



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

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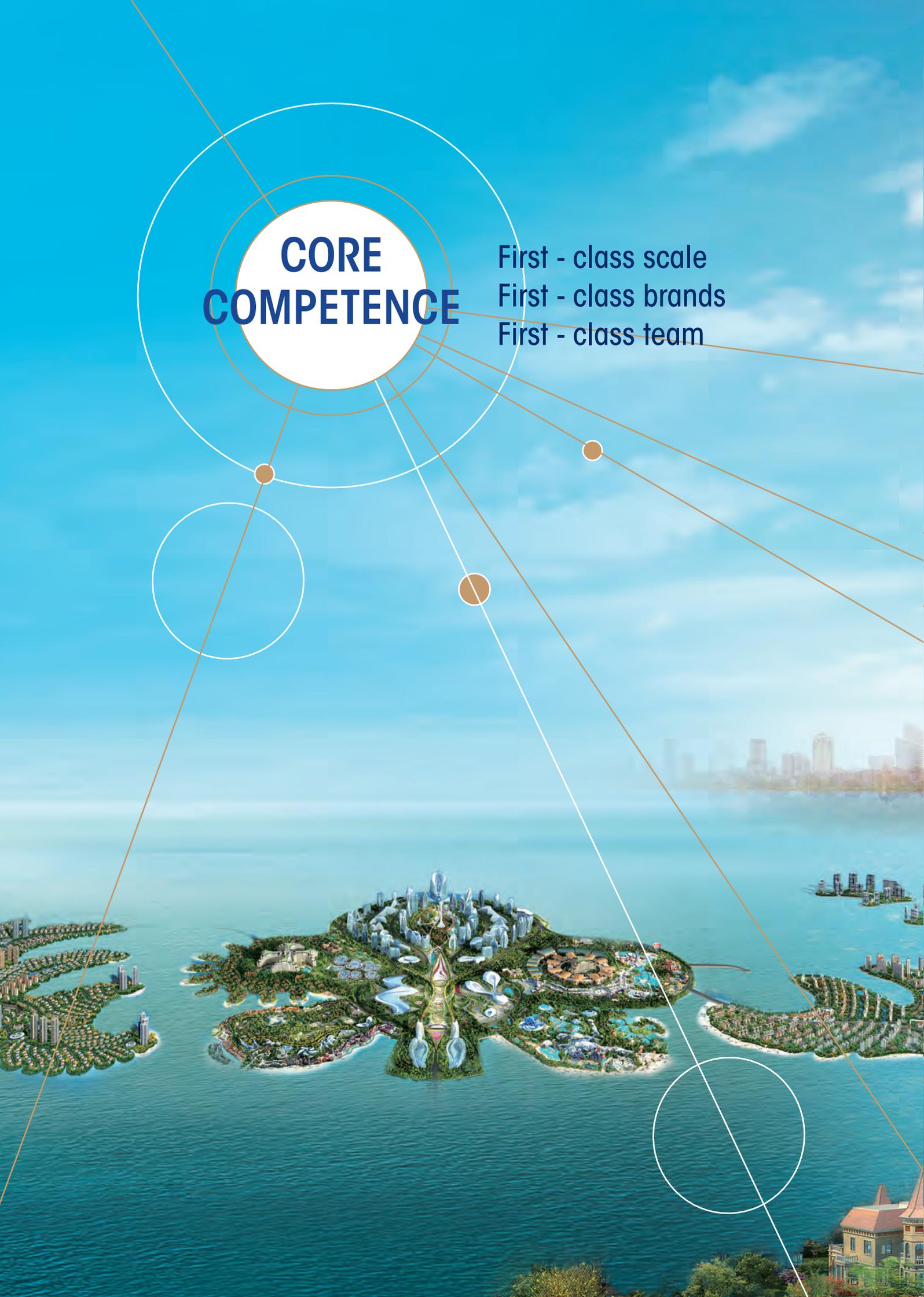
(incorporated in the Cayman Islands with limited liability)
Stock Code: 3333

2017 INTERIM REPORT



CORE COMPETENCE

First - class scale
First - class brands
First - class team



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BOARD OF DIRECTORS AND COMMITTEES

Chairman of the Board of Directors

Professor Hui Ka Yan

Executive Directors

Professor Hui Ka Yan

Dr. Xia Haijun

Ms. He Miaoling

Mr. Pan Darong

Mr. Huang Xiangui

Mr. Shi Junping

Independent Non-Executive Directors

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

Audit Committee

Mr. Chau Shing Yim, David (*Chairman*)

Mr. He Qi

Ms. Xie Hongxi

Remuneration Committee

Mr. He Qi (*Chairman*)

Professor Hui Ka Yan

Ms. Xie Hongxi

Nomination Committee

Professor Hui Ka Yan (*Chairman*)

Mr. He Qi

Mr. Chau Shing Yim, David

Authorised Representatives

Professor Hui Ka Yan

Mr. Fong Kar Chun, Jimmy

CORPORATE AND SHAREHOLDER INFORMATION

Head Office

No.1126 Haide 3rd Road
Nanshan District, Shenzhen
Guangdong Province
The PRC
Postal code: 518054

Place of Business in Hong Kong

Suites 1501–1507, One Pacific Place,
88 Queensway, Hong Kong

Website

www.evergrande.com

Company Secretary

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

Auditor

PricewaterhouseCoopers

Principal Bankers

China CITIC Bank Corporation Limited
China Minsheng Banking Corp., Ltd.
China Bohai Bank Co., Ltd.
China Everbright Bank Company Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of Beijing Co., Ltd.
China Zheshang Bank Co., Ltd.
Industrial Bank Co., Ltd.
Hua Xia Bank Company Limited
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Bank of Jinzhou Co., Ltd.
Bank of China Limited
Bank of Jiujiang Co., Ltd.
China Construction Bank Corporation
Hengfeng Bank Co., Ltd.
China Development Bank Corporation
Bank of Communications Co., Ltd.

Shareholder Information

Listing Information

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”)
The bonds of the Company are quoted on Singapore Stock Exchange Limited (“Singapore Stock Exchange”)

Securities Codes

Stock

HKEX: 3333

Bonds

US\$500,000,000 7.00% Senior Notes due 2020
Common Code: 158043068
ISIN: XS1580430681

US\$598,181,000 6.25% Senior Notes due 2021
Common Code: 162759914
ISIN: XS1627599142

US\$1,000,000,000 8.25% Senior Notes due 2022
Common Code: 158043114
ISIN: XS1580431143

US\$1,344,921,000 7.50% Senior Notes due 2023
Common Code: 162759949
ISIN: XS1627599498

US\$1,000,000,000 9.50% Senior Notes due 2024
Common Code: 158786753
ISIN: XS1587867539

US\$4,680,476,000 8.75% Senior Notes due 2025
Common Code: 162759965
ISIN: XS1627599654

Investor Relations

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Telephone: (852)2287 9229/2287 9230

Financial Calendar

Announcement of interim results: 28 August 2017

CHAIRMAN'S STATEMENT

Business Review

The global economy began a gradual recovery in the first half of 2017, with major developed economies displaying obvious signs of recovery and developing countries showing positive economic trends. The Chinese economy sustained a reasonably high GDP growth rate of 6.9%, as a result of numerous factors, including improving external environment and higher commodity prices, and demonstrated good development patterns with steady growth, upbeat employment rate, stable prices, higher income levels and optimized structure. With further enforcement of the supply-side reform and the orderly implementation of capacity reduction, destocking and deleveraging, the catalyst for future organic economic growth is expected to be released and the real estate market is expected to be further stimulated for growth.

During the first half of the year, various indicators for the real estate industry showed trends of starting strong and stabilizing afterwards. Meaningful indicators such as total investments growth and growth in land purchases exceeded market expectations while monthly total contracted sales amount and total GFA sold during the first quarter stayed above the average monthly figures for the recent year. In the second quarter, the government adopted specific measures targeted at each city's market situation, and differentiated regulatory policies began to emerge among different cities. Tightening measures in overheated cities became more stringent — various home purchase restrictions and lending restrictions escalated and were strictly enforced. As a result, market demand was curbed and growth was slowed down, housing transaction volume fluctuated and industry consolidation intensified.

Facing the complexity of global and domestic markets and competition, the Board made a series of strategic decisions based on its review of the current markets and forward-thinking outlook. The Group will shift its development strategy from pursuing “scale” to pursuing “scale + profitability”, and it will shift from following a “three-high, one-low (三高一低)” development model — high debt, high leverage, high turnover and low cost — to following “three-low, one-high (三低一高)” model, which means low debt, low leverage, low cost and high turnover. The strategic transition is aimed to seek growth amid stability, to further implement and deepen the supply-side reform and to capture market opportunities, so that the Group can achieve stable growth in scale, meaningful improvement in profitability and significant lower leverage.

During the first half of 2017, the Group achieved contracted sales of RMB244.09 billion, representing a year-on-year growth of 72.2%. Contracted sales GFA was 24.751 million square meters, representing a year-on-year growth of 49.1%, and the average selling price of RMB9,862 per square meter was 15.5% higher than the same period last year. For the first half of 2017, The Group reported total revenue of RMB187.98 billion, representing a year-on-year growth of 114.8%; gross profit was RMB67.30 billion, a growth of 171.7% from the corresponding period of last year, and net profit was RMB23.13 billion, an increase of 224.4% from the corresponding period of last year. Profit attributable to shareholders was RMB18.83 billion, representing a year-on-year increase of 832.2%. As of 30 June 2017, the Group had a total land reserve of 276 million square meters, with an average cost of RMB1,658 per square meter. As at 30 June 2017, cash balance held by the Group (including cash and cash equivalents and restricted cash) amounted to RMB269.93 billion, and total assets was RMB1,492.98 billion.

The Group further optimized the geographic layout of projects and prudently acquired high quality land reserves for replenishment.

The Group began to shift its development strategy from “scale” to “scale + profitability” in 2017. Under this strategy, the Group acquired selected high quality land reserves in a prudent fashion to further optimize the distribution and balance of its land reserves. During the first half of 2017, the Group acquired 152 new pieces of land and acquired land surrounding 18 existing projects. New land parcels acquired are evenly distributed among first-tier, second-tier and third-tier cities, and are located in cities such as Shanghai, Shenzhen, Changsha, Nanjing, Chengdu, Hangzhou, Xi'an, Jinan and Taiyuan. The newly acquired land reserves had a total GFA of 67.636 million square meters and an average cost of RMB2,039 per square meter.

CHAIRMAN'S STATEMENT (CONTINUED)

As of 30 June 2017, the Group had a total of 719 projects located in 223 cities across China, covering all first-tier cities, municipalities and provincial capitals (except Taipei and Lhasa), as well as a majority of economically developed prefecture-level cities with high growth potential. Such projects had a total GFA of 276 million square meters, with an original value of RMB457.64 billion. The original value of land reserves in first-tier and second-tier cities amounted to RMB332.42 billion, representing 72.6% of the total value with an average land cost of RMB2,213 per square meter. The original value of land reserves in third-tier cities amounted to RMB125.22 billion, representing 27.4% of the total value with an average cost of RMB996 per square meter.

Contracted sales increased from both price and volume growth.

During the Reporting Period, the Group achieved accumulated contracted sales of RMB244.09 billion, contracted sales GFA of 24.751 million square meters and average selling price of RMB9,862 per square meter. During the Reporting Period, the Group launched 74 new projects for sale in 59 cities including Beijing, Shenzhen, Hefei, Changsha, Chengdu, Chongqing, Haikou, Sanya, Dalian, Changchun, and had a total of 546 projects for sale located in 209 cities.

The strong contracted sales performance was mainly attributable to the Group's large scale of operations and large number of available projects for sale, the Group's strong ability to continuously enhance the value-add features of its product, as well as its flexible and practical sales strategy and marketing model. The number of new projects launched for sale also contributed to the growth in contracted sales.

The Group scientifically planned construction cycles, optimized the scale of new construction starts and focused on the progression of sales, construction, completion and delivery.

The Group had new construction starts of 41.307 million square meters in the first half of 2017, an increase of 74.3% as compared to 23.689 million square meters for the corresponding period in 2016. As at 30 June 2017, there were 547 projects under construction with a total of 93.634 million square meters, representing an increase of 16.5% as compared to the end of 2016. The completed GFA was 28.038 million square meters, representing a year-on-year increase of 104%. During the Reporting Period, the Group delivered properties in 437 projects with total revenue of RMB183.36 billion. The Board believes that the large scale of development and construction can not only ensure ample saleable resources to support contracted sales, but also lay a solid foundation for subsequent delivery and revenue recognition.

All perpetual bonds were redeemed, with the Group focused on financial management, further extended debt terms and reduced cost of debt.

As at 30 June 2017, the Group had completed the redemption for all perpetual bonds of RMB112.94 billion ahead of its promised time, fulfilling its solemn commitment to the capital market.

During the Reporting Period, the Group newly issued US\$6.3 billion senior notes. In particular, the Group had on 17 March 2017 announced the issuance of 7% three-year senior notes due 2020 with a principal amount of US\$500 million; the 8.25% five-year senior notes due 2022 with a principal amount of US\$1 billion; and on 24 March 2017 announced the issuance of 9.5% seven-year senior notes due 2024 with a principal amount of US\$1 billion. On 22 June 2017, the Group announced the issuance of 6.25% senior notes, the 7.5% senior notes and the 8.75% senior notes of US\$3.8 billion in aggregate with maturity of four years, six years and eight years respectively. Proceeds raised from the issue of the aforesaid senior notes were used to repay the indebtedness of the Group with higher interest rate and as general working capital.

