



# 中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(incorporated in the Cayman Islands with limited liability)

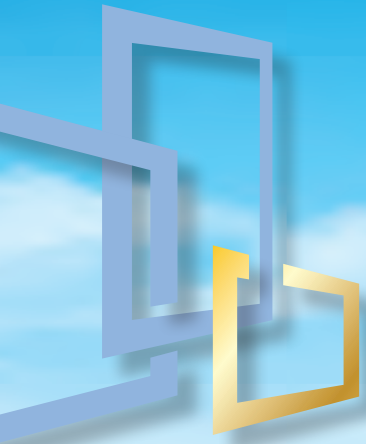
Stock Code: 3333



## 2019

## INTERIM REPORT







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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. Shi Junping  
Mr. Pan Darong  
Mr. Huang Xiangui

## 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

23rd Floor  
China Evergrande Centre  
38 Gloucester Road  
Wanchai, Hong Kong

## WEBSITE

[www.evergrande.com](http://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.  
Bank of Shanghai Co., Ltd.  
China Merchants Bank Co., Ltd.  
China Zheshang Bank Co., Ltd.  
China Everbright Bank Company Limited  
Agricultural Bank of China Limited  
Industrial and Commercial Bank of China Limited  
China Bohai Bank Co., Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
Industrial Bank Co., Ltd.  
Huishang Bank Corporation Limited  
Bank of Beijing Co., Ltd.  
Bank of Tianjin Co., Ltd.  
Bank of Jinzhou Co., Ltd.  
Hua Xia Bank Company Limited  
China Guangfa Bank Co., Ltd.  
Bank of Hebei Co., Ltd.  
China Development Bank Corporation  
Bank of Jiujiang 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\$1,565,000,000 11.00% Senior Notes due 2020  
Common Code: 190367169  
ISIN: XS1903671698

US\$1,100,000,000 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\$875,000,000 6.25% Senior Notes due 2021  
Common Code: 162759914  
ISIN: XS1627599142

US\$600,000,000 9.00% Senior Notes due 2021  
Common Code: 195832170  
ISIN: XS1958321702

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

US\$645,000,000 13.0% Senior Notes due 2022  
Common Code: 190367185  
ISIN: XS1903671854

US\$1,025,000,000 8.25% Senior Notes due 2022  
Common Code: 158043114  
ISIN: XS1580431143



## CORPORATE AND SHAREHOLDER INFORMATION

US\$1,450,000,000 9.5% Senior Notes due 2022

Common Code: 198203696

ISIN: XS1982036961

US\$1,344,921,000 7.50% Senior Notes due 2023

Common Code: 162759949

ISIN: XS1627599498

HK\$18,000,000,000 4.25% Convertible Bonds due 2023

Common Code: 176780096

ISIN: XS1767800961

US\$590,000,000 13.75% Senior Notes due 2023

Common Code: 190367193

ISIN: XS1903671938

US\$850,000,000 10.0% Senior Notes due 2023

Common Code: 198203777

ISIN: XS1982037779

US\$1,000,000,000 9.50% Senior Notes due 2024

Common Code: 158786753

ISIN: XS1587867539

US\$700,000,000 10.5% Senior Notes due 2024

Common Code: 198204064

ISIN: XS1982040641

US\$4,680,476,000 8.75% Senior Notes due 2025

Common Code: 162759965

ISIN: XS1627599654

### INVESTOR RELATIONS

For enquiries, please contact:

Investor Relations Department

Email: [evergrandelR@evergrande.com](mailto:evergrandelR@evergrande.com)

Telephone: (852)2287 9229

### FINANCIAL CALENDAR

Announcement of interim results: 28 August 2019



## BUSINESS REVIEW

In the first half of 2019, global economy was under significant pressure as affected by trade frictions, geopolitical risks and other factors. In response to the complicated environment with increasing domestic and overseas risks and challenges, the Chinese central government made timely appropriate countercyclical adjustments in its macroeconomic policy. In the first half of 2019, the Chinese GDP experienced year-on-year growth of 6.3%. The Chinese economy sustained the momentum of progress in overall stability. Consumption contributed to over 60% of economic growth, with continuous progress made in consumption upgrade. Meanwhile, the investment structure continued to optimize, and the investments in the high-tech industry and technology upgrade in the manufacturing industry increased by over 10%.

In the first half of 2019, the central government reinstated the primary principle of “housing is for living, not for speculation”. Adhering to the principle of “different policies according to specific situations in different cities”, local governments implemented various regulation policies, resulting in new trends in cities at different tiers. In general, the transaction volume of domestic commodity houses remained stable. First-tier cities experienced recovery. Second-tier cities were stable generally. Third- and fourth-tier cities remained slightly fluctuated. In the first half of the year, national contracted sales volume of commodity housing increased by 5.6% year-on-year to RMB7.07 trillion with contracted sales volume of residential housing reaching RMB6.13 trillion, with year-on-year growth of 8.4%. Inventory levels continued to decline, with 502 million square meters of properties available for sale at the end of the period, down by 8.9% year-on-year, and residential housing inventory decreased to 232 million square meters, down by 15.2%. The market share of the top 10 real estate companies' contracted sales amounted to 29.1%, a year-on-year increase of 3.7 percentage points<sup>1</sup>.

