpetual capital instruments		**1,883,863**	—
Non-controlling interests		**517,428**	277,361
		9,666,165	6,514,634

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	*9*	**0.48**	0.39
— Diluted earnings per share	*9*	**0.47**	0.38
Dividends	*10*	**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2014 (Unaudited)** *RMB'000*	31 December 2013 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**12,826,876**	11,377,719
Land use rights		**3,063,319**	2,796,471
Investment properties		**48,176,770**	36,038,688
Properties under development		**354,842**	354,842
Trade and other receivables	*11*	**5,519,988**	2,626,439
Intangible assets		**547,845**	439,600
Available-for-sale financial assets		**4,952,241**	3,845,234
Deferred income tax assets		**2,212,395**	1,290,772
		77,654,276	58,769,765
Current assets			
Properties under development		**181,641,489**	160,543,684
Completed properties held for sale		**35,666,568**	24,288,831
Trade and other receivables	*11*	**14,850,558**	9,511,811
Prepayments	*12*	**45,965,729**	39,632,002
Income tax recoverable		**1,842,201**	1,748,660
Restricted cash		**27,804,103**	13,534,985
Cash and cash equivalents		**36,230,016**	40,118,454
		344,000,664	289,378,427
Total assets		**421,654,940**	348,148,192
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**1,030,155**	1,109,703
Share premium		**—**	4,227,525
Reserves		**5,841,415**	4,232,261
Retained earnings		**39,153,950**	39,020,303
		46,025,520	48,589,792
Perpetual capital instruments		**44,484,172**	25,023,773
Non-controlling interests		**7,375,036**	5,729,069
Total equity		**97,884,728**	79,342,634

	Note	**30 June 2014 (Unaudited)** *RMB'000*	31 December 2013 (Audited) *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**75,962,463**	73,021,273
Other payables	*13*	**1,291,177**	870,475
Deferred income tax liabilities		**8,125,732**	6,716,307
		85,379,372	80,608,055
Current liabilities			
Borrowings		**75,818,266**	35,796,065
Trade and other payables	*13*	**115,333,751**	99,895,408
Receipt in advance from customers		**30,911,365**	39,000,386
Current income tax liabilities		**16,327,458**	13,505,644
		238,390,840	188,197,503
Total liabilities		**323,770,212**	268,805,558
Total equity and liabilities		**421,654,940**	348,148,192
Net current assets		**105,609,824**	101,180,924
Total assets less current liabilities		**183,264,100**	159,950,689

Notes:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2012 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in property development, property investment, property management, property construction, hotel and other businesses in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

On 5 November 2009, the Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial information is presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 26 August 2014.

These condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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 2013, as described in those annual financial statements.

(i) New standards, amendments to standards and interpretations adopted by the Group as of 1 January 2014

The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning 1 January 2014. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKAS 32 (Amendment)	Financial instruments: Presentation
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement — Novation of derivatives
HK(IFRIC) 21	Levies

There are no other amendments to standards and interpretations which will result in significant impact on the results and financial position of the Group.

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

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses which mainly include property construction, hotel and other property development-related services. As the CODM of the Group considers that most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Finance costs or income are not included in the result for each operating segment.

Transactions between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other businesses** *RMB'000*	**Group** *RMB'000*
Gross segment revenue	**62,028,564**	**75,477**	**783,271**	**4,696,655**	**67,583,967**
Inter-segment revenue	**—**	**(14,471)**	**(318,238)**	**(3,914,511)**	**(4,247,220)**
Revenue	**62,028,564**	**61,006**	**465,033**	**782,144**	**63,336,747**
Segment results	**14,521,195**	**4,706,182**	**(234,676)**	**(2,028,356)**	**16,964,345**
Dividend income of available-for-sale financial assets					**211,889**
Loss on disposal of available-for-sale financial assets					**(395,901)**
Finance costs, net					**(224,984)**
Profit before income tax					**16,555,349**
Income tax expenses					**(7,060,480)**
Profit for the period					**9,494,869**
Depreciation and amortisation	**158,781**	**—**	**3,071**	**406,517**	**568,369**
Fair value gains on investment properties	**—**	**4,408,172**	**—**	**—**	**4,408,172**

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2013 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other businesses *RMB'000*	Group *RMB'000*
Gross segment revenue	41,289,271	77,039	514,084	3,940,843	45,821,237
Inter-segment revenue	—	(6,929)	(239,685)	(3,622,309)	(3,868,923)
Revenue	41,289,271	70,110	274,399	318,534	41,952,314
Segment results	8,852,660	3,133,360	(144,095)	(659,304)	11,182,621
Finance income, net					118,285
Profit before income tax					11,300,906
Income tax expenses					(4,786,272)
Profit for the period					6,514,634
Depreciation and amortisation	90,485	—	2,637	355,384	448,506
Fair value gains on investment properties	—	2,890,742	—	—	2,890,742