CHAIRMAN'S STATEMENT (CONTINUED)

Meanwhile, on 8 June 2017, the Group conducted an exchange offer for three series of senior notes with maturity from 2018 to 2020 totalling US\$3,200 million (the “**Old Notes**”). On 28 June 2017, the Group has successfully exchanged US\$2,536 million, representing 79.3% of the total Old Notes, to US\$2,824 million new notes maturing on 2021, 2023 and 2025 respectively in aggregate when including the premiums and the unpaid interest payables for early redemption. The Group had fully redeemed outstanding Old Notes of US\$664 million by August 2017.

The exchange offer and the issue of new bonds extended the offshore maturity of senior notes for the Group, improved the debt structure and reduced financing cost, which will strengthen the Company's stable growth in the future. The Group does not have any outstanding offshore senior notes payable before 2020.

The Group completed its layout on segment diversification, and transformed from “real estate” to “real estate + services”.

As at the end of 2016, the Group completed its layout on segment diversification of “real estate as foundation, finance and healthcare as supplementary segments and cultural tourism as leading segment” and the transformation from “real estate” to “real estate + services”, and was included in the Fortune Global 500.

Evergrande Finance Group is a financial holding group with integrated diversified financial services, including banking, insurance and internet finance. It holds 17.28% equity interest in Shengjing Bank and is its largest shareholder. During the first half of the year, the original premium income of Evergrande Life amounted to RMB15.5 billion, up by 462% period-on-period, representing 72% of total premium income. Premium income from new insurance policies amounted to RMB2.89 billion, increased by 56 times period-on-period. Total assets amounted to RMB88.6 billion, up by 99% period-on-period. Meanwhile, the Group is also engaged in the internet finance business with registered users in hdfax.com exceeding 17.10 million.

Evergrande Tourism Group is an integrated tourism real estate developer and operator with a focus on its flagship product – Evergrande Fairyland. The group had a total of 8 cultural tourism projects in Ocean Flower Island, Qidong, Changsha, Guiyang, Kaifeng, Zhenjiang, Suzhou and Cangzhou. The gross floor area of land reserve for tourism was 26.64 million square meters with total area under construction of 11.88 million square meters. During the first half of the year, the contracted sales amounted to RMB13.99 billion.

Evergrande Health Group is a large and comprehensive healthcare group which integrates the full life-cycle health community “Evergrande • Elderly Care Valley”, new high-end international hospitals and community healthcare services.

CHAIRMAN'S STATEMENT (CONTINUED)

Business Outlook

Looking forward to the second half of 2017, the Board believes the Chinese economy will maintain the stable and favorable trend. As in-depth reforms are further implemented in major sectors and key areas and produce desirable results, together with the collaborative efforts from the cultivation of new impetus and transformation of traditional impetus, China's economy will maintain stable and fast growth. In recent years, the Chinese government put much more effort into eliminating bubbles in the real estate market by focusing on the nature of residence for housing and delegating the responsibilities to the local governments. It also speeded up the establishment and enhancement of the long-term mechanism for promoting the stable and healthy development of the real estate market and improving the housing system focusing on both lease and sale so as to satisfy the needs at different levels in the market and provide basic support by government. In 2017, adjustments in both volume and price will take place in the real estate market with intensified differentiation. Faster consolidation, classified adjustment and control and policy implementation depending on specific cities will continue to be the main tone of the regulation in the real estate market. By correctly anticipating market directions and adhering to the development strategy of "diversification + scale + brand", the Group will leverage on its advantages and proactively follow its development strategy transition from "scale" to "scale + profitability" so as to lead the industry to sustain stable and balanced development and progress.

The Board will continue to review the development trend and state of the economy and real estate market in China in a prudent and pragmatic manner. It will look for new opportunities with the pioneering spirit and determination in innovation. Meanwhile, the Group will continue to emphasize sales and marketing, monitor construction progress rationally, follow the "three-low, one-high" development model "三低一高", i.e. low debt, low leverage, low cost and high turnover, moderately reduce the size of land reserves in order to further improve profitability, reduce gearing ratio and maintain the stable development of the Company.

Strategic Transition

The Group strives to implement transition in its development strategy and development model. The Group has accomplished rapid annual growth over the past two decades as demonstrated by major operating and financial metrics. In 2016 and the first half of 2017, China Evergrande ranked first in terms of sales⁽¹⁾ attributable to the Group.

In 2017, starting a new chapter in its development history, the Group has made important decisions on future development strategy and development model. The Group's development strategy will transition from "scale" to "scale + profitability", while the development model will transition from "three-high, one-low (三高一低)" to "three-low, one-high (三低一高)", i.e. low debt, low leverage, low cost and high turnover. The Group has set a target to reduce the net debt ratio of the Company from the current 240% to around 70% by 30 June 2020 through various measures, including planned annual reduction of land reserves by approximately 5% to 10% from July 2017 to June 2020, planned introduction of the third round of strategic investments of RMB30 to 50 billion by Hengda Real Estate Group Company Limited, and further growth of profits to increase our equity base.

Land Reserves

In the second half of the year, under the development strategy of "scale + profitability", the Group will start to reduce the total scale of land reserve and land expenses. It will replenish quality land reserves only in necessary regions in a prudent and practical manner. Meanwhile, the Group will consider to use cost effective methods such as acquisition and merger and co-development to acquire projects in the next stage of project expansion.

(1) The sales data was extracted from the ranking of real estate enterprises in China in terms of sales in the first half of 2017 of CRIC.

CHAIRMAN'S STATEMENT (CONTINUED)

Contracted Sales

The Group will ensure it has sufficient inventory, formulate its regional sales plan in line with key focus areas, continue to review the sales result on a monthly basis and adjust the sales strategy in a timely and flexible manner. In the second half of the year, there will be abundant saleable resources, located in regions such as Beijing, Shanghai, Guangdong, Chongqing, Jinan, Zhengzhou, Nanjing, Hefei, Changchun, Dalian and Dongguan. The Group will capitalize on market timing and selectively launch new projects for sale in accordance with overall market needs. Apart from this, the Group will also arrange for sales of commercial premises, which is expected to effectively supplement the contracted sales of the entire year.

With regard to pricing strategy, the Group will maintain a balance between the selling price and sales volume based on the market trend. Given the remarkable sales performance in the first half of the year and the Group's exceptional execution capability and product strength, the Board is confident that the Group can achieve its full year contract sales target.

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
China Evergrande Group
Hui Ka Yan
Chairman

Hong Kong, 28 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group recorded revenue of RMB187.98 billion for the Reporting Period compared to RMB87.50 billion for the first six months of 2016, representing a year-on-year growth of 114.8%. Gross profit amounted to RMB67.30 billion compared to RMB24.77 billion for the first six months of 2016, representing a year-on-year growth of 171.7%. Core business profit was RMB27.30 billion for the Reporting Period, representing a growth rate of 249.6% compared with the core profit of the first six months of 2016. The core business profit is calculated based on the net profit excluding fair value gains on investment properties, exchange losses, losses on financial assets at fair value through profit or loss, other losses and one-off donation.

Profit attributable to shareholders of the Company increased to RMB18.83 billion. The significant growth of 832.2% in attributable profit compared to the same period last year is mainly due to the increase of properties delivered, growth in gross profit margin and effective control over selling, general and administrative expenses.

Revenue

During the Reporting Period, the revenue was RMB187.98 billion representing a growth rate of 114.8% as compared with the six months ended 30 June 2016. Revenue generated from the property development segment increased by 119.0% to RMB183.36 billion. The increase was mainly due to the property area of recognized sales, which increased by 83.8% as compared with the corresponding period of 2016 and the average selling price of the properties, which increased by 19.2% as compared with the corresponding period of 2016. Revenue generated from property management amounted to RMB1.30 billion, an increase of 87.7% from the six months ended 30 June 2016, which was mainly attributable to the increase in area for which we provided management services in the Reporting Period. Revenue generated from investment properties amounted to RMB328 million, up by 27.1%, which was mainly due to more area of investment properties that was rented out during the Reporting Period.

Gross Profit

Gross profit of the Group was RMB67.30 billion for the Reporting Period, representing a 171.7% growth as compared with the corresponding period of last year. Increase in gross profit in the Reporting Period was mainly attributable to 83.8% of growth in the delivered property area compared to the delivered area in the corresponding period of 2016. Gross profit margin was 35.8%, up by 7.5 percentage points comparing to the same period of 2016.

Fair Value Gain on Investment Properties

Fair value gain of investment properties of the Group for the Reporting Period was RMB6.00 billion, representing an increase of 82.8% as compared with the corresponding period of 2016. Investment properties of the Group mainly include commercial podiums in living communities, office buildings with gross floor area of about 7.37 million square meters and approximately 410,000 car parking spaces. Increase in the fair value gain was mainly attributable to the increase in additional area of investment properties in the Reporting Period.

Other losses, net

Other net losses were RMB7.02 billion for the Reporting Period. It is mainly attributable to the combined results of the disposal loss of the Vanke A shares, amounting to RMB7.18 billion, and the gain on disposal of associates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Marketing Costs

During the Reporting Period, selling and marketing costs of the Group decreased to RMB7.82 billion from RMB8.03 billion for the corresponding period of 2016, which was mainly attributable to more promotion activities through internet sales channel. We made full use of our in-house developed mobile phone application, named “Hengfangtong” or “恒房通”, to promote property sales. A series of cost-controlling measures were implemented during the Reporting Period to ensure that the Group did not overrun selling and marketing budgets on basis of contracted sales amount.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group increased to RMB5.43 billion from RMB3.66 billion for the corresponding period of 2016, which was mainly attributable to the continuous expansion of the Group’s nation-wide business for the Reporting Period. The level of staff remuneration also increased.

Borrowings

As at 30 June 2017, the borrowings of the Group amounted to RMB673.49 billion, with the following maturities:

	30 June 2017 (RMB billion)	As percentage of total borrowings	31 December 2016 (RMB billion)	As percentage of total borrowings
Less than 1 year	292.3	43.4%	202.9	37.9%
1–2 years	168.6	25.0%	161.3	30.1%
2–5 years	165.1	24.5%	158.7	29.7%
More than 5 years	47.5	7.1%	12.2	2.3%
	673.5	100.0%	535.1	100.0%

A portion of the borrowings were secured by pledge of the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. The average effective interest rate of borrowings was 8.30% per annum for the Reporting Period, compared with 8.46% of the first six months of 2016.

Foreign Exchange Exposure

The Group’s business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. However, there are approximately 19% of borrowings denominated in foreign currencies, such as EUR, US\$ and HK\$.

We estimate that the Renminbi exchange rate will continue its two-way volatility as Renminbi exchange mechanism becomes more market-oriented. We incurred less exchange loss in the Reporting Period. However, there is still uncertainty on the actual exchange losses or gains relating to borrowings in foreign currencies when they are repaid on due dates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group will closely monitor its exchange rate risk exposure and will adjust its debt profile when necessary based on market changes. Since 2016, the Group has been increasing certain of its offshore borrowings in currencies other than US\$ and HK\$ in order to diversify the exchange rate risk. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange rate risk.

Liquidity

As at 30 June 2017, the total amount of cash and cash equivalents and restricted cash of the Group was RMB269.93 billion. The abundant working capital provided opportunities for the Group to seek the best business opportunities and provided adequate financial support to its rapid development.

LAND RESERVES

During the Reporting Period, the Group acquired 152 pieces of land as reserves, covering 90 cities such as Shanghai, Shenzhen, Changsha, Nanjing, Chengdu, Hangzhou, Xi'an, Jinan and Taiyuan. The newly acquired land reserve/planned GFA was approximately 67.636 million square meters (including land expansion projects) and the average acquisition cost was RMB2,039 per square meter.