Faced with the complexities in the economic environment domestically and abroad as well as intense industry competition, the Group fully understand that housing is for people to live in, and firmly carry out controlling policies, thus achieving “stable land price, stable property price and stable expectations”. Having real estate development as the foundation, developing cultural tourism and health wellbeing management as the complementary pillars, and focusing on new energy vehicles as the leading growth driver, the Group gained a leading position among its peers in terms of operation scale and profitability. In the first half of 2019, the Group was ranked 138th in the Fortune Global 500, significantly improving by 358 positions from 496th when it entered the list for the first time in 2016.

<sup>1</sup> Data source: National Bureau of Statistics of China, public data





## CHAIRMAN'S STATEMENT

### **Continuously maintain huge high quality land reserves, thus achieving quality development**

During the Reporting Period, the Group continued to maintain abundant and high quality land reserve and facilitate quality development. In the first half of 2019, the Group acquired 79 new pieces of land and further acquired the land surrounding 14 existing projects. New land reserves acquired were evenly distributed among cities such as Nanjing, Taiyuan, Kunming, Chongqing, Zhengzhou, Fuzhou, Urumqi, Foshan, Dalian, Yantai, Tangshan, Jingdezhen, Huangshan and Dali. The newly acquired land reserves had a total GFA of 44.49 million square meters at an average cost of RMB1,699 per square meter.

As at 30 June 2019, the Group's total land reserves covered 864 projects located in 232 cities across China, covering almost all first-tier cities, municipalities and provincial capitals, as well as a majority of economically developed prefecture-level cities with high growth potential. The land reserves of the Group had a total planned GFA of 319 million square meters with an original value of RMB522.7 billion. In particular, the original value of land reserves in first-tier and second-tier cities amounted to RMB345.5 billion, representing 66.1% of the total value with an average land cost of RMB2,032 per square meter. The original value of land reserves in third-tier cities amounted to RMB177.2 billion, representing 33.9% of the total value with an average cost of RMB1,191 per square meter.

Among the abovementioned land reserves, land premium of RMB90.5 billion remained outstanding, of which RMB15.7 billion, RMB35.0 billion and RMB39.8 billion will be due in the second half of 2019, 2020 and in and after 2021 respectively.

### **Steady increase in the price of contract sale, thus providing solid foundation for constant margin**

During the Reporting Period, the Group realized contracted sale of RMB281.81 billion, with contracted sales GFA of 26.2 million square meters. Meanwhile, the average selling price continued to increase to RMB10,756 per square meter, reaching its historical high.

In the first half of 2019, the Group launched 81 new projects for sale in several dozens of cities including Shenzhen, Chengdu, Chongqing, Wuhan, Changsha, Jinan, Xi'an, Ningbo, Guiyang, Shenyang, Dalian, Taiyuan, Kunming, Foshan and Yangzhou. There were a total of 910 fully completed projects and projects under construction for sale.

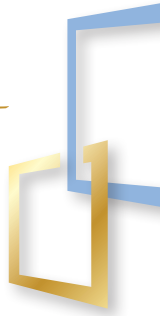
The stable sales performance and continuous increase in selling price were mainly attributable to the Group's efforts in enhancing added value of products, as well as the large number of projects and resources for sale. Leveraging on the aforesaid edges, as well as the strong execution power and practical sale strategy of the Group, the Board is confident in meeting the annual contract sales target.

### **Scientific planning of new construction start and completion with steady number of projects under construction**

During the Reporting Period, the Group conducted its construction planning scientifically and emphasized the strict coordination among plans of sales, completion and delivery. New construction start GFA was 35.11 million square meters, an increase of 11.6% year on year. As at 30 June 2019, the Group had 772 projects under construction with GFA of 137 million square meters, representing an increase of 8.1% and 1.7% as compared to the end of 2018, respectively. Completed GFA was 33.36 million square meters.

During the Reporting Period, the Group had a total of 694 delivered projects with total revenue of RMB221.14 billion. The Board believes that the large scale of development and construction has not only ensured ample saleable resources to help further support sales, but has also boosted the completion and delivery in the next phase with corresponding increase in overall revenue.





## Gradual facilitation of business diversification, storing new power for development

Evergrande has completed the layout of new energy vehicle production chain, aims for world-leading core technology and first-class product quality, and strives to become one of the world's largest and the most powerful new energy vehicle group within 3–5 years. With regard to vehicle research & development and manufacturing, we acquired a controlling stake in National Electric Vehicle Sweden AB (NEVS), and obtained the core technology of Saab Automobile AB. We formed a joint venture with world-class luxury automobile manufacturer Koenigsegg (with 65% shareholding by NEVS) and obtained strong manufacturing capability of super luxury automobiles. We have multiple production bases located in Sweden as well as Guangzhou, Shanghai, Tianjin and Shenyang, China, among which, the bases in Sweden and Tianjin, China have acquired mass production capacity. On 29 June 2019, we commenced mass production for the National Modern Energy 93 vehicle model (國能93車型). In March 2020, the new automobile prototype with Koenigsegg will be revealed at the Geneva Motor Show.