Segment assets as at 30 June 2014 are as follows:

	Property development ***RMB'000***	**Property investment** ***RMB'000***	**Property management services** ***RMB'000***	**Other businesses** ***RMB'000***	**Group** ***RMB'000***
Segment assets	**342,845,462**	**48,176,770**	**714,049**	**20,911,822**	**412,648,103**
Unallocated					**9,006,837**
Total assets					**421,654,940**

Segment assets as at 31 December 2013 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other businesses *RMB'000*	Group *RMB'000*
Segment assets	291,031,738	36,038,688	635,147	13,557,953	341,263,526
Unallocated					6,884,666
Total assets					348,148,192

There are no differences from the latest annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable and available-for-sale financial assets.

5 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cost of properties sold	**40,727,379**	26,474,339
Business tax and other levies	**3,609,678**	2,378,152
Staff costs — including directors' emoluments	**3,598,317**	2,509,080
Advertising costs	**2,007,028**	757,995
Sales commissions	**306,747**	219,685
Consultancy fee	**106,337**	65,926
Depreciation	**458,181**	310,147
Amortisation	**110,188**	138,359
Operating lease expenses	**103,346**	103,523
Donations to governmental charity	**45,744**	123,802

6 OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest income from bank deposits	**128,082**	54,662
Forfeited customer deposits	**17,028**	17,081
Advertising income *(note (a))*	**215,168**	161,056
Gain on disposal of investment properties	**252,689**	185,277
Dividend income of available-for-sale financial assets	**211,889**	—
Loss on disposal of available-for-sale financial assets	**(395,901)**	—
Others	**85,412**	6,461
	514,367	424,537

(a) Amount represented the advertising income generated from operation of football club.

7 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Exchange (losses)/gains	**(215,030)**	137,439
Interest expenses from borrowings	**(5,685,676)**	(3,391,064)
Less: interest capitalised	**5,675,722**	3,371,910
	(224,984)	118,285

8 INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**4,102,364**	2,228,695
— PRC land appreciation tax	**2,527,413**	1,677,788
Deferred income tax		
— PRC corporate income tax	**29,937**	465,249
— PRC land appreciation tax	**400,766**	414,540
	7,060,480	4,786,272

The weighted average applicable tax rate for the six months ended 30 June 2014 and 2013 is 25%.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2012 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax during the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2013: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the overseas holding companies when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill the requirement of the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax

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

9 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

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 dilutive potential ordinary shares consist of share options.

10 DIVIDENDS

The Board of Directors of the Company resolved not to declare any dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

A final dividend in respect of the year ended 31 December 2013 of RMB0.43 per share totalling RMB6,337,987,000 has been approved by the Shareholders at the Annual General Meeting of the Company on 16 June 2014. This final dividend has been recognised as a liability in this interim financial information.

11 TRADE AND OTHER RECEIVABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**11,812,358**	7,207,708
Other receivables	**8,558,188**	4,930,542
	20,370,546	12,138,250
Less: non-current portion	**(5,519,988)**	(2,626,439)
Trade receivables *(note (a))*	**(5,135,526)**	(2,255,742)
Other receivables	**(384,462)**	(370,697)
Current portion	**14,850,558**	9,511,811

As at 30 June 2014 and 31 December 2013, the fair value of trade and other receivables approximated their carrying amounts.

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 90 days	**5,142,618**	2,780,845
Over 90 days and within 180 days	**2,174,169**	2,496,617
Over 180 days and within 365 days	**2,798,279**	1,886,747
Over 365 days	**1,697,292**	43,499
	11,812,358	7,207,708

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables set out above. The Group has retained the legal titles of the properties sold to these customers at each balance sheet date.