Distribution of newly acquired land reserves of the Group in the first half of 2017

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
1	Evergrande Bay Palace Shanghai	Shanghai	11.57	47.17	24,539	100.0%
2	Evergrande Fairyland in Taicang	Shanghai	0.97	75.48	1,289	100.0%
3	Evergrande City Lights Shenzhen	Shenzhen	35.00	275.89	12,687	100.0%
4	Evergrande Lake of General Huizhou	Shenzhen	13.57	403.44	3,362	100.0%
5	Evergrande Emerald County Huizhou	Shenzhen	3.50	84.00	4,167	100.0%
6	Evergrande Billow Palace Huizhou	Shenzhen	4.91	126.00	3,900	51.0%
7	Evergrande Linxi Town Huizhou	Shenzhen	14.30	596.03	2,400	100.0%
8	Evergrande Royal Lake County Huizhou	Shenzhen	3.65	127.90	2,850	100.0%
9	Evergrande Royal Creek Valley Qingyuan	Guangzhou	7.37	188.05	3,917	100.0%
10	Evergrande Jade Palace Changsha	Changsha	7.06	166.76	4,232	100.0%
11	Evergrande Shanglin Garden Changsha	Changsha	3.47	99.80	3,482	100.0%
12	Evergrande Palace of Glory Changsha	Changsha	9.15	178.03	5,139	90.0%
13	Evergrande Linxi Town Nanjing	Nanjing	8.05	61.44	13,102	100.0%
14	Evergrande Riverside Mansion Nanjing	Nanjing	10.29	138.51	7,428	51.0%
15	Evergrande Fairyland in Jurong	Nanjing	0.56	255.66	218	100.0%
16	Evergrande Jade Pavilion Chengdu	Chengdu	8.91	147.35	6,049	100.0%
17	Evergrande Linxi Town Chengdu	Chengdu	7.22	529.27	1,364	100.0%
18	Evergrande Yue Long Mansion Hangzhou	Hangzhou	36.20	119.13	30,387	100.0%
19	Evergrande Atrium Gaoling	Xi'an	2.88	480.05	600	100.0%
20	Evergrande Fortune Center Jinan	Jinan	2.53	179.95	1,404	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
21	Evergrande Fairyland Taiyuan	Taiyuan	2.60	326.00	799	100.0%
22	Evergrande Royal Palace Taiyuan	Taiyuan	4.55	111.84	4,071	100.0%
23	Evergrande Grande Palace Nanchang	Nanchang	10.65	144.20	7,386	100.0%
24	Evergrande Light of Times Nanchang	Nanchang	17.93	203.83	8,798	100.0%
25	Evergrande Yue Long Mansion Nanchang	Nanchang	60.03	661.50	9,074	100.0%
26	Evergrande Times Square Harbin	Harbin	42.13	1,168.91	3,604	100.0%
27	Evergrande Aquatic Manor Changchun	Changchun	5.30	255.37	2,076	62.0%
28	Evergrande Central Plaza Shenyang	Shenyang	12.51	1,480.52	845	100.0%
29	Evergrande Yue Long Court Shenyang	Shenyang	3.78	161.93	2,334	100.0%
30	Evergrande Yihe Shengjing Family Shenyang	Shenyang	5.10	526.57	969	70.0%
31	Evergrande Shengjing Jade Garden Shenyang	Shenyang	4.17	260.22	1,601	100.0%
32	Evergrande Oasis Horhot	Horhot	7.10	477.47	1,487	51.0%
33	Evergrande Central Plaza Shijiazhuang	Shijiazhuang	18.60	131.32	14,167	100.0%
34	Evergrande International Center Shijiazhuang	Shijiazhuang	43.76	656.00	6,671	100.0%
35	Evergrande Left Riverfront Guiyang	Guiyang	5.93	469.16	1,263	90.0%
36	Evergrande Royal Palace Guiyang	Guiyang	7.00	270.55	2,587	100.0%
37	Evergrande Left Riverfront Kunming	Kunming	14.68	538.97	2,724	51.0%
38	Evergrande Emerald County Kunming	Kunming	3.84	106.85	3,592	100.0%
39	Evergrande Yue Long Bay Wanning	Haikou	5.77	195.61	2,952	100.0%
40	Evergrande City Lights Urumchi	Urumchi	3.40	207.74	1,637	100.0%
41	Evergrande Smart Eco-city Chongqing	Chongqing	3.23	112.24	2,873	100.0%
42	Evergrande Green Island Chongqing	Chongqing	28.33	482.80	5,868	51.0%
43	Evergrande Golden Block Chongqing	Chongqing	0.61	12.26	4,996	51.0%
44	Evergrande Left Lakefront Chongqing	Chongqing	2.73	195.00	1,400	100.0%
45	Evergrande Phoenix Manor Tianjin	Tianjin	2.60	175.68	1,480	100.0%
46	Evergrande Yue Long Court Qingdao	Qingdao	10.00	361.13	2,769	100.0%
47	Evergrande Royal Dragon Bay Qingdao	Qingdao	18.15	625.64	2,901	100.0%
48	Evergrande Royal Billow International Qingdao	Qingdao	1.49	214.23	695	100.0%
49	Fenghua Xikou Project	Ningbo	4.73	330.45	1,432	100.0%
50	Evergrande Paradise Palace Wuxi	Wuxi	18.60	159.15	11,687	100.0%
51	Evergrande Billow Palace Wuxi	Wuxi	29.50	363.50	8,116	100.0%
52	Evergrande Scenic Palace Foshan	Foshan	20.23	666.80	3,034	100.0%
53	Evergrande Royal Riverfront Palace Foshan	Foshan	1.85	71.81	2,576	100.0%
54	Evergrande Lake County Foshan	Foshan	3.50	459.72	761	51.0%
55	Evergrande Yundonghai Project Foshan	Foshan	28.85	628.94	4,587	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
56	Evergrande Atrium Quanzhou	Quanzhou	1.28	198.91	644	100.0%
57	Evergrande Fairyland Kaifeng	Zhengzhou	10.54	839.39	1,256	100.0%
58	Evergrande Jinbi Bay Shantou	Shantou	4.20	884.72	475	65.0%
59	Evergrande Royal View Garden Yangjiang	Yangjiang	1.60	201.80	793	100.0%
60	Evergrande Royal Lake Zhaoqing	Zhaoqing	9.10	883.16	1,030	100.0%
61	Evergrande Royal Palace Zhongshan	Zhongshan	13.42	265.17	5,060	100.0%
62	Evergrande Royal Scenic Zhongshan	Zhongshan	3.65	237.31	1,540	51.0%
63	Evergrande Atrium Zhongshan	Zhongshan	1.90	85.88	2,212	100.0%
64	Evergrande Atrium Huizhou	Huizhou	1.50	182.96	820	100.0%
65	Evergrande Yue Long Mansion Yangjiang	Yangjiang	5.81	231.63	2,508	100.0%
66	Evergrande Atrium Huizhou	Huizhou	1.61	191.46	839	100.0%
67	Zhuhai Zhuofu Project	Zhuhai	21.00	67.94	30,910	100.0%
68	Evergrande Left Riverfront Heyuan	Heyuan	8.39	300.00	2,797	100.0%
69	Evergrande City Galaxy Project Taizhou	Taizhou	7.27	197.58	3,680	100.0%
70	Evergrande Royal Mansion Shaoxing	Shaoxing	5.52	116.70	4,730	100.0%
71	Evergrande Future City Shaoxing	Shaoxing	16.55	636.67	2,599	100.0%
72	Evergrande Billow Bay Wenzhou	Wenzhou	16.80	148.63	11,304	100.0%
73	Evergrande Yue Long Mansion Shaoxing	Shaoxing	9.70	227.56	4,263	100.0%
74	Evergrande River Royal Palace Shaoxing	Shaoxing	7.29	151.94	4,799	100.0%
75	Evergrande Royal Palace Shaoxing	Shaoxing	5.43	129.66	4,186	100.0%
76	Evergrande Palace of Pleasure Wenzhou	Wenzhou	13.00	146.03	8,902	100.0%
77	Evergrande Ecological County Lianyungang	Lianyungang	2.84	206.00	1,377	100.0%
78	Evergrande Royal Scenic Peninsula Jingjiang	Taizhou	11.60	694.94	1,670	51.0%
79	Evergrande Royal Peak Lianyugang	Lianyungang	1.80	173.93	1,035	100.0%
80	Evergrande Left Riverfront Yizheng	Yangzhou	2.22	177.22	1,252	100.0%
81	Evergrande Yue Long Mansion Yangzhou	Yangzhou	8.44	116.33	7,258	100.0%
82	Evergrande Emerald Court Yangzhou	Yangzhou	11.47	197.64	5,806	100.0%
83	Evergrande Palace Yangzhou	Yangzhou	16.16	186.13	8,683	100.0%
84	Evergrande Royal Palace Zhenjiang	Zhenjiang	0.90	76.61	1,175	100.0%
85	Evergrande Linxi Town Xuzhou	Xuzhou	1.02	322.30	316	100.0%
86	Evergrande Yue Long Bay Nantong	Nantong	3.40	188.38	1,805	100.0%
87	Evergrande Emerald County Yancheng	Yancheng	1.23	110.22	1,117	100.0%
88	Evergrande Billow Bay Yancheng	Yancheng	12.18	229.60	5,306	100.0%
89	Evergrande Royal Lakeside Yangzhou	Yangzhou	2.90	240.80	1,204	90.0%
90	Evergrande Palace Zhenjiang	Zhenjiang	23.39	275.50	8,490	100.0%
91	Evergrande Palace Taizhou	Taizhou	22.42	620.10	3,615	100.0%
92	Evergrande Metropolis Hebi	Hebi	2.25	269.19	835	100.0%
93	Evergrande Yue Long Bay Puyang	Puyang	3.59	251.09	1,429	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
94	Evergrande Palace of Pleasure Xuchang	Xuchang	2.23	215.32	1,036	51.0%
95	Evergrande Royal View Garden Lankao	Kaifeng	1.48	533.26	277	100.0%
96	Evergrande Royal View Garden Taikang	Zhoukou	1.01	143.82	701	100.0%
97	Evergrande Royal Scenic Peninsula Handan	Handan	16.95	761.00	2,227	51.0%
	Evergrande Oasis Handan	Handan	7.50	337.00	2,227	51.0%
99	Evergrande Seine River Handan (Evergrande Dragon Court Handan)	Handan	3.41	153.00	2,227	51.0%
100	Taihongsen Mall Project Handan (P.1)	Handan	2.69	121.00	2,227	51.0%
/	Evergrande Dragon Court Handan (P.2)	Handan	3.59	161.00	2,227	51.0%
/	Evergrande Blooming Garden Handan	Handan	0.73	33.00	2,227	51.0%
/	Evergrande Rainbow Town Handan	Handan	0.96	43.00	2,227	51.0%
101	Evergrande Palace of Pleasure Cangzhou	Cangzhou	12.15	152.16	7,985	100.0%
102	Evergrande Splendid Mansion Handan	Handan	9.13	430.18	2,121	60.0%
103	Evergrande Fairyland Cangzhou	Cangzhou	4.09	2,653.65	154	100.0%
104	Evergrande Literary Xiangtan	Xiangtan	2.29	414.01	552	60.0%
105	Evergrande Royal Scenic Bay Zhuzhou	Zhuzhou	0.52	136.77	384	62.0%
106	Evergrande Royal Scenic Bay Yueyang	Yueyang	1.37	180.39	760	65.0%
107	Evergrande Scenic Bay Huaihua	Huaihua	1.35	237.88	566	60.0%
108	Evergrande Linxin Town Zhuzhou	Zhuzhou	4.69	251.79	1,864	100.0%
109	Evergrande Coronation Changde	Changde	11.93	284.88	4,188	100.0%
110	Evergrande Future City Shaoyang	Shaoyang	9.08	660.65	1,375	64.0%
111	Evergrande Royal View Garden Jingmen	Jingmen	1.43	197.77	723	100.0%
112	Evergrande Royal Scenic Valley Jinzhou	Jingmen	2.83	256.94	1,100	100.0%
113	Evergrande Royal Scenic Xiangyang	Xiangyang	1.46	94.56	1,545	55.0%
114	Evergrande City Shiyan	Shiyan	20.84	1,623.43	1,284	51.0%
115	Evergrande Royal View Garden Huangshi	Huangshi	2.80	157.05	1,783	100.0%
116	Evergrande Royal Palace Xiangyang	Xiangyang	11.19	295.10	3,792	100.0%
117	Evergrande Metropolis Huangshi	Huangshi	1.76	212.88	825	51.0%
118	Evergrande Metropolis Yichang	Yichang	3.37	322.00	1,047	70.0%
119	Evergrande City Nanchong	Nanchong	2.09	173.36	1,207	100.0%
120	Evergrande Yue Long Mansion Nanchong	Nanchong	5.03	292.40	1,719	100.0%
121	Evergrande Yonghe Bay Dazhou	Dazhou	2.72	425.66	639	100.0%
122	Evergrande Duijiang Home Chengdu	Chengdu	0.13	58.12	231	100.0%
123	Evergrande ZhengCheng Family Project Zibo	Zibo	8.83	416.62	2,119	60.0%
124	Laiyang Cross Bay Project	Yantai	28.91	12,329.42	234	90.0%
125	Evergrande Yue Long Mansion Linfen	Linfen	4.04	261.00	1,549	55.0%
126	Evergrande Royal Palace Lvliang	Lvliang	2.15	263.50	816	80.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
127	Evergrande Royal View Garden Hanzhong	Hanzhong	1.43	168.00	853	100.0%
128	Evergrande Royal View Garden Xianyang	Xianyang	4.09	425.31	962	100.0%
129	Evergrande Royal Scenic Baoji	Baoji	1.30	213.50	611	100.0%
130	Evergrande Royal Scenic Peninsula Ankang	Ankang	4.59	383.82	1,196	100.0%
131	Evergrande Royal Palace Pingxiang	Pingxiang	4.02	362.80	1,108	100.0%
132	Evergrande Palace of Pleasure Ganzhou	Ganzhou	2.20	107.73	2,038	100.0%
133	Evergrande Yue Long Mansion Ganzhou	Ganzhou	7.82	298.24	2,623	100.0%
134	Evergrande Royal Scenic Yichun	Yichun	4.13	200.30	2,060	70.0%
135	Evergrande Bay Ganzhou	Ganzhou	11.69	323.46	3,613	100.0%
136	Evergrande Royal Scenic Xuancheng	Xuancheng	5.45	287.02	1,899	100.0%
137	Evergrande Unique One Project Anqing	Anqing	13.38	461.92	2,897	100.0%
138	Evergrande Royal Scenic Bozhou	Bozhou	1.27	219.74	580	70.0%
139	Evergrande Royal Scenic Bay Huaibei	Huaibei	1.70	200.16	849	100.0%
140	Evergrande Yue Long Mansion Huangshan	Huangshan	2.96	230.94	1,283	100.0%
141	Evergrande Royal Palace Wuhu	Wuhu	4.29	451.90	950	100.0%
142	Evergrande Royal View Garden Zhangzhou	Zhangzhou	13.30	87.76	15,154	100.0%
143	Evergrande Scholastic Mansion Qinzhou	Qinzhou	2.20	273.61	804	100.0%
144	Evergrande City Fangchenggang	Fangchenggang	1.62	236.95	685	100.0%
145	Evergrande Oasis Wuzhou	Wuzhou	4.39	531.80	826	100.0%
146	Evergrande Royal Scenic Yulin	Yulin	1.90	166.67	1,140	100.0%
147	Evergrande Palace One Siping	Siping	2.83	308.92	917	100.0%
148	Evergrande Left Riverside Jilin	Jilin	3.64	174.29	2,086	100.0%
149	Evergrande Riverside Panjin	Panjin	6.28	885.36	709	100.0%
150	Evergrande Royal Lakeside Manor Daqing	Daqing	4.90	296.70	1,652	100.0%
151	Evergrande Oasis Qujing	Qujing	2.36	664.13	355	100.0%
152	Evergrande City Tongliao	Tongliao	2.64	252.39	1,045	51.0%
Sub-total for new projects			1,250.88	61,651.85	2,029	