In terms of power assembly, we established a joint venture Evergrande Hofer Powertrain (恒大德國hofer動力科技公司) with hofer AG, an international leader in automotive power engineering, in which our Group owns 67% interests. With world-leading power assembly technology, we plan to build advanced R&D production bases in China, acquire e-Traction of the Netherlands and Protean of UK, and gain the advanced commercial and passenger vehicle wheel hub motor technology, which represent the future development direction of powertrain.

In terms of power batteries, we acquired a controlling stake of CENAT, and obtained Japan's leading technology and possessed the industry's top 3 power battery production capacity. We plan to build multiple super factories of 60Gwh within 10 years and construct a complete battery industry ecological chain.

In terms of intelligent technology, car-sharing acquired the online ride-hailing qualifications from the Ministry of Transport. We conducted researches on autonomous driving technology for shared smart travel, and established a joint venture with the State Grid with 50% shareholding for each, focusing on the smart charging service for community parking spaces. In terms of automobile sales, we have invested in Guanghui Group and gained access to the world's largest automobile distribution network.

After nine years of research and exploration, Evergrande Tourism Group has narrowed its focus to developing two flagship theme-park products that are the first of their kind in the world, namely Evergrande Fairyland and Evergrande Water World. Evergrande Fairyland is developed specifically for children aged 2–15 years old and is the only large-scale theme park in the world that is entirely indoor and can operate year-round through all weather conditions, or “all-indoor, all-weather, all-season”. Each Evergrande Fairyland project targets a regional market with a radius of 500 kilometers and a population of approximately 80 million people. Currently, there are 15 Evergrande Fairyland projects underway which are expected to begin operations starting in 2021.

Evergrande Water World is designed to be the world's largest “all-indoor, all-weather, all-season” hotspring water theme park and each component park offers over 120 most popular water park rides selected from around 170 over the world. 20–30 Evergrande Water World projects are expected to be developed in the next 3 years.

Ocean Flower Island, located in Hainan, has already completed its exterior facade construction work and is currently undergoing interior decoration and equipment installation. It is expected to open for operation in 2020. Currently, it has entered into contracts with 35 global restaurants, 255 international brands and 215 retail stores from 24 countries and regions.



## CHAIRMAN'S STATEMENT

Evergrande Health Group focuses on the health industry, and successfully developed its flagship product entitled Evergrande Elderly Care Valley, first of its kind in China. Evergrande Elderly Care Valley integrates first-class resources in medical services, health management, wellness living, elderly care, insurance and tourism and intends to build a comprehensive membership platform. It provides whole-lifecycle, high-quality and multi-dimensional healthcare services to its members through its unique “four major gardens”, “five major innovations” and “four major services”. Currently there are 16 Evergrande Elderly Care Valley projects under development and over 50 more are being planned over the next three years, which we aim to start operation from 2021. Boao Evergrande International Hospital is the first Evergrande international hospital and the only overseas affiliated hospital of Brigham and Women’s Hospital (an affiliated teaching hospital of Harvard Medical School), which has officially opened for operation.

Health industry and new energy vehicle industry are planned and operated by Evergrande Health Industry Group Limited (00708.HK), a subsidiary of the Group.

## BUSINESS OUTLOOK

Looking forward, the Board believes that the global trade war will become more prolonged and complicated. In the second half of the year, global economy still faces uncertainties. As an emerging country with the largest middle-class population in the world, China adheres to the general work guideline of making progress while maintaining stability, and implements active fiscal policy and prudent monetary policy. The Chinese government will continue to enhance its economy resistance and leave room for maneuver. It will fully open up itself to other economies, and launch mutual cooperation with overseas markets. At the same time, the Chinese government will secure economic globalization and multilateral trading system, thereby facilitating stable development of the Chinese economy.

In respect of industry policy, adhering to its stance of “housing is for living, not for speculation”, the central government will implement a long-term and effective management system for real estate, maintain the continuity and stability of policies on adjustments to the real estate market, and prevent and mitigate risk exposures in the real estate market. The central government will continue to regulate and support culture tourism and health industry, develop modern service industry, promote integrated development between culture and tourism, and build a healthy China. In respect of technology industry such as new energy vehicles, the government will continue to establish a market-orientated green technology and innovative system, and implement procurement incentive for new energy vehicles, thus developing itself into a powerful manufacturing nation.

Based on the systematic analysis of the global economy and national industry policies, the Board will further solidify the foundation of its real estate business, accelerate the business expansion of Evergrande Tourism Group and Evergrande Health, and strengthen and improve the full industry chain of new energy vehicles. The Group aims to establish itself into the largest and most powerful new energy vehicle group within 3 to 5 years.

## ACKNOWLEDGEMENT

The steady development of the Group is owed to the trust and support of its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I hereby express my heartfelt gratitude towards them.

By Order of the Board  
**China Evergrande Group**  
**Hui Ka Yan**  
*Chairman*

Hong Kong, 28 August 2019

# MANAGEMENT DISCUSSION AND ANALYSIS



## OVERALL PERFORMANCE

The Group recorded revenue of RMB226.98 billion for the Reporting Period (2018H1: RMB300.35 billion), representing a year-on-year decrease of 24.4%. Gross profit amounted to RMB77.26 billion (2018H1: RMB108.86 billion), representing a year-on-year decrease of 29.0%.

Core business profit for the Reporting Period was RMB30.35 billion, which is based on the net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, gains or losses on disposal of financial instruments, donations and certain non-property development business losses. Core business profit margin for the Reporting Period was 13.4%.