12 PREPAYMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Prepaid business taxes and other taxes	**1,434,513**	1,462,913
Prepayments and advances to third parties:	**44,531,216**	38,169,089
— for acquisition of land use rights	**43,299,922**	37,605,691
— others	**1,231,294**	563,398
	45,965,729	39,632,002

13 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables	**75,207,634**	65,836,287
Other payables	**32,224,490**	32,605,660
Dividends payables	**6,337,987**	—
Accrued expenses	**1,860,152**	1,586,543
Other taxes payable	**994,665**	737,393
	116,624,928	100,765,883
Less: non-current portion of other payables	**(1,291,177)**	(870,475)
	115,333,751	99,895,408

The ageing analysis of trade payables of the Group is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within one year	**66,797,859**	58,571,367
Over one year	**8,409,775**	7,264,920
	75,207,634	65,836,287

BUSINESS REVIEW

In the first half of 2014, under the overall weak macro-economic environment, the central government continuously adhered to the basic principle of "two-way and differentiated regulations", strengthened the use of market-oriented regulations and established long-term measures for the PRC property market. Meanwhile, the property market experienced significant adjustment under the combined effects of credit tightening and changes in the forecast on property price. Compared with the corresponding period in the previous year, the area of commodity housing sold nationwide dropped by 6.0%, while sales amount also decreased by 6.7% with area for sale increased by 24.5%[1].

The adjustment in the real estate market further accelerates industry differentiation, which is reflected in various aspects, such as the differentiation between cities and regions, supply and demand as well as the performance of real estate enterprises. During the first half of 2014, to alleviate the imbalance between supply and demand, first-tier cities released land for sale at a faster pace, resulting in an increase of transaction area by 7.9% comparing to the same period in 2013. However, hampered by the downturn in the property market, second- and third-tier cities recorded a period on period decrease in overall land sales of more than 16.0%[2]. Apart from this, out of the 46 cities which have introduced restrictive policies on property purchase, local government of 37 cities have explicitly cancelled or adjusted the restrictive policies in mid-August 2014. In terms of market concentration level, sales of China's top ten real estate developers accounted for 18.6% of the total sales amount during the first half of 2014, representing a sharp increase of 4 percentage points comparing to the same period in 2013, and accounted for 11.7% in terms of areas sold, representing an increase of 2.3 percentage points over the corresponding period in 2013[3].

Despite the market downturn, the Group still maintained solid growth in major operating indices in the first half of the year due to its strong execution capability and the strategy of optimizing the regional layout of residential projects since 2013. The Group achieved contracted sales of RMB69.32 billion for the six months ended 30 June 2014 representing a period on period increase of 55.4% and accomplished 63.0% of the annual target. The area of contracted sales amounted to 9.796 million square metres for the six months ended 30 June 2014, representing a period on period increase of 47.4%. As at 30 June 2014, the gross floor area (the "GFA") of the land reserves was 150 million square metres and the accumulated average cost was RMB986 per square metre. The area under construction was 38.715 million square metres while 250 projects were under construction. As at 30 June 2014, the Group had total cash (including cash and cash equivalents and restricted cash) of RMB64.03 billion.

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1 *Source: "National Real Estate Development and Sales for January to June 2014" issued by National Bureau of Statistics of China*

2 *Source: "Summary for the First Half of 2014 and Prospects (5)" issued by CRIC.*

3 *Source: "1H2014 Top 50 PRC Real Estate Developers in terms of Sales" jointly issued by China Real Estate Information Corporation and China Real Estate Appraisal*

Optimization of the regional layout of the residential projects and acquisition of selected quality land reserves for replenishment. During the period under review, the Group maintained its prudent approach and acquired quality land reserves with an objective to ensure the financial soundness of the Group at the same time. At the end of the period under review, the Group had a total land reserves of 150 million square metres, reduced by 0.87 million square metres, representing a decrease of approximately 0.6%, as compared with those as at 31 December 2013.

During the period under review, the Group acquired 13 land banks, and further acquired land in the surrounding areas for the three existing projects. Such new acquisitions are located in cities including Beijing, Chengdu, Taiyuan, Nanchang, Changchun, Lanzhou and Dalian, and the planned construction area was approximately 4.7 million square metres with an average cost of RMB3,772 per square metre. As at 30 June 2014, the Group held land reserves of 150 million square metres covering 147 different cities in the PRC, 303 projects in total and recorded an accumulated average cost of approximately RMB986 per square metre.

Among the 13 projects newly acquired by the Group, 15.4% of the projects are located in first-tier cities and 61.5% of the projects are located in second-tier cities. The proportion of projects which are situated in first and second-tier cities increased significantly by 25.4 percentage points as compared with additional projects in 2013. The newly acquired projects in third-tier cities are located in the city centers of Dongguan, Yichang and other cities. Despite that the average cost of the newly acquired lands has been surging, the Directors believe that the geographical advantages and the great appreciation potential coupled with the higher expected selling prices would enhance the Group's overall premium rate and overall profitability.