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No.	Name of Project	City (Categorized by target customer group)	Land reserve original value (RMB 100 million)	Land reserve area ('000 m ²)	Average land cost (RMB/m ²)	Actual shareholding
Land Expansion Projects:						
1	Evergrande Bay Jiujiang	Jiujiang	2.88	184.69	1,559	100.0%
2	Evergrande Verakin New Park City Chongqing	Chongqing	1.41	89.43	1,578	100.0%
3	Evergrande Linxi Town Shijiazhuang	Shijiazhuang	0.39	33.32	1,162	63.0%
4	Fumeng Project Xiaoguiwan Huizhou	Shenzhen	30.23	225.00	13,436	100.0%
5	Evergrande Linxi Town and Wave Court Changsha	Changsha	4.20	286.99	1,465	90.0%
6	Evergrande Royal Garden Harbin P.3	Harbin	12.01	138.30	8,684	100.0%
7	Evergrande City Zhengzhou P.3	Zhengzhou	12.14	600.53	2,021	51.0%
8	Evergrande Royal Scenic Peninsula Laishui P.2	Beijing	0.18	20.30	863	65.0%
9	Evergrande Emerald Court of Dragon Xinyang	Xinyang	1.44	154.90	930	58.0%
10	Evergrande Oasis Wuzhou	Wuzhou	3.73	395.75	942	100.0%
11	Evergrande City Guigang	Guigang	3.31	45.95	7,214	55.0%
12	Evergrande Royal Scenic Peninsula Yinchuan	Yinchuan	3.72	239.92	1,550	80.0%
13	Evergrande Forest Creek County Changsha	Changsha	4.91	186.27	2,634	73.0%
14	Evergrande Emerald Court Jinan P.2	Jinan	6.42	234.22	2,743	100.0%
15	Evergrande Century Plaza Jinan P.2	Jinan	2.16	84.00	2,571	100.0%
16	Evergrande Palace Jinan P.2	Jinan	3.69	141.57	2,607	100.0%
17	Evergrande Fairyland Changsha	Changsha	4.53	312.29	1,450	100.0%
18	Evergrande Fairyland Guiyang	Guiyang	30.86	2,610.81	1,182	100.0%
Sub-total for land expansion projects			128.21	5,984.23	2,142	
Total for newly acquired land reserves			1,379.08	67,636.08	2,039	

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTRACTED SALES

During the Reporting Period, the Group achieved contracted sales amount of RMB244.09 billion. The area of the contracted sales was 24.751 million square meters, while the average price of the contracted sales amounted to RMB9,862 per square meter. During the first half of the year, the Group launched 74 new projects for sale. As at 30 June 2017, the accumulated number of projects for sale was 546, spanning across 30 provinces, direct-controlled municipalities, autonomous regions and 209 cities in China.

Regional Distribution of Contracted Sales for the Period

No.	Province	Contracted Sales Amount (in RMB million)	Percentage
1	Guangdong Province	26,622	10.91%
2	Henan Province	21,923	8.98%
3	Hainan Province	17,233	7.06%
4	Shandong Province	15,136	6.20%
5	Jiangsu Province	15,088	6.18%
6	Hubei Province	11,731	4.81%
7	Guangxi Zhuang Autonomous Region	11,265	4.62%
8	Hebei Province	10,817	4.43%
9	Sichuan Province	10,793	4.42%
10	Chongqing	10,188	4.17%
11	Jiangxi Province	9,868	4.04%
12	Anhui Province	9,409	3.85%
13	Hunan Province	9,009	3.69%
14	Guizhou Province	7,480	3.06%
15	Fujian Province	6,153	2.52%
16	Beijing	6,132	2.51%
17	Zhejiang Province	5,826	2.39%
18	Shanghai	5,460	2.24%
19	Shaanxi Province	5,074	2.08%
20	Shanxi Province	4,946	2.03%
21	Liaoning Province	4,691	1.92%
22	Gansu Province	4,242	1.74%
23	Tianjin	3,772	1.55%
24	Yunnan Province	3,367	1.38%
25	Heilongjiang Province	2,923	1.20%
26	Inner Mongolia Autonomous Region	2,325	0.95%
27	Jilin Province	1,824	0.75%
28	Ningxia Hui Autonomous Region	413	0.17%
29	Xinjiang Uyghur Autonomous Region	234	0.10%
30	Qinghai Province	146	0.06%
Total		244,093	100.00%

As of the end of July 2017, the Group has achieved contracted sales amount of RMB288.25 billion year-to-date, while the contracted sales area was 29.147 million square meters.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROPERTY DEVELOPMENT

As of the end of the period, the Group's area under construction was 93.634 million square meters, involving 547 projects under construction.

During the period, the Group had 305 partly completed projects. The total completed GFA reached 28.038 million square meters.

The following table sets forth the completed areas of each province.

No.	Province	Area (in thousands square meters)	Percentage
1	Henan Province	3,015	10.8%
2	Shandong Province	2,457	8.8%
3	Guangdong Province	2,197	7.8%
4	Hebei Province	1,759	6.3%
5	Hunan Province	1,454	5.2%
6	Anhui Province	1,405	5.0%
7	Guangxi Zhuang Autonomous Region	1,233	4.4%
8	Heilongjiang Province	1,238	4.4%
9	Guizhou Province	1,175	4.2%
10	Hainan Province	1,177	4.2%
11	Zhejiang Province	999	3.6%
12	Sichuan Province	977	3.5%
13	Jiangsu Province	924	3.3%
14	Shanxi Province	902	3.2%
15	Jiangxi Province	879	3.1%
16	Fujian Province	848	3.0%
17	Hubei Province	754	2.7%
18	Liaoning Province	701	2.5%
19	Gansu Province	681	2.4%
20	Chongqing Province	687	2.4%
21	Shaanxi Province	592	2.1%
22	Tianjin	510	1.8%
23	Jilin Province	391	1.4%
24	Yunnan Province	342	1.2%
25	Inner Mongolia Autonomous Region	189	0.7%
26	Shanghai	183	0.7%
27	Xinjiang Uyghur Autonomous Region	152	0.5%
28	Beijing	121	0.4%
29	Ningxia Hui Autonomous Region	94	0.3%
Total		28,038	100.0%

During the period, the Group delivered properties in 437 projects with a delivery value of RMB183.36 billion, representing a year-on-year increase of 119.0%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY

The Group, while maintaining focus on its steady and rapid growth, continued to commit itself to charity and public welfare work relating to people's livelihood, poverty, education, environmental protection, sports and others and fulfilled corporate social responsibility and made contributions to the harmony and progression of society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people and provided high quality and affordable homes to the general public. In addition to keeping in place the measure of "return with no reason required" to protect home-buyers' interests, the Group, as a developer delivering all types of fully fitted properties, had established strategic alliance with 861 renowned domestic and overseas supplier companies, and held the 2017 strategic cooperation – management summit in March this year to foster the strategic cooperation between leading upstream and downstream companies, integrate strong industry chains and support the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its poverty alleviation plan for 貴州省畢節市大方縣 (Dafang County, Bijie, Guizhou) since December 2015 under the support and encouragement of the CPPCC National Committee. The plan was to ensure all of the 180,000 people in poverty in Dafang are lifted out of poverty by the end of 2018 with the support of a charitable donation of RMB3.0 billion in three years. The poverty alleviation measures focus on specific industries, relocation and employment plans and have covered 80% of the poverty population. All the 103 featured poverty alleviation projects were completed, helping 80,500 people out of poverty at the first stage. Apart from Dafang, the Group further committed to the poverty alleviation work for six counties and three areas in Bijie in May this year, sending an extra team of over 1,800 members to the region.

Regarding education, the Group continued to develop its education work through donations of RMB8 million to 杭州西湖區教育基金會 (the Hangzhou Xihu Education Foundation) in January 2017, RMB3 million to 深圳市教育發展基金會 (the Shenzhen Education Fund) in February, RMB20 million to 武漢科技大學教育發展基金會 (the Wuhan University of Science and Technology Education & Development Foundation) in June and RMB10 million to Tsinghua University. The Group continue to cooperate with top universities and institutions around the world to encourage the research, application and promotion of green building and construction.

In respect of employment, the Group joined placement programs of universities and communities and offered promising positions and chances of career development to professionals.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As for sports, the Group carried on to make contributions to China's sports development. Guangzhou Evergrande Football Club of the Group is leading the Chinese Super League in season 2017. It has entered the semi-final of the CFA Cup. Evergrande Football School had approximately 3,000 students. It is of the largest scale and has the best facilities in the world, and is nurturing talents for the strategic goal of "all Chinese football players in 2020" and contribute to the rise of Chinese football.

AWARDS

During the Reporting Period, the Group won multiple awards. It ranked 338th in the Fortune Global 500 and 29th in the China Top 500. The Group ranked first in industry competitiveness in the Top 500 China Real Estate Developers and was awarded first place in Top 100 China Real Estate Developers. It also ranks first in Top 10 Comprehensive Developers, Top 10 Tourism Real Estate Enterprises, Top 10 Responsible Real Estate Enterprises, Top 10 City Coverage Enterprises and Top 10 Innovation Capability Enterprises.

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 102,454 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. During the first half of the year, the Group recruited 3,622 fresh graduates through open recruitment, including 358 fresh graduates from top 10 colleges and universities such as Beijing University and Tsinghua University.

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 has helped the Group create a harmonious working environment and positive interaction between the Group and its staff. As at 30 June 2017, the total staff cost of the Group (including directors' remuneration) was approximately RMB7.41 billion (for the same period in 2016: approximately RMB6.08 billion).

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

On 14 October 2009, the Company adopted a share option scheme (“**Share Option Scheme**”) whereby the Board can grant options for the subscription of the shares of the Company to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the “**Participants**”) as described in the Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

On 14 April 2010, the maximum number of shares that can be issued under the Share Option Scheme was 1,500,000,000 Shares, representing 10% of the issued share capital of the Company. The number of Shares in respect of these options that may be granted according to the Share Option Scheme shall not exceed 10% of the issued Shares of the Company immediately after the completion of the Global Offering (as defined in the prospectus published by the Company on 22 October 2009) of the Company. Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted (the “**Option Period**”).

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted.

The Share Option Scheme has taken effect and will remain effective within a period of 10 years from the date of adoption. Other details of the Share Option Scheme are set out in appendix VIII — Statutory and General Information of the prospectus published by the Company on 22 October 2009.