## REVENUE

Revenue of the Group was RMB226.98 billion for the Reporting Period, representing a decrease of 24.4% as compared with the same period in 2018. Revenue generated from the property development segment decreased by 25.0% to RMB221.14 billion. The decrease was mainly due to the 25.8% decrease in delivered area compared to the corresponding period in 2018 since there was a decrease in the delivered area due during the Reporting Period, following the property delivery deadlines set in the property sale contracts. Revenue generated from property management amounted to RMB2.32 billion, an increase of 24.1% from the first half of 2018, which was mainly due to the increase in area under the Group's management service for the Reporting Period. Revenue generated from investment properties amounted to RMB0.82 billion, up by 76.6%, which was mainly from the increased rental income attributable to a larger rental area of the investment properties.

## GROSS PROFIT

Gross profit of the Group was RMB77.26 billion for the Reporting Period, representing a 29.0% drop as compared with the corresponding period of 2018. Decrease in gross profit for the Reporting Period was mainly attributable to 25.8% of reduction in the delivered property area, compared with the corresponding period of 2018. The average selling price of the properties per square meter remained stable as compared with the corresponding period of 2018, resulting in decreases in revenue and the corresponding profit. Gross profit rate was 34.0% for the Reporting Period, down by 2.2 percentage points compared to the same period of 2018, which was mainly due to the increases in construction and installation costs for delivered properties, land costs and interests costs.

## FAIR VALUE GAIN ON INVESTMENT PROPERTIES

Fair value gain on investment properties of the Group for the Reporting Period was RMB1.00 billion, representing a decrease of 25.5% as compared with the first half of 2018. It is mainly because the Group only recorded a slight growth in the fair value gain on investment properties held in the previous year for the Reporting Period. Investment properties of the Group mainly include commercial podiums in living communities, office buildings with gross floor area of about 9.35 million square meters and approximately 364,000 car parking spaces.

## OTHER (LOSSES)/GAINS, NET

Other net losses were RMB0.4 billion for the Reporting Period. It mainly represents exchange losses. Other net gains for the first half of 2018 amounted to RMB2.47 billion, which was mainly attributable to the gains from the disposal of subsidiaries, while there was no such major transaction for the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SELLING AND MARKETING COSTS

During the Reporting Period, selling and marketing costs of the Group increased from RMB9.33 billion for the corresponding period of 2018 to RMB10.15 billion, up by 8.8%. During the Reporting Period, the 3.6% ratio of selling and marketing expenses to contracted sales is 0.5 percentage point higher compared with 3.1% in the first half of 2018. The main reason was that the Group, in response to the market environment, increased the investment in advertisements and marketing campaigns to promote sales.

## ADMINISTRATIVE EXPENSES

During the Reporting Period, administrative expenses of the Group increased to RMB8.91 billion from RMB6.46 billion for the corresponding period of 2018, which was mainly attributable to the continuous expansion of the Group's nation-wide business and increases in staff remuneration as well as administrative and office expenses for the Reporting Period.

## BORROWINGS

As at 30 June 2019, the borrowings of the Group amounted to RMB813.17 billion, with the following maturities:

	30 June 2019 (RMB billion)	As percentage of total borrowings	31 December 2018 (RMB billion)	As percentage of total borrowings
Less than 1 year	375.8	46.2%	318.3	47.3%
1–2 years	234.2	28.8%	181.5	27.0%
2–5 years	165.6	20.4%	128.0	19.0%
More than 5 years	37.6	4.6%	45.3	6.7%
	813.2	100.0%	673.1	100.0%

A portion of the borrowings were secured by a pledge of properties 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 for the Reporting Period was 8.62% per annum (2018H1: 7.92%).

## 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 25.4% of borrowings denominated in US dollar and HK dollar.

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



The Group will closely monitor its exchange risk exposure and will adjust its debt profile when necessary based on market changes. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

### LIQUIDITY

As at 30 June 2019, the total balance of cash and cash equivalents and restricted cash of the Group was RMB288.02 billion. The abundant working capital ensured normal operation of the Group, while providing adequate support for the Group as it explores best business opportunities.

### LAND RESERVES

During the Reporting Period, the Group newly acquired 79 pieces of land as reserves, which were distributed in 58 cities including Nanjing, Taiyuan, Zhengzhou, Chongqing, Kunming, Fuzhou, Urumqi, Hohhot, Dalian, Foshan, Yantai, Quanzhou and Tangshan. The planned GFA of the newly acquired land reserves was approximately 44.49 million square meters at an average cost of RMB1,699 per square meter.

### TOTAL LAND RESERVE OF THE GROUP

The total land reserve of the Group was 319 million square meters with an original value of RMB522.7 billion at an average land cost of RMB1,639 per square meter.

The original value of land reserve for projects in first-tier and second-tier cities was RMB345.5 billion, accounting for 66.1% with an average land cost of RMB2,032 per square meter;

The original value of land reserve for projects in third-tier cities was RMB177.2 billion, accounting for 33.9% with an average land cost of RMB1,191 per square meter;

For projects such as urban renewal which were not included in land reserve with total planned GFA of 70.12 million square meters as at 30 June 2019, of which 48 projects were in Shenzhen with the planned GFA amounting to 31.24 million square meters.