The Group leverages on cooperation with other parties to acquire new projects with the purpose of enhancing the capital utilization rate. As at 30 June 2014, 65 projects were carried out through cooperation with other parties which resulted in an accumulated reduction in land premium payment of RMB50.98 billion.

Increasing contracted sales price and volume with sales amount breaking records and sales area ranking the first in China. During the period under review, the Group's contracted sales and area sold increased significantly by 55.4% and 47.4%, respectively, as compared with the corresponding period in 2013. The average transaction price increased by 5.4% to RMB7,076 per square metre as compared with the corresponding period in 2013.

The unrivalled sales performance is mainly attributable to the Group's optimized project layout which shows great foresight, upgraded ancillary facilities of products, the standard of decoration as well as the optimal adjustments on sales strategy and selling price since April 2014. Further, during the period under review, the Group launched some retail stores and parking spaces, which contributed to the increase in total sales amount and price as compared with the corresponding period of last year. In the first half of 2014, the average single-month trading price of the Group was over RMB6,300 per square metre and the price further increased to RMB8,347 per square metre in June 2014. Except for the month of February, the single-month sales amounts during the period under review all exceeded RMB10 billion. The Board believes that the rise of selling price was mainly attributable to the geographical advantages and high quality of the Group's products while the increasing selling price and sales amount are favourable for maintaining the net profit margins of the major businesses of the Group.

During the period under review, the Group launched 29 new projects for sale located in 25 cities, such as Beijing, Hefei, Changsha, Chengdu, Chongqing, Haikou, Wuhan, Hangzhou, Shenyang, Harbin, Xi'an, Lanzhou and Dongguan, and projects for sale accumulated to 252 and spanned across 136 different cities.

In the first half of 2014, the contract sales amount was RMB69.32 billion, of which the contract sales amount of first-tier cities amounted to RMB7.23 billion, representing 10.4% of the total contract sales and the sales amount of second-tier cities amounted to RMB31.23 billion, representing 45.1% of the total contract sales. The total proportion of sales amount of the first and second-tier cities increased 8.0 percentage points as compared with the corresponding period of last year. The above data evidenced a more balanced distribution of sales amount among the first-, second- and third-tier cities. Moreover, the strategy of optimizing project layout since last year achieved remarkable results.

Commitment to the meticulous design of construction work, optimization of the scale of new work and the matching of sales and completion plans. In the first half of 2014, the area of new construction of the Group was 13.198 million square metres with an increase of 57.1% as compared with 8.399 million square metres of the corresponding period in 2013. As at 30 June 2014, the Group had 250 projects under construction, and the GFA under construction was 38.715 million square metres. The Group had obtained pre-sale permits for 252 projects while around 50 projects have not yet been launched for sale. The Board considers that its industry-leading development and construction scale and the number of saleable projects allow the Group to be well equipped for generating revenue from the delivery of properties and accomplishing contracted sales in its next phase of growth.

During the period under review, the Group insisted to implement standardized operations. Through continuously optimizing the integrated management of the Group and the scientific arrangement on construction work, the Group has completed a GFA of 13.963 million square metres for the six months ended 30 June 2014, delivered 208 projects in total with a transaction value of RMB62.03 billion and a GFA of 9.8 million square metres.

Adherence to the strategy of "cash is king" and endeavors to raise the total amount of cash and net profit margin from main operations. In light of the fact that the industry has entered into the adjustment cycle during the period under review, the Group has continuously strengthen its financial resources so as to prepared itself to resist any possible market risk ahead of time. In the first half of 2014, the Group realized sales proceeds of over RMB52.8 billion, issued perpetual bonds on individual projects with an addition of over RMB17.58 billion in new financing. Moreover, the Group lowered the pressure of capital payment through leveraging its positive brand image to clinch better contract terms, payment methods and payment conditions.

With the above measures, the total cash of the Group as at 30 June 2014 reached RMB64.03 billion, which was the highest level since the listing of the Company in 2009. Banking on the solid cooperation foundation with large-scale commercial banks in China, the Group obtained new borrowings of RMB42.96 billion during the period under review with unutilized banking facilities reaching RMB50.39 billion as at 30 June 2014. Together with the total cash of RMB64.03 billion as at 30 June 2014, the Group's available funds amounted to RMB114.42 billion.

Meanwhile, the Group sold part of the commercial premises and adopted measures to increase the selling price of the premises in an appropriate manner while devoting to control the selling expenses and management cost. The Board believes that with the further optimization of the location and product quality of the projects as well as further sales of retail stores and parking space, there will be room for the selling prices of the products to be increased, which in turns will have a positive effect on the profit margin of the major businesses of the Group.