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company at an exercise price of HK\$2.40 per share, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted an aggregate of 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares in the Company at an exercise price of HK\$3.05 per share, representing approximately 3.63% of the number of Shares in issue as at the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The details of movement in the options granted under the Share Option Scheme for the six months ended 30 June 2017 were as follows:

Name of grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				Outstanding as at 30 June 2017
				Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	
Xia Haijun	9 October 2014	3.05	Note 3	100,000,000	N/A	N/A	N/A	100,000,000
He Miaoling	18 May 2010	2.40	Note 1	2,335,000	N/A	2,335,000	N/A	0
	9 October 2014	3.05	Note 3	10,000,000	N/A	N/A	N/A	10,000,000
Xu Wen (Resigned with effect from 25 April 2017)	9 October 2014	3.05	Note 3	8,000,000	N/A	2,000,000	N/A	6,000,000
Huang Xiangui	9 October 2014	3.05	Note 3	5,000,000	N/A	N/A	N/A	5,000,000
Shi Junping (Appointed with effect from 25 April 2017)	9 October 2014	3.05	Note 3	6,000,000	N/A	2,400,000	N/A	3,600,000
Chau Shing Yim, David	9 October 2014	3.05	Note 3	1,000,000	N/A	N/A	N/A	1,000,000
He Qi	9 October 2014	3.05	Note 3	1,000,000	N/A	N/A	N/A	1,000,000
Xie Hongxi	9 October 2014	3.05	Note 3	1,000,000	N/A	N/A	N/A	1,000,000
Other employees of the Group (in aggregate)	18 May 2010	2.40	Note 1	47,755,000	N/A	34,669,000	2,200,000	10,886,000
	9 October 2014	3.05	Note 3	302,560,000	N/A	80,330,000	25,000,000	197,230,000
Total				484,650,000		121,734,000	27,200,000	335,716,000

Notes:

- The options granted on 18 May 2010 will be exercisable in 5 tranches in the following manners:
 - the first tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2010 to 31 December 2015;
 - the second tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2011 to 31 December 2016;
 - the third tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2012 to 31 December 2017;
 - the fourth tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2013 to 31 December 2018; and
 - the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 31 December 2014 to 13 October 2019.
- The closing price of the Shares on the date of grant of the options on 18 May 2010 was HK\$2.27 per share.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

3. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
- (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
 - (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
 - (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
 - (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023;
 - (v) the fifth tranche comprising the unexercised Options will be exercisable from 9 October 2019 until the expiry date of the Option Period, i.e. 8 October 2024.
4. The closing price of the Shares on the date of grant of the options on 9 October 2014 was HK\$3.05 per share.
5. The last date of grant of the new options under the Share Option Scheme is 13 October 2019, the options granted before that date shall remain exercisable in accordance with the terms of the grant.
6. Valuation of the options granted

The valuation of options granted was based on the Binomial Model with the following assumptions:

Date of grant	9 October 2014
Closing share price on the date of grant	HK\$3.05
Exercise price per share	HK\$3.05
Annual risk free rate	0.34% p.a. for 2-year option 0.75% p.a. for 3-year option 1.22% p.a. for 4-year option 1.27% p.a. for 5-year option 1.81% p.a. for 10-year option
Expected volatility	39% p.a. for the 2-year options and 49% for the 3-year, 4-year, 5-year and 10-year options
Term of the option	2–10 years
Expected dividend yield	5.70% p.a.

The fair value of each option:

Vesting period	Directors	Other employees
1 year after grant date	HK\$0.4848	HK\$0.4965
2 years after grant date	HK\$0.7429	HK\$0.7559
3 years after grant date	HK\$0.8076	HK\$0.8191
4 years after grant date	HK\$0.8447	HK\$0.8548
5 years after grant date	HK\$1.0325	HK\$0.9959

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

DEBENTURE

For the six months ended 30 June 2017, neither the Company nor its holding company or its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

INTEREST AND SHORT POSITIONS OF DIRECTORS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2017, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interest in the Shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Hui Ka Yan (Note 1)	Interest of controlled corporation	10,162,119,735 (L)	77.61%

Notes:

(1) Of the 10,162,119,735 Shares held, 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company wholly owned by Professor Hui Ka Yan's spouse, Ms. Ding Yumei. The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Professor Hui pursuant to the SFO.

(2) (L): Long position

(ii) Interest in the underlying shares of the Company

Name of Director	Outstanding share option as at 30 June 2017	Date of grant	Exercise price HK\$
Xia Haijun	100,000,000	9 October 2014 (Note 1)	3.05
He Miaoling	10,000,000	9 October 2014 (Note 1)	3.05
Xu Wen (Resigned with effect from 25 April 2017)	6,000,000	9 October 2014 (Note 1)	3.05
Huang Xiangui	5,000,000	9 October 2014 (Note 1)	3.05
Shi Junping	3,600,000	9 October 2014 (Note 1)	3.05
Chau Shing Yim, David	1,000,000	9 October 2014 (Note 1)	3.05
He Qi	1,000,000	9 October 2014 (Note 1)	3.05
Xie Hongxi	1,000,000	9 October 2014 (Note 1)	3.05

Notes:

1. The exercise period is from 9 October 2015 to 8 October 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(iii) Interest in associated corporation of the Company

Name of Director	Nature of associated corporation	Number of shares	Approximate percentage of shareholding
Hui Ka Yan	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited (Note)	1 share	100%

Note: Even Honour Holdings Limited is a company wholly owned by Ms. Ding Yumei, the spouse of Professor Hui Ka Yan, and is deemed to be an associated corporation of the Company pursuant to the SFO.

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture held	Amount of debenture in the same class in issue
Xia Hajjun	US\$	50,000,000	2,300,000,000

Save as disclosed above, as at 30 June 2017, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 30 June 2017, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest	Interest in Shares	Approximate percentage of shareholding
Ding Yumei	Interest of controlled corporation	10,162,119,735 (L) (Note 1)	77.61%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497 (L) (Note 2)	71.57%
Yaohua Limited	Interest of controlled corporation	791,248,238 (L) (Note 3)	6.04%
Even Honour Holdings Limited	Beneficial owner	791,248,238 (L) (Note 3)	6.04%

(L): Long position

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

1. Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Ms. Ding Yumei, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan, the spouse of Ms. Ding Yumei. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Ms. Ding pursuant to the SFO.
2. Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.
3. Even Honour Holdings Limited is wholly owned by Yaohua Limited, which is wholly owned by Ms. Ding Yumei.

MATERIAL ACQUISITIONS AND DISPOSALS

- (1) On 12 May 2017, Hengda Real Estate Group Company Limited (恒大地產集團有限公司) ("**Hengda Real Estate**"), a subsidiary of the Company, and its related subsidiaries and project companies entered into 10 project agreements with CIF (Shenzhen) Equity Investment Fund Management Co., Ltd. (信銀(深圳)股權投資基金管理有限公司) (the "**Fund**"), a professional fund management company established in the PRC, pursuant to which the Fund agreed to invest in aggregate RMB10.85 billion in the relevant projects being co-developed by the respective project companies and the Group.
- (2) On 31 May 2017, Guangzhou Kailong Real Estate Company Limited and Hengda Real Estate, both being subsidiaries of the Company, entered into the second round investment agreements with the second round investors pursuant to which the second round investors agreed to subscribe for new capital in the amount of RMB39.5 billion in Hengda Real Estate, which together with the first round investment agreements entered into with the first round investors on 30 December 2016, the first round investors and the second round investors have subscribed for new capital in Hengda Real Estate in an aggregated amount of RMB70 billion, in return of an aggregate of approximately 26.12% of the enlarged equity interest of Hengda Real Estate.
- (3) On 9 June 2017, Hengda Real Estate and its subsidiaries entered into an agreement with Shenzhen Metro Group Co., Ltd. pursuant to which the Group sold its 1,553,210,974 A Shares of China Vanke Co., Ltd. ("**China Vanke**"), representing approximately 14.07% of the total issued share capital of China Vanke for RMB29,200,266,311.20.

Save as disclosed above, the Group did not have any material acquisition or disposal for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

During the six months ended 30 June 2017, the Company repurchased an aggregate of 722,972,000 shares from the market. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate purchase price HK\$
March 2017	33,692,000	6.80	6.21	221,855,930
April 2017	689,280,000	9.31	8.00	6,066,505,690
	722,972,000			6,288,361,620

On 17 March 2017, the Company announced the issuance of 7% US\$500 million notes due 2020 and 8.25% US\$1 billion notes due 2022. On 24 March 2017, the Company announced the issuance of 9.5% US\$1 billion notes due 2024.

On 8 June 2017, the Company announced, among others, an exchange offer for three series of senior notes maturing on 2018 (8.75%), 2019 (7.8% and 8.0%) and 2020 (12.0%) (the "Old Notes") by the issuance of three series of new notes maturing on 2021, 2023 and 2025. A total amount of US\$2.82 billion new notes were eventually issued pursuant to the exchange offer. By August 2017, the Company completed the redemption of the remaining outstanding Old Notes.

On 22 June 2017, the Company announced the issuance of 6.25% US\$500 million notes due 2021, 7.5% US\$1 billion due 2023, and 8.75% US\$2.3 billion notes due 2025.

All of the new notes issued as described above are listed and traded on the Singapore Stock Exchange.

Save as disclosed above, 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 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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.

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017 save for the following deviations:

In respect of code provision E.1.2, the chairman of the Board, Professor Hui Ka Yan, has not attended the annual general meeting of the Company held on 15 June 2017 due to his other business commitment, Mr. Pan Darong, an executive Director, was appointed chairman for the meeting.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2017 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 2017, and discussed with the Company’s management regarding review, internal control and other relevant matters.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2017 (Unaudited) RMB million	31 December 2016 (Audited) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	7	24,234	20,833
Land use rights	7	5,530	5,401
Investment properties	7	143,440	132,045
Trade and other receivables	10	6,210	9,342
Prepayments	11	2,179	2,754
Intangible assets	7	239	241
Investments accounted for using the equity method	12	26,647	24,374
Available-for-sale financial assets	13	3,754	36,805
Deferred income tax assets		2,903	4,036
Goodwill	7	1,402	1,402
		216,538	237,233
Current assets			
Available-for-sale financial assets	13	3,520	—
Inventories		131	230
Properties under development	8	699,063	577,851
Completed properties held for sale	9	98,362	80,776
Trade and other receivables	10	101,587	76,434
Prepayments	11	91,856	62,747
Income tax recoverable		8,673	7,665
Financial assets at fair value through profit or loss	14	3,311	3,603
Restricted cash	15	105,530	105,909
Cash and cash equivalents	16	164,404	198,420
		1,276,437	1,113,635
Total assets		1,492,975	1,350,868
EQUITY			
Equity attributable to shareholders of the Company			
Share capital and premium	17	1,028	1,006
Other reserves	18	49,164	4,739
Retained earnings		50,867	38,495
		101,059	44,240
Non-controlling interests		67,112	148,292
Total equity		168,171	192,532

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	30 June 2017 (Unaudited) RMB million	31 December 2016 (Audited) RMB million
LIABILITIES			
Non-current liabilities			
Borrowings	19	381,192	332,164
Financial derivative liabilities	31	1,080	—
Other payables	20	12,014	54,354
Deferred income tax liabilities		44,812	38,424
		439,098	424,942
Current liabilities			
Borrowings	19	292,302	202,906
Trade and other payables	20	345,907	299,905
Receipt in advance from customers		198,163	194,961
Current income tax liabilities		49,334	35,622
		885,706	733,394
Total liabilities		1,324,804	1,158,336
Total equity and liabilities		1,492,975	1,350,868

The notes on pages 37 to 76 form an integral part of these interim consolidated financial information.

Director

Director

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2017 (Unaudited) RMB million	2016 (Unaudited) RMB million
Revenue	6	187,981	87,498
Cost of sales	23	(120,677)	(62,728)
Gross profit		67,304	24,770
Fair value gains on investment properties	7	6,001	3,283
Fair value losses on financial assets at fair value through profit or loss	14	(266)	(425)
Other income	21	2,520	1,875
Other losses, net	22	(7,023)	—
Selling and marketing costs	23	(7,824)	(8,029)
Administrative expenses	23	(5,430)	(3,664)
Other operating expenses	23	(2,051)	(1,620)
Operating profit		53,231	16,190
Finance costs, net	24	(5,151)	(1,782)
Share of profits/(losses) of investments accounted for using the equity method	12	263	(71)
Profit before income tax		48,343	14,337
Income tax expenses	25	(25,216)	(7,210)
Profit for the period		23,127	7,127
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets, net of tax		2,435	468
Share of other comprehensive income of investments accounted for using the equity method		2,017	(197)
Currency translation differences		(241)	175
Other comprehensive income for the period, net of tax		4,211	446
Total comprehensive income for the period		27,338	7,573

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 June	
		2017 (Unaudited) RMB million	2016 (Unaudited) RMB million
Profit attributable to:			
Shareholders of the Company		18,834	2,017
Non-controlling interests		4,293	5,110
		23,127	7,127
Total comprehensive income attributable to:			
Shareholders of the Company		22,028	2,463
Non-controlling interests		5,310	5,110
		27,338	7,573
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	26	1.400	0.147
— Diluted earnings per share	26	1.374	0.145
Dividends	27	—	—

The notes on pages 37 to 76 form an integral part of these interim consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			Total equity RMB million
	Share capital	Share premium	Reserves	Retained earnings	Sub-total	Perpetual capital instruments	Others	Sub-total	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Unaudited:									
Balance as at 1 January 2017	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532
Comprehensive income									
Profit for the period	—	—	—	18,834	18,834	723	3,570	4,293	23,127
Other comprehensive income									
Change in fair value of available-for-sale financial assets, net of tax	—	—	1,379	—	1,379	—	1,056	1,056	2,435
Share of other comprehensive income of investments accounted for using the equity method	—	—	2,017	—	2,017	—	—	—	2,017
Currency translation differences	—	—	(202)	—	(202)	—	(39)	(39)	(241)
Total comprehensive income	—	—	3,194	18,834	22,028	723	4,587	5,310	27,338
Transactions with owners:									
Transfer to statutory reserves	—	—	1,208	(1,208)	—	—	—	—	—
Issuance of ordinary shares pursuant to share option scheme	9	386	(87)	—	308	—	—	—	308
Issuance of ordinary shares pursuant to the Bonus Warrants	—	—	1	—	1	—	1	1	2
Employee share option schemes	—	—	28	—	28	—	—	—	28
Repurchase of ordinary shares (note 17))	(50)	(323)	50	(5,254)	(5,577)	—	—	—	(5,577)
Dividends	—	—	—	—	—	—	(136)	(136)	(136)
Decrease of perpetual capital instruments (note 31(a))	—	—	—	—	—	(113,667)	—	(113,667)	(113,667)
Changes in ownership interest in subsidiaries without change of control (note 31(b)(i))	—	—	40,031	—	40,031	—	26,529	26,529	66,560
Acquisition of subsidiaries (note 31(b)(ii))	—	—	—	—	—	—	202	202	202
Non-controlling interests arising on business combination (note 32)	—	—	—	—	—	—	591	591	591
Disposal of subsidiaries	—	—	—	—	—	—	(10)	(10)	(10)
Total transactions with owners	(41)	63	41,231	(6,462)	34,791	(113,667)	27,177	(86,490)	(51,699)
Balance as at 30 June 2017	923	105	49,164	50,867	101,059	—	67,112	67,112	168,171

CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (CONTINUED)

	Attributable to shareholders of the Company					Non-controlling interests			Total equity RMB million								
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Others RMB million	Total RMB million									
Unaudited:																	
Balance as at 1 January 2016	971	—	7,637	42,398	51,006	75,737	15,399	91,136	142,142								
Comprehensive income																	
Profit for the period	—	—	—	2,017	2,017	4,220	890	5,110	7,127								
Other comprehensive income																	
Change in fair value of available-for-sale financial assets	—	—	468	—	468	—	—	—	468								
Share of other comprehensive income of investments accounted for using the equity method	—	—	(197)	—	(197)	—	—	—	(197)								
Currency translation differences	—	—	175	—	175	—	—	—	175								
Total comprehensive income	—	—	446	2,017	2,463	4,220	890	5,110	7,573								
Transactions with owners:																	
Transfer to statutory reserves	—	—	3,073	(3,073)	—	—	—	—	—								
Issuance of ordinary shares pursuant to share option scheme	1	31	(7)	—	25	—	—	—	25								
Employee share option schemes	—	—	46	—	46	—	—	—	46								
Repurchase of ordinary shares	(9)	(31)	9	(659)	(690)	—	—	—	(690)								
Dividends	—	—	—	(5,199)	(5,199)	—	(42)	(42)	(5,241)								
Issuance of perpetual capital instruments	—	—	—	—	—	49,285	—	49,285	49,285								
Redemption of perpetual capital instruments	—	—	—	—	—	(10,924)	—	(10,924)	(10,924)								
Distribution to holders of perpetual capital instruments	—	—	—	—	—	(2,316)	—	(2,316)	(2,316)								
Changes in ownership interest in subsidiaries without change of control	—	—	(503)	—	(503)	—	(1,606)	(1,606)	(2,109)								
Capital injection from non-controlling interests	—	—	—	—	—	—	851	851	851								
Acquisition of subsidiaries	—	—	—	—	—	—	125	125	125								
Non-controlling interests arising on business combination	—	—	—	—	—	—	3,378	3,378	3,378								
Disposal of subsidiaries	—	—	—	—	—	—	(97)	(97)	(97)								
Total transactions with owners	(8)	—	2,618	(8,931)	(6,321)	36,045	2,609	38,654	32,333								
Balance as at 30 June 2016	963	—	10,701	35,484	47,148	116,002	18,898	134,900	182,048								

The notes on pages 37 to 76 form an integral part of these interim consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS

	Six months ended 30 June	
	2017 (Unaudited) RMB million	2016 (Unaudited) RMB million
Cash flows of operating activities		
Net cash (used in)/generate from operations	(42,009)	4,947
Tax paid	(12,002)	(5,776)
Interest paid	(25,849)	(11,585)
Net cash used in operating activities	(79,860)	(12,414)
Cash flows of investing activities		
Acquisition of subsidiaries, net of cash acquired	(21,626)	(25,992)
Purchases of property, plant and equipment, investment properties, land use rights and intangible assets	(9,594)	(14,087)
Proceeds from disposal of property, plant and equipment and investment properties	830	1,187
Investments in associates	(223)	(46)
Proceeds from disposal of an associate	—	23
Investments in joint ventures	—	(8,348)
Purchase of available-for-sale financial assets	(2,002)	(7,064)
Proceeds from disposal of available-for-sale financial assets	29,184	1,439
Dividend received	14	—
Purchase of financial assets at fair value through profit or loss	—	(4,677)
Proceeds from disposal of financial assets at fair value through profit or loss	26	—
Cash advances to joint ventures	(1,251)	—
Repayments from joint ventures	1,112	1,039
Cash advances to associates	(2)	(411)
Repayments from associates	386	—
Cash advances to cooperation parties	(3,683)	(883)
Prepayments for acquisition of subsidiaries	—	(5,512)
Prepayments for acquisition of equity investment	—	(7,147)
Interest received	1,395	1,133
Net cash used in investing activities	(5,434)	(69,346)

CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2017 (Unaudited) RMB million	2016 (Unaudited) RMB million
Cash flows from financing activities		
Proceeds from bank and other borrowings	212,784	184,288
Proceeds from perpetual capital instruments	—	49,285
Repayments of bank and other borrowings and perpetual capital instruments	(235,917)	(124,189)
Proceeds from senior notes	43,019	—
Proceeds from unit holders of consolidated investment entities	—	3,333
Repayment to unit holders of consolidated investment entities	(200)	—
Repurchase of ordinary shares	(5,577)	(690)
Issuance of ordinary shares pursuant to share option scheme	308	25
Issuance of ordinary shares pursuant to the Bonus Warrants	2	—
Dividend paid to non-controlling interests	(136)	(42)
Acquisition of equity interest in subsidiaries from non-controlling interests	(13,982)	(2,109)
Capital injection from non-controlling interests	57,805	851
Cash advances from joint ventures	353	274
Cash advances from associates	—	37
Repayments to associates	(371)	—
Forward contracts entered into for short-term financing working capital purpose	—	4,500
Cash advances from cooperation parties	3,055	6,373
Repayment to cooperation parties	(3,427)	(1,868)
Restricted cash pledged for bank borrowings	(6,256)	(23,288)
Net cash generated from financing activities	51,460	96,780
Net (decrease)/increase in cash and cash equivalents	(33,834)	15,020
Cash and cash equivalents at beginning of period	198,420	103,090
Exchange gain on cash and cash equivalents	(182)	138
Cash and cash equivalents at end of period	164,404	118,248

The notes on pages 37 to 76 form an integral part of these interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

China Evergrande Group (the “Company”, previously known as Evergrande Real Estate Group Limited), 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. The Company is engaged in investment holding, the Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business 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, the Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

The interim consolidated financial information is presented in millions of Renminbi Yuan (“RMB”), unless otherwise stated. The interim consolidated financial information has been approved for issue by the Board of Directors of the Company on 28 August 2017.

This interim consolidated financial information has not been audited.

2. Basis of Preparation

This interim consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016, as described in those annual financial statements.

- (i) New standards and amendments to standards adopted by the Group as at 1 January 2017

The following amendments to standards are mandatory for the Group’s financial year beginning 1 January 2017. The adoption of amendments to standards does not have any significant impact to the results and financial position of the Group.

HKAS 12 (Amendments)	Income tax
HKAS 7 (Amendments)	Statement of cash flows
HKFRS 12 (Amendments)	Disclosure of interest in other entities

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. Accounting Policies (Continued)

- (ii) New standards and amendments to standards that have been issued but are not effective

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ³

1 Effective for periods beginning on or after 1 January 2018.

2 Effective for periods beginning on or after 1 January 2019.

3 Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group is not able to estimate the impact of HKFRS 15 on the Group's financial statements and does not intend to adopt the standard before its effective date. The Group will make more detailed assessments of the impact over the next few months.

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. Accounting Policies (Continued)

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

4. Estimates

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

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. Financial Risk Management

(a) Financial risk factors

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

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 30 June 2017, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	30 June 2017 RMB million	31 December 2016 RMB million
Monetary assets		
– HK\$	3,085	1,150
– US\$	23,335	9,431
– Others	428	1
	26,848	10,582
Monetary liabilities		
– HK\$	5,339	13,878
– US\$	86,013	74,452
– EUR\$	34,360	6,104
	125,712	94,434

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

The following table shows the sensitivity analysis of a 2% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the period-end for a 2% change in foreign currency rates. If there is a 2% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	30 June 2017	31 December 2016
	RMB million	RMB million
2% appreciation in RMB against HK\$	34	191
2% depreciation in RMB against HK\$	(34)	(191)
2% appreciation in RMB against US\$	940	975
2% depreciation in RMB against US\$	(940)	(975)
2% appreciation in RMB against EUR\$	515	92
2% depreciation in RMB against EUR\$	(515)	(92)

The interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2016.

(b) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group raised significant amounts of borrowings to cope with the rapid expansion of the Group's businesses. As at 30 June 2017, the Group's total borrowings stood at RMB673,494 million and its gearing ratio reached 45.11% (total borrowings divide total assets). During the six months ended 30 June 2017 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

- On 23 March 2017, the Group has issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million at the face value and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million at the face value (note 19(a)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

- On 29 March 2017, the Group has issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (note 19(a)).
- On 28 June 2017, the Group has issued 6.25%, four-year senior notes with an aggregated principal amount of US\$500 million at the face value, 7.5%, six-year senior notes with an aggregated principal amount of US\$1,000 million at the face value and 8.75%, eight-year senior notes with an aggregated principal amount of US\$2,300 million at the face value (note 19(a)).
- During the period, the Group has obtained capital contribution from non-controlling interest totaling RMB70,000 million, of which cash of RMB13,000 million has been received in 2016 and cash of RMB57,000 million was received in the period.

Except for the aforementioned recent developments, the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 30 June 2017 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

(c) Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

5. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial asset that are measured at fair value:

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 30 June 2017				
Assets				
Available-for-sale financial assets	1,814	2,435	3,025	7,274
Financial assets at fair value through profit or loss	3,311	—	—	3,311
Total assets	5,125	2,435	3,025	10,585
Liabilities				
Financial derivative liabilities	—	—	1,080	1,080
At 31 December 2016				
Assets				
Available-for-sale financial assets	34,823	938	1,044	36,805
Financial assets at fair value through profit or loss	3,603	—	—	3,603
Total assets	38,426	938	1,044	40,408

There was no transfer among different categories during the six months ended 30 June 2017. During the six months ended 30 June 2016, available-for-sale financial assets amounting to RMB879 million has been transferred from Level 3 into Level 1 of the fair value hierarchy due to the observable quoted price of the equity instruments are available.

Fair value of financial assets and liabilities measured at amortised cost:

The fair value of public traded senior notes and PRC Bonds which is within level 1 of the fair value hierarchy, are as follows:

	30 June 2017	31 December 2016
Senior notes — public traded	65,668	18,786
PRC bonds — public traded	20,303	21,157
	85,971	39,943

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Current borrowings and non-current borrowings except public senior notes and public PRC bonds
- Trade and other payables

6. 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. Other businesses mainly include property construction, hotel operations, finance business, internet business and health industry business. As the CODM of the Group considers 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. Fair value loss on financial assets at fair value through profit or loss, dividend income of available-for-sale financial assets, gain or loss on disposal of available-for-sale financial assets and finance cost and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

6. Segment Information (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	183,364	407	1,761	12,036	197,568
Inter-segment revenue	—	(79)	(460)	(9,048)	(9,587)
Revenue	183,364	328	1,301	2,988	187,981
Share of post-tax profit of associates	—	—	—	539	539
Share of post-tax loss of joint ventures	(11)	—	—	(265)	(276)
Segment results	54,476	6,371	131	(126)	60,852
Loss on financial assets at fair value through profit or loss					(266)
Dividend income of available-for-sale financial assets					32
Loss on disposal of available-for-sale financial assets					(7,124)
Finance costs, net					(5,151)
Profit before income tax					48,343
Income tax expenses					(25,216)
Profit for the period					23,127
Depreciation and amortisation	553	—	5	437	995
Fair value gains on investment properties	—	6,001	—	—	6,001

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. Segment Information (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	83,738	312	1,989	8,269	94,308
Inter-segment revenue	—	(54)	(1,296)	(5,460)	(6,810)
Revenue	83,738	258	693	2,809	87,498
Share of post-tax profit of associates	59	—	—	(1)	58
Share of post-tax loss of joint ventures	148	—	—	(277)	(129)
Segment results	13,977	3,495	99	(1,027)	16,544
Loss on financial assets at fair value through profit or loss					(425)
Finance costs, net					(1,782)
Profit before income tax					14,337
Income tax expenses					(7,210)
Profit for the period					7,127
Depreciation and amortisation	406	—	6	498	910
Fair value gains on investment properties	—	3,283	—	—	3,283

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. Segment Information (Continued)

Segment assets as at 30 June 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,242,171	143,440	2,282	82,921	1,470,814
Unallocated assets					22,161
Total assets					1,492,975
Segment assets include:					
Interest in associates	384	—	—	10,812	11,196
Interest in joint ventures	110	—	—	15,341	15,451