### CONTRACTED SALES

During the Reporting Period, the contracted sales of the Group amounted to RMB281.81 billion, with contracted sales GFA of 26.20 million square meters; contracted ASP continued to increase to RMB10,756 per square meter, hitting its highest record.

In the first half of 2019, the Group launched 81 new projects for sale in over 10 cities, covering Shenzhen, Chengdu, Chongqing, Wuhan, Changsha, Jinan, Xi'an, Ningbo, Guiyang, Shenyang, Dalian, Taiyuan, Kunming, Foshan, Yangzhou and other cities. The accumulated completed projects or projects under construction for sale reached 910, covering 30 provinces, regions and cities in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the geographical distribution of contracted sales amount of the Group in the first half of 2019.

No.	Province	Sales amount (RMB million)	Percentage
1	Guangdong Province	29,199	10.362%
2	Jiangsu Province	19,164	6.800%
3	Sichuan Province	17,623	6.253%
4	Chongqing	15,395	5.463%
5	Zhejiang Province	14,807	5.254%
6	Shandong Province	14,319	5.081%
7	Henan Province	14,043	4.983%
8	Hubei Province	12,666	4.494%
9	Hunan Province	10,872	3.858%
10	Liaoning Province	10,769	3.821%
11	Shaanxi Province	10,287	3.650%
12	Anhui Province	10,046	3.565%
13	Jiangxi Province	9,831	3.489%
14	Guangxi Zhuang Autonomous Region	9,577	3.398%
15	Shanxi Province	8,895	3.156%
16	Inner Mongolia Autonomous Region	8,337	2.958%
17	Hebei Province	8,289	2.941%
18	Yunnan Province	7,912	2.808%
19	Hainan Province	7,331	2.601%
20	Fujian Province	7,001	2.484%
21	Heilongjiang Province	6,763	2.400%
22	Guizhou Province	6,457	2.291%
23	Shanghai	6,155	2.184%
24	Jilin Province	5,458	1.937%
25	Gansu Province	3,653	1.296%
26	Tianjin	2,029	0.720%
27	Xinjiang Uygur Autonomous Region	1,898	0.674%
28	Beijing	1,840	0.653%
29	Ningxia Hui Autonomous Region	1,185	0.421%
30	Qinghai Province	8	0.003%
	Total	281,809	100%

As at the end of July 2019, the accumulated contracted sales amount of the Group was RMB322.26 billion; the contracted sales area was 30.036 million square meters.



## PROPERTY DEVELOPMENT

As at 30 June 2019, the area under construction of the Group was 137 million square meters, and the number of projects under construction was 772.

During the Reporting Period, the Group achieved full or partial completion of a total of 487 projects, with a total completed GFA of 33.36 million square meters.

The following table sets out the distribution of completed areas in each province.

No.	Province	Completed GFA (‘000 sq.m)	Percentage
1	Anhui Province	3,079	9.23%
2	Jiangsu Province	2,577	7.73%
3	Henan Province	2,531	7.59%
4	Hunan Province	2,360	7.08%
5	Guizhou Province	2,240	6.72%
6	Shandong Province	2,060	6.18%
7	Guangdong Province	1,940	5.82%
8	Hubei Province	1,824	5.47%
9	Sichuan Province	1,800	5.40%
10	Zhejiang Province	1,473	4.42%
11	Guangxi Province	1,447	4.34%
12	Chongqing	1,334	4.00%
13	Hebei Province	1,218	3.65%
14	Liaoning Province	964	2.89%
15	Inner Mongolia Autonomous Region	913	2.74%
16	Shaanxi Province	842	2.52%
17	Jiangxi Province	831	2.49%
18	Fujian Province	599	1.80%
19	Hainan Province	575	1.72%
20	Jilin Province	434	1.30%
21	Shanxi Province	402	1.21%
22	Yunnan Province	394	1.18%
23	Xinjiang Uygur Autonomous Region	374	1.12%
24	Gansu Province	371	1.11%
25	Heilongjiang Province	325	0.97%
26	Ningxia Hui Autonomous Region	166	0.50%
27	Tianjin	150	0.45%
28	Beijing	72	0.22%
29	Tibet Autonomous Region	60	0.18%
	Total	33,355	100.00%

During the Reporting Period, the Group achieved total delivery of 694 projects, with a delivery amount of RMB221.14 billion.