Boosting products optimization, structural adjustment and standardized operation. In the first half of 2014, the Group further launched a variety of products and upgraded the standard of style, facade and decoration in response to the recent market changes. The Group completed a total of 11 commercial complex projects, 20 developing style projects, and upgraded the decoration and construction design plan of 19 projects. The optimized product types are further standardized, thus the designs are more tailored to the end-user market as well as housing improvement needs and the product types are further diversified. The flow line production approach is generally adopted in architectural design, supply of construction materials and construction methods to shorten the design cycle, guarantee the quality of design and enhance the effectiveness of development.

In the first half of 2014, the total construction cost of the Group was lowered by approximately RMB659 million through re-optimization of over 2,600 design projects involving significant cost. The purchase price of decoration and construction material dropped steadily, the overall price decreased by 2.77% as compared with that of 2013, while the total amount of purchase price saved in the first half of 2014 was RMB128 million. Meanwhile, the Group established a higher level of partnership with 20 suppliers and is expected to save RMB418 million of purchase cost in the next upcoming three years. The successful implementation of the above standardized strategies symbolises the effectiveness of the Group's strategic alliances with premium suppliers and enables the Group to mitigate the impact of escalating costs on gross profit margin and generates value for its shareholders.

Business Outlook

The Board believes that with the peak of sales in the coming second half of 2014, the general situation of excessive housing supply is expected to continue. Recently, the Ministry of Housing and Urban-Rural Development made a clear stance of its endeavour in trimming inventory level. Such move reflects the pressure of market demand and supply and the possibility of continuous implementation of small-scale stimulating policy by the Central Government. Based on the current macro-economy, market condition and monetary policy, it is expected that the end-demand will gain more support from the credit policy in the second half of 2014. Cities with surplus stock may embrace the opportunities brought about by the adjustment in the policy of restricting property purchases. The enhanced marketing policies of real estate developers will also help to stoke demand and increase the trade volume and lead to the possibility of soft landing in the market.

The Group is determined to strengthen the sales and collection of sales proceeds as well as to control costs and expenses strictly, spare no effort on increasing total cash and profit margins and devote to controlling the net debt ratio. Meanwhile, the Group will also replenish quality land reserves following a more prudent and practical strategy, optimize geographical layout of the projects and improve the profitability on a solid foundation to achieve the high quality coordinated development.

Land Reserves

In the second half of 2014, the Group will optimize geographical layout of the residential real estate projects in a prudent manner, with an objective to maintain the aggregate land reserves at a stable level. The project development will continue to focus on the first- and second-tier cities, and in particular the central urban areas. New acquisitions in the third-tier cities will be carried out based on a stricter quantifiable criteria to raise the premium level of products.

The Group has a settled land premium of RMB175.26 billion for its accumulated land reserves and RMB38.95 billion remains outstanding as of 30 June 2014, of which a land premium of RMB12.05 billion is expected to be settled in the second half of 2014, RMB12.71 billion in 2015, and RMB14.19 billion in 2016, respectively.

Contracted Sales

The Group will ensure sufficient inventory, formulate its regional sales plan in line with key focus areas, insist to review the completion result of the sales on a monthly basis and adjust the sales strategy in a timely and flexible manner. There will be around 40 new residential projects available for sale in the second half of 2014. These premises are situated in regions such as Beijing, Shanghai, Guangdong, Chongqing, Jinan, Zhengzhou, Nanjing, Hefei, Changchun, Dalian and Dongguan. The Group proposes to capitalize on market timing and selectively develop new projects for sale in accordance with overall market needs. Apart from this, the Group also has further arrangements on retail and parking spaces, which is likely to supplement the contracted sales of the entire year.

With regard to the pricing strategy, the Group will maintain a balance between the selling price and sales volume and elevate sales performance in a flexible and practical manner. Given the Group's remarkable sales performance in the first half of 2014, together with its exceptional execution capability and product strength, the Board is of the view that the Group will be able to achieve its full-year contracted sales target of RMB110 billion.

Financial Resource

The Group will continue to maintain robust financial policies and endeavor to raise the total amount of cash and net profit margin for its main operations. To accomplish this, the Group will further enhance the collection of sales proceeds, increase the turnover of inventory assets, sell part of the commercial premises and continue to expand project cooperation. Meanwhile, the Group will formulate more scientific and reasonable commencement, completion and payment plans to reasonably control major expenses such as land and construction expenses.