Segment assets as at 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,096,147	132,045	2,135	68,432	1,298,759
Unallocated assets					52,109
Total assets					1,350,868
Segment assets include:					
Interest in associates	196	—	—	10,524	10,720
Interest in a joint venture	259	—	—	13,395	13,654

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, plant and equipment, investment properties, land use rights, intangible assets, goodwill, investments accounted for using equity method, inventories, properties under development, completed properties held for sale, trade and other receivables, prepayments and cash balances. They exclude deferred income tax assets, income tax recoverable, available-for-sale financial assets and financial assets at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

7. Property, Plant and Equipment, Land Use Rights, Intangible Assets, Investment Properties and Goodwill

	Property, plant and equipment RMB million	Land use rights RMB million	Intangible assets RMB million	Investment properties RMB million	Goodwill RMB million	Total RMB million
Six months ended 30 June 2017						
Opening net book amount as at 1 January 2017	20,833	5,401	241	132,045	1,402	159,922
Additions	4,407	199	13	6,146	—	10,765
Business combination (note 32)	117	—	—	—	—	117
Disposals	(213)	—	—	(542)	—	(755)
Fair value gains on investment properties	—	—	—	6,001	—	6,001
Depreciation and amortisation charge	(910)	(70)	(15)	—	—	(995)
Exchange difference	—	—	—	(210)	—	(210)
Closing net book amount as at 30 June 2017	24,234	5,530	239	143,440	1,402	174,845
Six months ended 30 June 2016						
Opening net book amount as at 1 January 2016	16,720	3,625	372	97,146	885	118,748
Additions	2,276	1,132	67	13,152	—	16,627
Business combination	1,057	24	97	10,486	—	11,664
Transfer from investment properties	1,310	—	—	(1,310)	—	—
Disposals	(532)	(38)	—	(1,125)	—	(1,695)
Fair value gains on investment properties	—	—	—	3,283	—	3,283
Depreciation and amortisation charge	(822)	(73)	(15)	—	—	(910)
Closing net book amount as at 30 June 2016	20,009	4,670	521	121,632	885	147,717

The Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 30 June 2017 has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. Property, Plant and Equipment, Land Use Rights, Intangible Assets, Investment Properties and Goodwill (Continued)

Valuation techniques

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.
- (ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.
- (iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the six months ended 30 June 2017.

The investment properties are included in level 3 as the quantitative information about fair value measurements are using below significant unobservable inputs.

- **Terminal yield, reversionary yield, expected vacancy rate, market rental and market price**
For completed investment properties, increase in terminal yield, reversionary yield and expected vacancy rate may result in decrease of fair value. Decrease in market rent and market price may result in decrease of fair value.
- **Market price, budgeted construction costs to be incurred, estimated percentage to completion and developer's profit margin.**
For investment properties under construction, decrease in market price may result in decrease in fair value. Increase in budgeted construction costs to be incurred, estimated outstanding percentage to completion and developer's profit margin may result in decrease in fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**8. Properties Under Development**

	30 June 2017 RMB million	31 December 2016 RMB million
Properties under development expected to be completed: — within normal operating cycle, included under current assets	699,063	577,851
Properties under development comprise:		
— Construction costs and capitalised expenditures	234,872	210,437
— Interest capitalised	59,381	47,651
— Land use rights	404,810	319,763
	699,063	577,851

Properties under development include costs of acquiring rights to use certain lands, which are located in various areas of the PRC other than Hong Kong, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

The capitalisation rate of borrowing costs for the six months ended 30 June 2017 is 8.63% (for the six months ended 30 June 2016: 8.46%).

9. Completed Properties Held for Sale

All completed properties held for sale are located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

10. Trade and Other Receivables

	30 June 2017	31 December 2016
	RMB million	RMB million
Trade receivables (note a)	32,864	24,986
Other receivables	74,933	60,790
	107,797	85,776
Less: non-current portion		
Trade receivables (note a)	(6,210)	(9,342)
Current portion	101,587	76,434

As at 30 June 2017 and 31 December 2016, 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 aging analysis of trade receivables at respective balance sheet dates is as follows:

	30 June 2017	31 December 2016
	RMB million	RMB million
Within 90 days	13,608	4,344
Over 90 days and within 180 days	2,095	3,573
Over 180 days and within 365 days	3,824	6,236
Over 365 days	13,337	10,833
	32,864	24,986

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10. Trade and Other Receivables (Continued)

As at 30 June 2017, trade receivables of RMB1,013 million (31 December 2016: RMB601 million) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral or title of the properties before collection of the outstanding balances, the directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 30 June 2017 (31 December 2016: nil). The aging analysis of these trade receivables is as follows:

	30 June 2017	31 December 2016
	RMB million	RMB million
Within 90 days	180	199
Over 90 days and within 180 days	143	118
Over 180 days and within 365 days	280	57
Over 365 days	410	227
	1,013	601

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

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

11. Prepayments

	30 June 2017	31 December 2016
	RMB million	RMB million
Prepaid business taxes and other taxes	8,644	5,816
Prepayments and advances to third parties	85,391	59,685
— for acquisition of land use rights	77,261	51,988
— for acquisition of subsidiaries	1,970	2,535
— others	6,160	5,162
	94,035	65,501
Less: non-current portion		
— prepayment for acquisition of property, plant and equipment	(2,179)	(2,754)
	91,856	62,747

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**12. Investments Accounted for Using the Equity Method**

	30 June 2017	31 December 2016
	RMB million	RMB million
Associates	11,196	10,684
Joint ventures	15,451	13,690
	26,647	24,374

The amounts recognised in the income statement are as follows:

	Six months ended 30 June 2017	2016
	RMB million	RMB million
Share of profits of associates	539	58
Share of losses of joint ventures	(276)	(129)
	263	(71)

Interests in associates

The movements of the interests in associates are as follows:

	Six months ended 30 June 2017	2016
	RMB million	RMB million
Balance as at 1 January	10,684	154
Additions	223	46
Disposals	—	(93)
Dividend declared	(250)	—
Share of post-tax results of associates	539	58
Balance as at 30 June	11,196	165

There are no contingent liabilities or commitment relating to the Group's interests in the associates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. Investments Accounted for Using the Equity Method (Continued)

Interests in joint ventures

The movements of the interests in joint ventures are as follows:

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Balance as at 1 January	13,690	8,426
Additions	20	6,191
Disposals	—	(665)
Share of post-tax losses of joint ventures	(276)	(129)
Other comprehensive income	2,017	(197)
Balance as at 30 June	15,451	13,626

There are no contingent liabilities or commitment relating to the Group's interests in the joint ventures.

13. Available-for-Sale Financial Assets

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
At 1 January	36,805	2,595
Additions	3,522	7,064
Disposals	(36,308)	(7,209)
Net gains recognised in equity	3,255	624
	7,274	3,074
Less: Non-current portion	(3,754)	(3,074)
Current portion	3,520	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**13. Available-for-Sale Financial Assets (Continued)**

Available-for-sale financial assets include the following:

	30 June 2017	31 December 2016
	RMB million	RMB million
Listed equity securities	1,814	34,823
Unlisted equity investments	1,004	1,013
Other unlisted investments	4,456	969
	7,274	36,805

As at 30 June 2017, available-for-sale financial assets are denominated in US\$, HK\$ and RMB.

There were no impairment provisions on available-for-sale financial assets made during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

14. Financial Assets at Fair Value Through Profit or Loss

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Balance as at 1 January	3,603	307
Additions	—	4,677
Fair value losses	(266)	(425)
Disposals	(26)	—
Balance as at 30 June	3,311	4,559

As at 30 June 2017 and 2016, financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange, which are quoted in an active market.

Changes in fair values of these investments are recorded in "Fair value losses on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. Restricted Cash

	30 June 2017 RMB million	31 December 2016 RMB million
Denominated in RMB	105,526	105,908
Denominated in other currencies	4	1
	105,530	105,909

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

As at 30 June 2017, the Group's restricted cash mainly comprised guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

16. Cash and Cash Equivalents

	30 June 2017 RMB million	31 December 2016 RMB million
Cash at bank and in hand:		
— Denominated in RMB	138,662	189,918
— Denominated in other currencies	25,742	8,502
	164,404	198,420

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

Cash at banks earns interest at floating daily bank deposit rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

17. Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million
Six months ended 30 June 2017					
Balance as at 1 January 2017	13,694,887,900	136,948,879	964	42	1,006
Issuance of ordinary shares pursuant to share option scheme	121,734,000	1,217,340	9	386	395
Repurchase of ordinary shares (note (a))	(722,972,000)	(7,229,720)	(50)	(323)	(373)
Balance as at 30 June 2017	13,093,649,900	130,936,499	923	105	1,028
Six months ended 30 June 2016					
Balance as at 1 January 2016	13,798,429,900	137,984,299	971	—	971
Issuance of ordinary shares pursuant to share option scheme	10,310,000	103,100	1	31	32
Repurchase of ordinary shares	(127,665,000)	(1,276,650)	(9)	(31)	(40)
Balance as at 30 June 2016	13,681,074,900	136,810,749	963	—	963

- (a) During the six months ended 30 June 2017, the Company repurchased an aggregate of 722,972,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$6,288 million (equivalent to approximately RMB5,577 million). The aforesaid repurchased shares were cancelled on 5 May 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

18. Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserve RMB million	Total RMB million
Six months ended 30 June 2017							
Balance at 1 January 2017	(986)	(6,041)	10,360	328	243	835	4,739
Change in fair value of available-for-sale financial assets	—	1,379	—	—	—	—	1,379
Share of other comprehensive income of investments accounted for using the equity method	—	2,017	—	—	—	—	2,017
Currency translation differences	—	—	—	—	—	(202)	(202)
Transfer to statutory reserves	—	—	1,208	—	—	—	1,208
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(87)	—	—	(87)
Issuance of shares pursuant to the Bonus Warrants	—	—	—	1	—	—	1
Employee share option schemes (note (c))	—	—	—	28	—	—	28
Repurchase of shares of the Company	—	—	—	—	50	—	50
Changes in ownership interest in subsidiaries without change of control (Note 31(b)(i))	—	40,031	—	—	—	—	40,031
Balance at 30 June 2017	(986)	37,386	11,568	270	293	633	49,164
Six months ended 30 June 2016							
Balance at 1 January 2016	(986)	926	7,287	176	234	—	7,637
Change in fair value of available-for-sale financial assets	—	468	—	—	—	—	468
Share of other comprehensive income of investments accounted for using the equity method	—	(197)	—	—	—	—	(197)
Currency translation differences	—	—	—	—	—	175	175
Transfer to statutory reserves	—	—	3,073	—	—	—	3,073
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(7)	—	—	(7)
Employee share option schemes (note (c))	—	—	—	46	—	—	46
Repurchase of shares of the Company	—	—	—	—	9	—	9
Changes in ownership interest in subsidiaries without change of control	—	(503)	—	—	—	—	(503)
Balance at 30 June 2016	(986)	694	10,360	215	243	175	10,701

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. Reserves (Continued)

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the group reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

(c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the "2010 Options") were granted to directors and employees with an exercise price of HK\$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the "2014 Options") were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Number of share options
Six months ended 30 June 2017	
Balance at 1 January 2017	484,650,000
Exercised during the period	(121,734,000)
Lapsed during the period	(27,200,000)
Balance at 30 June 2017	335,716,000
Six months ended 30 June 2016	
Balance at 1 January 2016	526,573,000
Exercised during the period	(10,310,000)
Lapsed during the period	(1,600,000)
Balance at 30 June 2016	514,663,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19. Borrowings

	30 June 2017	31 December 2016
	RMB million	RMB million
Borrowings included in non-current liabilities:		
Bank borrowings	202,388	166,389
Senior notes (note (a))	64,231	22,112
PRC corporate bonds (note (b))	53,817	53,761
Other borrowings (note (c))	199,366	168,066
	519,802	410,328
Less: current portion of non-current borrowings	(138,610)	(78,164)
	381,192	332,164
Borrowings included in current liabilities:		
Bank borrowings	96,014	88,757
Other borrowings (note (c))	57,678	35,985
Current portion of non-current borrowings	138,610	78,164
	292,302	202,906
Total borrowings	673,494	535,070
The total borrowings are denominated in the following currencies:		
RMB	548,864	450,433
US\$	85,661	74,452
HK\$	4,609	4,081
EUR\$	34,360	6,104
	673,494	535,070

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

19. Borrowings (Continued)

(a) Senior notes

	31 December 2016 US\$ million	Old notes exchanged US\$ million	New notes issued for exchange US\$ million	New issuance US\$ million	30 June 2017 US\$ million
Par value					
2018 Notes	1,500	(1,073)	—	—	427
2019 Notes	300	(197)	—	—	103
2019 Private Notes	400	(395)	—	—	5
2020 Notes	1,000	(871)	—	—	129
2021 Notes	—	—	98	500	598
2023 Notes	—	—	345	1,000	1,345
2025 Notes	—	—	2,381	2,300	4,681
New 2020 Notes	—	—	—	500	500
2022 Notes	—	—	—	1,000	1,000
2024 Notes	—	—	—	1,000	1,000
Total	3,200	(2,536)	2,824	6,300	9,788
Unrecognised financing charges	(13)				(303)
Amortised cost — US\$	3,187				9,485
Amortised cost — RMB	22,112				64,231

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes with the same terms in an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value (“2018 Notes”).