### CORPORATE SOCIAL RESPONSIBILITY

While maintaining focus on its steady and rapid growth, the Group proactively fulfilled corporate social responsibility and continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, education, environmental protection and others, thus making contributions to the harmony and improvement of the 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 public. Meanwhile, the Group continued to implement "return with no reason required", "delivery of fully decorated properties" to protect home-buyers' interests. As a real estate company that always delivers fully decorated properties, the Group had established strategic cooperation with over 860 domestic and international renowned enterprises. Striving to the cooperation objectives of achieving win-win, fair and transparent procedures, the Group continued to deepen its strategic cooperation with upstream and downstream companies, thus realizing strong and powerful industry chain integration and supporting the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its poverty alleviation plan for 畢節市 (Bijie City), Guizhou Province since December 2015 under the support and encouragement of the National Committee of CPPCC. The Group sent a poverty alleviation team of 2,108 selected persons to work with local government personnel and citizens. By grasping the key link of targeted poverty alleviation on industry poverty alleviation, relocating poverty alleviation and vocational poverty alleviation, the Group was helping more than 1 million people in poverty in Bijie City in achieving complete stable poverty alleviation by 2020. Up to now, the Group has donated RMB7 billion to the poverty alleviation fund, assisting the party committees and governments at Bijie City to help 585,900 people get rid of poverty alleviation at the first stage. Among which, Dafang County and Qianxi County were out of poverty. In addition, the Group also donated RMB750 million to the "2019 Guangdong Poverty Alleviation Day" to help rural revitalization in Lianping County and Heping County, Heyuan City, Guangdong. At the same time, the Group participated in poverty alleviation works in Eastern and Western China, offering help in Xunwu County, Jiangxi and Zhaotong City, Yunnan. Moreover, the Group has donated RMB180 million to the poverty alleviation fund to Taikang County, Zhoukou City, Henan.

Regarding education, in the first half of 2019, the Group donated RMB300 million to Tsinghua University, RMB198 million to Chinese Academy of Sciences and RMB100 million to education fund in Shaanxi. The Group also continued to deepen its cooperation with top institutions around the world, such as Harvard University and Tsinghua University, to encourage the research, application and promotion of green building.

### AWARDS

During the Reporting Period, the Group was on the list of Forbes 100 for the first time, ranked 94th in the list. It was on the list of Top 100 Global Most Valuable Brands for the second consecutive year with ranking ascended to 81st and entered the list of the Top 20 China Most Valuable Brands. The Group was awarded the first place in the "Top 500 China Real Estate Developers", the "Top 100 China Real Estate Developers" and the "Comprehensive Strengths of China Listed Real Estate Companies" for the third consecutive year. It also won 49 awards including Outstanding Contribution Award of China Foundation for Poverty Alleviation, China Charity Award for Real Estate Companies, Annual Model Chinese Real Estate Company on Poverty Alleviation and Gold Cup in the Guangdong Poverty Alleviation Red Cotton Cup etc.





### HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 128,775 employees, of which approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high-quality personnel. In the first half of 2019, the Group entered into contract with a total of approximately 1,700 fresh graduates, including 252 fresh graduates from top 15 colleges and universities such as Tsinghua University and Beijing University. There were 19,755 experts recruited who reported duty.

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. As at 30 June 2019, total staff costs (including directors' emoluments) of the Group were approximately RMB11.51 billion (the corresponding period of 2018: approximately RMB11.43 billion).



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEMES

On 14 October 2009, the Company adopted a share option scheme (the “2009 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 2009 Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

The number of Shares in respect of the options that may be granted according to the 2009 Share Option Scheme shall not exceed 10% of the total number of issued Shares of the Company immediately after completion of the Global Offering (as defined in the prospectus) of the Company. Such scheme mandate limit was refreshed on 3 October 2017, and on 8 June 2018, the shareholders of the Company again resolved to refresh the scheme mandate limit of the 2009 Share Option Scheme to 1,317,838,890 Shares, representing 10% of the total number of shares of the Company in issue on the date of the passing of the resolution to refresh such mandate limit.

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 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.

Other details of the 2009 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, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The Company refreshed the scheme mandate limit at the extraordinary general meeting held on 3 October 2017 and on 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant.

As the 2009 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 6 June 2019 to adopt a new share option scheme (the “Share Option Scheme”) with largely similar terms as that of the 2009 Share Option Scheme. Upon the adoption of the Share Option Scheme on 6 June 2019, the 2009 Share Option Scheme was cancelled. Options that have been granted under the 2009 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.



The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include full-time or part-time employees, directors, members of the management, advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option.

Based on 13,127,834,900 Shares in issue as at the date of the annual general meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 1,312,783,490 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of HK\$1.00 as consideration for the grant thereof is received by the Company within 30 days of the offer date.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

No options have been granted under the Share Option Scheme since its adoption.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The details of movement in the options granted under the 2009 Share Option Scheme for the six months ended 30 June 2019 are as follows:

Grantees	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				Outstanding as at 30 June 2019
				Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	
Xia Haijun	9 October 2014	3.05	Note 2	59,149,000	N/A	N/A	N/A	59,149,000
	6 October 2017	30.20	Note 3	600,000	N/A	N/A	N/A	600,000
He Miaoling	9 October 2014	3.05	Note 2	6,000,000	N/A	N/A	N/A	6,000,000
	6 October 2017	30.20	Note 3	600,000	N/A	N/A	N/A	600,000
Shi Junping	9 October 2014	3.05	Note 2	3,600,000	N/A	N/A	N/A	3,600,000
	6 October 2017	30.20	Note 3	500,000	N/A	N/A	N/A	500,000
Huang Xiangui	9 October 2014	3.05	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
	6 October 2017	30.20	Note 3	300,000	N/A	N/A	N/A	300,000
Pan Darong	6 October 2017	30.20	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
Chau Shing Yim, David	9 October 2014	3.05	Note 2	200,000	N/A	600,000	N/A	200,000
He Qi	9 October 2014	3.05	Note 2	600,000	N/A	N/A	N/A	600,000
Xie Hongxi	9 October 2014	3.05	Note 2	600,000	N/A	N/A	N/A	600,000
Other employees of the Group (in aggregate)	18 May 2010	2.04	Note 1	1,285,000	N/A	503,000	N/A	782,000
	9 October 2014	3.05	Note 2	81,740,000	N/A	9,365,000	2,400,000	69,975,000
	6 October 2017	30.20	Note 3	631,800,000	N/A	61,979,000	61,979,000	569,818,000

Notes:

1. The options granted on 18 May 2010 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 of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2011 to 17 May 2016;
  - (ii) 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 18 May 2012 to 17 May 2017;
  - (iii) 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 18 May 2013 to 17 May 2018;
  - (iv) 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 18 May 2014 to 17 May 2019; and
  - (v) the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 18 May 2015 to 17 May 2020.