With respect to the control of costs and expenses, the Group will continue to fully implement product upgrades, replacement and standardized and deepened reform, thereby ensuring quality while reducing costs. The Group will also endeavor to use new media and other media to lower selling expenses, establish the leading SAP and ERP systems in the industry and make full use of information technology to further reduce operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group recorded revenue of RMB63.34 billion for the six months ended 30 June 2014 (corresponding period of 2013: RMB41.95 billion), representing a period-on-period growth of 51.0%. Gross profit amounted to RMB18.09 billion (corresponding period of 2013: RMB11.45 billion), representing an increase of 58.0% over the corresponding period of last year. Profit attributable to shareholders was RMB7.09 billion (corresponding period of 2013: RMB6.24 billion), representing an increase of 13.6% as compared with the corresponding period of last year. Basic earnings per share amounted to RMB0.48 (corresponding period of 2013: RMB0.39), representing a period-on-period increase of 23.1%. Diluted earnings per share amounted to RMB0.47 (corresponding period of 2013: RMB0.38).

Equity attributable to shareholders of the Group as at 30 June 2014 was RMB46.03 billion (31 December 2013: RMB48.59 billion), representing a decrease of 5.3% from the end of last year. .

Revenue

Revenue of the Group for the period under review amounted to RMB63.34 billion, representing a growth of 51.0% compared with the corresponding period in 2013, of which revenue generated from the property development segment amounted to RMB62.03 billion, representing a period-on-period growth of 50.2%. Revenue generated from property management services was RMB465 million, representing an increase of 69.5% compared with the corresponding period of last year.

Gross Profit

Gross profit of the Group was RMB18.09 billion for the six months ended 30 June 2014, representing an increase of 58.0% compared with the corresponding period of last year. The increase in gross profit was mainly attributable to a significant increase in sales of properties. The gross profit margin was 28.6%, an increase of 1.3 percentage points comparing to 27.3% of the corresponding period of last year, which was mainly attributable to increased sales of properties in developed cities.

Selling and Marketing Costs

During the period under review, selling and marketing costs of the Group rose from RMB1.50 billion for the corresponding period of 2013 to RMB3.54 billion, which was mainly attributable to an increase in the number of projects launched and significant expansion in scale which led to the corresponding increase in nationwide marketing and brand publicity activities during the period under review. This portion of costs was generated from the pre-sales, and corresponding pre-sale revenue had to be stated after the delivery of possession. During the period under review, the selling and marketing costs accounted for approximately 5.1% of the amount of contracted sales of the first half of 2014, which marked an increase of 1.7 percentage points as compared with that of the corresponding period of 2013.

Administrative Expenses

During the period under review, administrative expenses of the Group increased from RMB1.24 billion for the corresponding period of 2013 to RMB1.94 billion, which was mainly attributable to the continuous expansion of its national business and significant growth in operating results achieved during the period under review with the corresponding increase in the number of employees and the level of their remuneration. During the period under review, the administrative expenses accounts for approximately 2.8% of the amount of contracted sales of the first half of 2014, equal to that of the corresponding period of 2013.

FINANCIAL REVIEW

Borrowings

As at 30 June 2014, the borrowings of the Group amounted to RMB151.78 billion.

The borrowings were pledged against the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interest of certain subsidiaries of the Group.

Available Funds

As at 30 June 2014, the total amount of cash and cash equivalents and restricted cash was RMB64.03 billion. In addition, the Group had unutilised banking facilities of RMB50.39 billion. Together with this sum, these funds provided sufficient working capital for the Group to seek the best business opportunities and provided significant financial support for rapid development.

Land Reserve

During the period under review, the Group acquired 13 land reserves, covering 9 cities such as Beijing, Chengdu, Taiyuan, Nanchang, Changchun, Lanzhou and Dalian. As at 30 June 2014, the planned GFA was approximately RMB4.7 million square metres and the average cost was RMB3,772 per square metre.

Distribution of newly acquired land reserves of the Group in the first half of 2014