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value (“2020 Notes”).

On 11 January 2016, the Company issued 7.80% three-year senior notes with an aggregated principal amount of US\$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value (“2019 Private Notes”), and issued 8.00%, three-year senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value (“2019 Notes”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19. Borrowings (Continued)

(a) Senior notes (continued)

On 23 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,443 million) at 100% of the face value ("New 2020 Notes") and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2022 Notes").

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2024 Notes").

On 8 June 2017, the Company announced, among others, an exchange offer with respect to the aforementioned 2018 Notes, 2019 Private Notes, 2019 Notes and 2020 Notes (together the "Old Notes"). On 28 June 2017, the Company has exchanged the Old Notes totaling US\$2,536 million, together with the accrued and unpaid interest and the exchange premium, to three series of new senior notes totaling US\$2,824 million. Together with US\$3,800 million new senior notes issued for cash, the company issued US\$ 6,624 million of senior notes in total (the "New Notes"). The remaining Old Notes of US\$664 million were early redeemed by August 2017.

Details of the New Notes are as follows:

On 28 June 2017, the Company issued 6.25%, four-year senior notes with an aggregated principal amount of US\$598 million (equivalent to approximately RMB4,078 million) at 100% of the face value ("2021 Notes"), 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value ("2023 Notes") and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value ("2025 Notes").

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19. Borrowings (Continued)

(b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year public PRC corporate bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year public PRC corporate bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC corporate bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year non-public PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 11 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC corporate bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC corporate bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB2,500 million issued on 16 October 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 30 June 2017 and 31 December 2016.

(c) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which the Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. Trade and Other Payables

	30 June 2017 RMB million	31 December 2016 RMB million
Trade payables	187,141	182,994
Other payables	159,585	163,809
Payroll payable	1,423	1,555
Accrued expenses	5,339	4,769
Other taxes payable	4,433	1,132
	357,921	354,259
Less: non-current portion of other payables	(12,014)	(54,354)
Current portion	345,907	299,905

The aging analysis of trade payables is as follows:

	30 June 2017 RMB million	31 December 2016 RMB million
Within one year	168,551	162,756
Over one year	18,590	20,238
	187,141	182,994

21. Other Income

	Six months ended 30 June	
	2017 RMB million	2016 RMB million
Interest income from bank deposits	1,395	1,133
Forfeited customer deposits	225	134
Gain on disposal of property, plant and equipment and investment properties	75	57
Others	825	551
	2,520	1,875

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22. Other Losses – Net

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Gain on disposal of associates	101	—
Loss on disposal of available-for-sale financial assets, net (note (a))	(7,124)	—
	(7,023)	—

- (a) On 9 June 2017, the Group disposed of its entire investment in China Vanke Co., Ltd at an aggregated consideration of approximately RMB29,200 million, which incurred a loss of RMB7,176 million.

23. 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	
	2017	2016
	RMB million	RMB million
Cost of properties sold	114,795	55,946
Employee benefit expenditure — including directors' emoluments	7,410	6,079
Less: capitalised in properties under development, investment properties under construction and construction in progress	(2,453)	(1,991)
Employee benefit expenses	4,957	4,088
Business tax and other levies	2,435	4,131
Advertising and promotion expenses	4,864	5,012
Sales commissions	726	427
Depreciation of property, plant and equipment	910	822
Amortisation of land use rights and intangible assets	85	88
Operating lease expenses	263	199
Donations	1,434	1,124

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

24. Finance Cost, Net

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Finance costs		
Interest expenses from borrowings	(25,399)	(13,549)
Less: interest capitalised	21,031	13,549
	(4,368)	—
Exchange gains/(losses)	4	(1,572)
Other finance costs	(787)	(210)
	(5,151)	(1,782)

25. Income Tax Expenses

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Current income tax		
— Hong Kong profits tax	16	12
— PRC corporate income tax	13,876	4,157
— PRC land appreciation tax	10,967	3,159
Deferred income tax		
— PRC corporate income tax	567	(447)
— PRC land appreciation tax	(210)	329
	25,216	7,210

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

25. Income Tax Expenses (Continued)

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the current period in respect of operations in Hong Kong.

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 2016: 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 Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC 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 according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate 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 property development expenditures.

26. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)

27. Dividends

The Board of Directors of the Company resolved not to declare any dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

28. Financial Guarantees

	30 June 2017	31 December 2016
	RMB million	RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	290,184	252,128
Guarantees for borrowings of cooperation parties (note (b))	5,642	6,056
	295,826	258,184

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

- (b) It represents guarantees provided to certain independent third parties having continuous business relationship with the Group (mainly construction companies), to obtain borrowings after assessing the credit history of these independent third parties. The Group closely monitors the repayment progress of the relevant borrowings by these independent third parties. The directors consider that the likelihood of default in payments is minimal and therefore the financial guarantees measured at fair value is immaterial.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**29. Commitments****(a) Operating leases commitments**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017	31 December 2016
	RMB million	RMB million
Property, plant and equipment:		
Not later than one year	504	442
Later than one year and not later than five years	950	971
Later than five years	131	110
	1,585	1,523

(b) Commitments for property development expenditure

	30 June 2017	31 December 2016
	RMB million	RMB million
Contracted but not provided for		
— Property development activities	189,710	163,244
— Acquisition of land use rights	52,962	60,535
— Acquisition of subsidiaries	3,444	—
	246,116	223,779

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

30. Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
許家印教授 Professor Hui Ka Yan ("Professor Hui")	The ultimate controlling shareholder and also the director of the Company
Shengjing Bank Co., Ltd 盛京銀行股份有限公司	Associate of the Group
Shanghai Shencheng Culture Investment Co., Ltd. 上海申城影視傳媒有限公司	Associate of the Group
Hunan Repulse Bay Xiangya Hot Spring Garden Co., Ltd. 湖南淺水灣湘雅溫泉花園有限公司	Associate of the Group
Henan Evergrande Xilinmen Home Furnishing Co., Ltd. 河南恒大喜臨門家居有限責任公司	Associate of the Group
Henan Evergrande Qumei Home Furnishing Co., Ltd. 河南恒大曲美家居有限責任公司	Associate of the Group
Henan Evergrande Daziran Home Furnishing Co., Ltd. 河南恒大大自然家居有限責任公司	Associate of the Group
Henan Evergrande Oupai Menye Co., Ltd. 河南恒大歐派門業有限責任公司	Associate of the Group
Henan Evergrande Sophia Home Furnishing Co., Ltd. 河南恒大索菲亞家居有限責任公司	Associate of the Group
Henan Evergrande Pianuo Home Furnishing Co., Ltd. 河南恒大皮阿諾家居有限責任公司	Associate of the Group
Sichuan Jinruihongcheng Property development Co., Ltd 四川錦瑞鴻程房地產開發有限公司	Associate of the Group
Guangzhou Evergrande Taobao Football Club Co., Ltd. 廣州恒大淘寶足球俱樂部有限公司	Joint venture of the Group
Inner Mongolia Luqiao Property Co., Ltd. 內蒙古魯橋置業有限公司	Joint venture of the Group
Wangfujing Evergrande Commercial Holdings Company Limited. 王府井恒大商業控股有限公司	Joint venture of the Group
Evergrande Life Insurance Co., Ltd., Ltd. 恒大人壽保險有限公司	Joint venture of the Group
Beijing Beiheng Zhonghui Education Technology Co. Ltd. 北京北恆中慧教育科技有限公司	Joint venture of the Group
Jinan Evergrande Chengxi Property Co., Ltd. 濟南恒大城西置業有限公司	Joint venture of the Group
Xiamen Jinbi Property Co., Ltd. 廈門金碧置業有限公司	Joint venture of the Group
Taian Evergrande Binhuxicheng Property Co., Ltd. 泰安恒大濱湖新城置業有限公司	Joint venture of the Group
Taiyuan Evergrande Desheng Property Development Co., Ltd. 太原恒大德盛房地產開發有限公司	Joint venture of the Group

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**30. Related Party Transactions (Continued)****(b) Transactions with related parties**

During six months ended 30 June 2017 and 2016, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Nature of transactions		
Associates		
Sales of goods to associates	—	6
Provision of services to associates	—	12
Loan interest charged by an associate	331	—
	331	18
Joint ventures		
Sales of goods to joint ventures	207	—
Provision of services to a joint venture	20	4
Rental income from joint ventures	4	3
Advertisement service fees charged by joint ventures	137	127
Rental fee charged by joint ventures	24	—
Purchase of goods from a joint venture	4	5
Loan interest charged by a joint venture	318	79
	714	218

Aforementioned revenue and cost were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

30. Related Party Transactions (Continued)

(c) Balances with related parties

As at 30 June 2017 and 31 December 2016, the Group had the following significant non-trade balances with related parties:

	30 June 2017 RMB million	31 December 2016 RMB million
Due from related parties		
Included in trade and other receivables (note (i))		
— Associates	49	433
— Joint ventures	1,748	1,609
	1,797	2,042
Prepayment for advertisement service fees		
— A joint venture	265	—
Due to related parties		
Included in trade and other payables (note (i))		
— Associates	79	450
— Joint ventures	678	325
	757	775
Included in borrowings (note (ii))		
— A joint venture	4,175	2,700
— An associate	7,742	799
	11,917	3,499
Included in receipt in advance from customers		
— A joint venture	347	84

(i) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

(ii) The balances are borrowings in nature, which are secured, carry interest rate at 10.02% per annum and repayable according to respective loan agreements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**30. Related Party Transactions (Continued)****(d) Key management compensation**

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Salaries and other employee benefits	410	197

31. Non-Controlling Interests

	30 June	31 December
	2017	2016
	RMB million	RMB million
Perpetual Capital Instruments (note a)	—	112,944
Others (note b)	67,112	35,348
	67,112	148,292

(a) Perpetual capital instruments

	Six months ended 30 June 2017 RMB million
Balance as at 1 January	112,944
Profit attributable to holders of perpetual capital instruments	723
Decrease of the perpetual capital instruments	(113,667)
Balance as at 30 June 2017	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

31. Non-Controlling Interests (Continued)

(b) Others

(i) Changes in ownership interest in subsidiaries without change of control

On 3 October 2016, Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”, an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”, the wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. (“Shenzhen Real Estate”, a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the “Proposed Reorganisation”).

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategy investors (the “First Round SIs”), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017.

On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategy investors (the “Second Round SIs”), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate.

The total capital contribution from the First Round SIs and the Second Round SIs accounts for approximately 26.12% of the enlarged equity interest of Hengda Real Estate. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and SIs have further entered into an amendment agreement (the “Amendment Agreement”) on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements and the Amendment Agreement, if the Proposed Reorganisation cannot be completed by 31 January 2020, the SIs have right to:

- (a) request Kailong Real Estate to repurchase the SIs’ equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Professor Hui Ka Yan should repurchase SIs’ equity interest at its original investment cost; or
- (b) request Kailong Real Estate to compensate the SIs gratis with equity interests of Hengda Real Estate equal to 50% of the equity interest held by the SIs before compensation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

31. Non-Controlling Interests (Continued)

(b) Others (Continued)

(i) Changes in ownership interest in subsidiaries without change of control (Continued)

The above share compensation arrangement constitutes an embedded derivative and has been recognised as a financial derivative liability in the consolidated balance sheet as of 30 June 2017.

During the six months ended 30 June 2017, the Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders, and the difference between consideration paid and the carrying amount of equity interests acquired was recognised as a decrease in reserves.

(ii) Acquisition of subsidiaries

During the six months ended 30 June 2017, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB3,874 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB202 million.

32. Business Combination

During the six months ended 30 June 2017, the Group acquired controlling interests in certain PRC companies engaged in property development and property investment business to increase its land reserve and optimize its regional layout.

During the six months ended 30 June 2017, the Group acquired certain property development companies at total considerations of RMB15,115 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (CONTINUED)**32. Business Combination (Continued)**

The following table summarises the considerations paid for acquisition of these property development companies, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	15,014
Fair value of investments in associates held before business combination	101
Total consideration	15,115
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	117
Properties under development	34,071
Trade and other receivables	2,334
Income tax recoverable	150
Cash and cash equivalents	680
Borrowings	(3,832)
Trade and other payables	(3,176)
Receipt in advance from customers	(8,320)
Deferred income tax liabilities	(6,318)
Total identifiable net assets	15,706
Non-controlling interest	(591)
Identifiable net assets acquired	15,115
Goodwill	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

32. Business Combination (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

Cash considerations	15,014
Prepaid in prior year	(565)
Considerations deferred	(5,194)
Cash and cash equivalents acquired	(680)
<hr/>	
Payments for business combinations conducted in the period	8,575
Payments for business combinations conducted in prior period	13,051
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Cash outflow on acquisitions in the period	21,626

Acquisition-related costs of RMB1.1 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the six months ended 30 June 2017.

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB2,286 million and net profit of RMB167 million to the Group for the period from the respective acquisition dates to 30 June 2017. If the acquisitions had occurred on 1 January 2017, the Group's consolidated revenue and consolidated profit for the period would have been RMB190,362 million and RMB23,183 million respectively.

33. Subsequent Events

By August 2017, the Group redeemed the outstanding Old Notes with principal totaling US\$664 million (equivalent to approximately RMB4,464 million) (note 19(a)).