2. 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; and
  - (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.
  
3. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK\$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK\$30.75. The options will be exercisable in 5 tranches in the following manners:
  - (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
  - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
  - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
  - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
  - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.
  
4. The expiry date of the Share Option Scheme is 13 October 2019, being the date of not more than 10 years pursuant to Rule 17.03(11) of the Listing Rules.

## SUBSIDIARIES' SHARE OPTION SCHEMES

### Evergrande Health Industry Group Limited

Evergrande Health Industry Group Limited ("Evergrande Health") is a non-wholly owned subsidiary of the Company, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 708).

Evergrande Health adopted a share option scheme on 6 June 2018 (the "Evergrande Health Scheme"). The purpose of the Evergrande Health Scheme is to enable Evergrande Health to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Evergrande Health. Under the Evergrande Health Scheme, the directors of Evergrande Health may, at their discretion, grant options to any full-time or part time employee, any director including non-executive director and independent non-executive director of Evergrande Health and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the board of Evergrande Health, at its absolute discretion, considered had or will have contribution for Evergrande Health and any of its subsidiaries, to subscribe for shares in Evergrande Health representing up to a maximum of 10% of the number of shares of Evergrande Health in issue as at 6 June 2018.

The total number of shares of Evergrande Health that may fall to be issued upon the exercise of the options granted under the Evergrande Health Scheme and any other share option schemes of Evergrande Health to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of Evergrande Health in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1.00 to Evergrande Health by way of consideration for the grant.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

The exercise period of options shall be determined by the board of Evergrande Health at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. The exercise price is determined by Evergrande Health at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Evergrande Health as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the shares of Evergrande Health as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of Evergrande Health.

The Evergrande Health Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018. No share options have been granted by Evergrande Health under the Evergrande Health Scheme since its adoption.

### Hengten Networks Group Limited

Hengten Networks Group Limited (“Hengten Networks”) is a non-wholly owned subsidiary of the Company, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 136).

Hengten Networks adopted a share option scheme on 31 October 2013 (the “Hengten Networks Scheme”). The purpose of the Hengten Networks Scheme is to enable Hengten Networks to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Hengten Networks. Under the Hengten Networks Scheme, the directors of Hengten Networks may, at their discretion, grant options to any full-time or part time employee, any director including non-executive director and independent non-executive director of Hengten Networks and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the board of Hengten Networks, at its absolute discretion, considered had or will have contribution for Hengten Networks and any of its subsidiaries, to subscribe for shares in Hengten Networks. The number of shares which may be issued upon exercise of all share options to be granted under the Hengten Networks Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit under the Hengten Networks Scheme was approved by the then shareholders of Hengten Networks.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of Hengten Networks. Upon acceptance of option, the grantee shall pay HK\$1 to Hengten Networks by way of consideration of the grant.

The exercise period of options shall be determined by the board of Hengten Networks at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. The exercise price is determined by Hengten Networks at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Hengten Networks as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the shares of Hengten Networks as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of Hengten Networks.

The Hengten Networks Scheme shall be valid and effect for a period of 10 years from its adoption. There were no outstanding share options under the Hengten Networks at the end of 2018 and no share options have been granted by Hengten Networks in the six months ended 30 June 2019.

### Evergrande Intelligent Technology Co., Ltd.\* (恒大智慧科技有限公司)

Evergrande Intelligent Technology Co., Ltd. (“EIT”) is a subsidiary of the Company established in the PRC. EIT adopted a share option scheme on 6 June 2019 (the “EIT Scheme”).

The purpose of the EIT Scheme is to enable EIT to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The EIT Scheme will provide the grantees with the opportunity to acquire proprietary interests in EIT and will encourage such grantees to work towards enhancing the value of the company and its shares for the benefit of the Company and the Shareholders as a whole.



5% of the share capital of EIT has been set aside for the EIT Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

The board of directors of EIT may, at its discretion, offer to grant an option to the core management and other personnel of EIT to subscribe for such number of shares in EIT as the board of EIT may determine. The grantee shall not be required to pay any consideration for the acceptance of the option.

The total number of shares of EIT issued and which may fall to be issued upon the exercise of the options granted under the EIT and any other share option schemes of EIT (including both exercised and outstanding options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares of EIT in issue as at the date of grant.

Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in EIT under the EIT Scheme shall be such price as the board of directors of EIT in its absolute discretion shall determine.

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the EIT Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 5 years from that date.

The period during which an option may be exercised will be determined by the board of directors of EIT in its absolute discretion, save that no option may be exercised more than 5 years after it has been granted.