No.	Project Name	City	Site area *(thousand square metre)*	Total GFA *(thousand square metre)*	Area of Land reserve *(thousand square metre)*
1	Evergrande Emerald Court Beijing	Beijing	46.0	174.8	174.8
2	Evergrande Metropolis Beijing	Beijing	35.0	98.0	98.0
3	Evergrande Royal Scenic Bay Taiyuan	Taiyuan	334.7	1,171.3	1,171.3
4	Evergrande Royal View Garden Nanchang	Nanchang	88.5	177.0	177.0
5	Evergrande Atrium Yichang	Yichang	168.1	386.7	386.7
6	Evergrande Metropolis Lanzhou	Lanzhou	86.7	357.5	357.5
7	Evergrande Royal View Garden Dalian	Dalian	152.7	230.6	230.6
8	Evergrande Royal Scenic Bay Dalian	Dalian	28.4	101.5	101.5
9	Evergrande Emerald Court Chengdu	Chengdu	45.9	165.3	165.3
10	Chengdu Caojiaxiang Project	Chengdu	111.8	728.9	728.9
11	Evergrande Royal View Noble Court Dongguan	Dongguan	54.5	148.4	148.4
12	Evergrande Regal Court Dongguan	Dongguan	55.4	166.1	166.1
13	Evergrande Royal View Garden Changchun	Changchun	200.0	399.9	399.9
*	Evergrande Royal View Garden Xi'an Phase 2	Xi'an	45.7	160.2	160.2
*	Evergrande Splendor Xinxiang Phase 1 Business Centre	Xinxiang	43.3	21.7	21.7
*	Evergrande Oasis Changsha Phase 2	Changsha	47.1	212.4	212.4
	Total		1,543.8	4,700.3	4,700.3

* *Extra land reserves for current projects*

Contracted Sales

During the period under review, the Group achieved contracted sales revenue of RMB69.32 billion, accomplishing 63.0% of the sales target for the entire year. The area of the contracted sales amounted to 9.796 million square metres, while the average price of the contracted sales amounted to RMB7,076 per square metre. During the first half of 2014, the Group launched 29 new projects for sale. As at 30 June 2014, the accumulated number of projects for sale was 252, in 29 regions and 136 cities in China.

Regional distribution of contracted sales for the six months ended 30 June 2014

No.	Province	Amount of contracted sales *(RMB millions)*	Proportion of contracted sales
1	Guangdong Province	5,851	8.4%
2	Beijing City	5,735	8.3%
3	Shandong Province	5,539	8.0%
4	Anhui Province	5,081	7.3%
5	Henan Province	4,683	6.8%
6	Jiangsu Province	4,484	6.5%
7	Hebei Province	4,008	5.8%
8	Shanxi Province	3,618	5.2%
9	Hunan Province	2,960	4.3%
10	Jiangxi Province	2,770	4.0%
11	Chongqing Province	2,756	4.0%
12	Hubei Province	2,623	3.8%
13	Sichuan Province	2,511	3.6%
14	Liaoning Province	2,500	3.6%
15	Heilongjiang Province	2,455	3.5%
16	Zhejiang Province	1,692	2.4%
17	Jilin Province	1,640	2.4%
18	Gansu Province	1,280	1.8%
19	Hainan Province	1,237	1.8%
20	Shaanxi Province	1,220	1.8%
21	Guangxi Zhuang Autonomous Region	904	1.3%
22	Guizhou Province	827	1.2%
23	Inner Mongolia Autonomous Region	727	1.0%
24	Tianjin Province	605	0.9%
25	Xinjiang Uygur Autonomous Region	453	0.7%
26	Ningxia Hui Autonomous Region	436	0.6%
27	Yunnan Province	308	0.4%
28	Qinghai Province	223	0.3%
29	Fujian Province	191	0.3%
	Total	**69,317**	**100.0%**

Property Development

During the period under review, the Group had a total of 184 projects completed which were situated in 27 major regions in China with a completed total GFA of 13.963 million square metres. The distribution of the completed projects is set out in the following table:

Table of area completed by the Group in each region during the first half of 2014

No.	**Province**	**Area** *(thousand square metres)*	**Precentage**
1	Jiangsu Province	1,392.7	10.0%
2	Shandong Province	1,270.2	9.1%
3	Henan Province	1,194.4	8.6%
4	Anhui Province	1,005.4	7.2%
5	Guangdong Province	980.1	7.0%
6	Jiangxi Province	862.3	6.2%
7	Hebei Province	608.7	4.4%
8	Chongqing City	603.3	4.3%
9	Heilongjiang Province	593.6	4.3%
10	Hunan Province	580.0	4.2%
11	Jilin Province	496.6	3.6%
12	Hubei Province	485.3	3.5%
13	Liaoning Province	462.1	3.3%
14	Shanxi Province	442.6	3.2%
15	Gansu Province	426.4	3.1%
16	Zhejiang Province	413.6	3.0%
17	Sichuan Province	390.6	2.8%
18	Inner Mongolia Autonomous Region	262.3	1.8%
19	Shaanxi Province	252.2	1.8%
20	Guangxi Zhuang Autonomous Region	248.3	1.7%
21	Xinjiang Uygur Autonomous Region	243.5	1.7%
22	Guizhou Province	182.6	1.3%
23	Hainan Province	178.7	1.2%
24	Tianjin City	158.7	1.1%
25	Ningxia Hui Autonomous Region	145.0	1.0%
26	Qinghai Province	62.1	0.4%
27	Yunnan Province	21.3	0.2%
	Total	13,962.5	100%

During the period under review, the Group delivered a total of 208 projects with a transaction value of RMB62.03 billion, representing a period-on-period increase of 50.2%; the delivered area was RMB9.8 million square metres, representing a period-on-period increase of 41.9%. The average price of transaction was RMB6,331 per square metre, representing a period-on-period increase of 5.9%.

As at 30 June 2014, the Group had 250 projects under construction with a GFA of approximately 38.715 million square metres, 252 projects for sale, and about 50 projects yet to be launched for sale.

Corporate Social Responsibilities

The Group has always been actively committed to social responsibilities and deeply devoted to fully supporting charitable activities, such as livelihood, sports and environmental protection.

In March 2014, the Group donated RMB30 million to China Children and Teenagers' Fund to support the development of child charities, which shows the Group perseverance in fighting poverty and helping needy people.

In terms of disaster relief, after the outbreak of water pollution in Lanzhou, the Group immediately donated and delivered 12,000,000 bottles of Evergrande mineral water in 500,000 cartons to the affected area in Lanzhou and all bottled mineral waters were distributed within 65 hours.

With respect to social welfare, in order to boost employment and nurture talents, the Group organized recruitment programs in colleges and universities in China which provided a good employment and job-hunting platform for 1,871 graduating students.

With respect to green construction, the Group continuously carried out the strategy of delivering fully-refurbished properties and the strategy of product upgrade and replacement. In the first half of 2014, the Group further optimized and upgraded main house layouts and successfully developed 20 new house layout plans which meet the latest demand. The Group also improved the geographical convenience, quality and environmental effectiveness of residential products. Besides, the Group constructed a new high-tech housing sales center to provide one-stop experience to potential buyers.

Awards

During the period under review, the Group, again, won multiple awards. In the assessment of the Top 500 China Real Estate Developers, the Group ranked second in the Top 500 China Real Estate Developers for four consecutive years, first in China Real Estate Development Enterprise Comprehensive Development Top 10, first in the Top Ten City Coverage's Real Estate Developers in China, first in Top 10 Real Estate Development Enterprises in China in terms of Innovation Capability, first in China Real Estate Development Enterprise Tourism Real Estate Top 10 and first in the Top 10 China Real Estate Developers by Corporate Social Responsibility. In the selection of the "Top 10 of Top 100 Listed Real Estate Developers in China by Integrated Capability 2014" jointly held by The Corporate Research Institute under the State Development Research Centre of the State Council, the Real Estate Research Institute of Qinghua University and the China Index Academy, the Group ranked first in the Top 10 China Real Estate Companies Listed in Hong Kong by Integrated Capability for three consecutive years and first in the Top 10 Investment Value for the third time.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 65,461 employees, of which approximately 90% are graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high quality personnel.

The Group firmly believes that people are the most important corporate resources, and has been adhering to a people-oriented human resources development strategy. This helped the Group create a harmonious working environment and positive interaction between the Group and its staff. During the period under review, total staff cost (including directors' emoluments) of the Group was approximately RMB3.60 billion (corresponding period of 2013: approximately RMB2.51 billion).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, the Company had repurchased from the market a total of 1,602,846,100 shares of the Company at price per share ranging from HK$2.80 to HK$3.64 for an aggregate consideration of HK$5,304,461,363. All of these repurchased shares were subsequently cancelled. Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014. Full details of the repurchases will be set out in the interim report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct for securities transactions conducted by directors of the Company. All directors of the Company have confirmed their compliance with the Model Code during the period under review.

CORPORATE GOVERNANCE

The Company has been in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS BY AUDITOR AND AUDIT COMMITTEE

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2014 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. Mr. Chau Shing Yim, David, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The Audit Committee of the Board has reviewed the Group's interim results for the six months ended 30 June 2014, and discussed with the Company's management regarding review, internal control and other relevant matters.

ACKNOWLEDGEMENT

The steady development of the Group has always been trusted and supported by its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I express my heartfelt gratitude.

By Order of the Board
Evergrande Real Estate Group Limited
Hui Ka Yan
Chairman

Hong Kong, 26 August 2014

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr.Tse Wai Wah, Mr. Xu Wen and Mr. Huang Xiangui, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.