The EIT Scheme shall be valid and effect for a period of 5 years commencing on 6 June 2019. No share options have been granted by under the EIT Scheme since its adoption.

### **Evergrande Intelligent Charging Technology Co., Ltd.\* (恒大智慧充電科技有限公司)**

Evergrande Intelligent Charging Technology Co., Ltd. (“EICT”) is a subsidiary of the Company established in the PRC. EICT adopted a share option scheme on 6 June 2019 (the “EICT Scheme”).

The purpose of the EICT Scheme is to enable EICT to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The EICT Scheme will provide the grantees with the opportunity to acquire proprietary interests in EICT and will encourage such grantees to work towards enhancing the value of the company and its shares for the benefit of the Company and the Shareholders as a whole.

5% of the share capital of EICT has been set aside for the EICT Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

The board of directors of EICT may, at its discretion, offer to grant an option to the core management and other personnel of EICT to subscribe for such number of shares in EICT as the board of EICT may determine. The grantee shall not be required to pay any consideration for the acceptance of the option.

The total number of shares of EICT issued and which may fall to be issued upon the exercise of the options granted under the EICT and any other share option schemes of EICT (including both exercised and outstanding options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares of EICT in issue as at the date of grant.

Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in EICT under the EICT Scheme shall be such price as the board of directors of EICT in its absolute discretion shall determine.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the EICT Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 5 years from that date.

The period during which an option may be exercised will be determined by the board of directors of EICT in its absolute discretion, save that no option may be exercised more than 5 years after it has been granted.

The EICT Scheme shall be valid and effect for a period of 5 years commencing on 6 June 2019. No share options have been granted by under the EICT Scheme since its adoption.

### DEBENTURE

For the six months ended 30 June 2019, 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 2019, 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)	77.41%
Chau Shing Yim, David	Beneficial owner	800,000 (L)	0.00%

Note:

- (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 Mr. Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company indirectly wholly owned by Mr. Hui Ka Yan's spouse, Ms. Ding Yumei ("Mrs Hui"). The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Mr. Hui Ka Yan pursuant to the SFO.



**(ii) Interest in the underlying shares of the Company**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares outstanding involved in the options granted under the Share Option Scheme</b>	<b>Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme</b>
Xia Haijun	Beneficial owner	59,749,000	0.45%
He Miaoling	Beneficial owner	6,600,000	0.05%
Shi Junping	Beneficial owner	4,100,000	0.03%
Huang Xiangui	Beneficial owner	3,300,000	0.03%
Pan Darong	Beneficial owner	3,000,000	0.02%
Chau Shing Yim, David	Beneficial owner	200,000	0.00%
He Qi	Beneficial owner	600,000	0.00%
Xie Hongxi	Beneficial owner	600,000	0.00%

**(iii) Interest in associated corporations of the Company**

<b>Name of Director</b>	<b>Nature of associated corporation</b>	<b>Number of securities</b>	<b>Approximate percentage of shareholding</b>
Hui Ka Yan	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited (Note)	1 share	100%
Huang Xiangui	Evergrande Health Industry Group Ltd.	360,000 shares	0.01%

Note: Pursuant to the SFO, Even Honour Holdings Limited is indirectly wholly owned by the spouse of Mr. Hui Ka Yan and is deemed to be an associated corporation of the Company.

**(iv) Interest in debentures of the Company**

<b>Name of Director</b>	<b>Currency of debentures</b>	<b>Amount of debenture held</b>	<b>Amount of debentures in same class in issue</b>
Xia Haijun	US\$	38,000,000	2,300,000,000
Xia Haijun	US\$	50,000,000	1,565,000,000

Save as disclosed above, as at 30 June 2019, 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 2019, 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 held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled corporation	10,162,119,735(L) (Note 1)	77.41%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	71.38%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	6.03%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	6.03%
Chan Hoi Wan	Interest in controlled corporation, beneficial owner and trustee	1,173,383,000 (Note 4)	8.94%
Lau Luen Hung	Interest of spouse and interest of children under 18 years of age	1,173,383,000 (Note 5)	8.94%
Chinese Estates Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.54%
Sino Omen Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.53%
Solar Bright Ltd.	Interest in controlled corporation	857,541,000 (Note 6)	6.53%

Notes:

- Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Mrs Hui, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company indirectly wholly owned by Dr. Hui Ka Yan, the spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Mrs Hui pursuant to the SFO.
- Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.
- Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Mrs. Hui.
- Ms. Chan Hoi Wan beneficially owns 315,842,000 shares and is the trustee for 857,541,000 shares for her children under 18. The 857,541,000 shares that are held on trust are held through a series of companies wholly owned by Chinese Estates Holdings Limited, a company which is 50.02% owned by Solar Bright Limited. Solar Bright Limited is a wholly-owned subsidiary of Sino Omen Holdings Limited, a company wholly-owned by Ms. Chan Hoi Wan.
- Mr. Lau Luen Hung is the spouse of Ms. Chan Hoi Wan, and his interests in the Company are the interest of his spouse and interests of his children under 18.
- Chinese Estates Holdings Limited is 50.02% held by Solar Bright Limited, which is a wholly-owned subsidiary of Sino Omen Holdings Limited. Sino Omen Holdings Limited is a company wholly-owned by Ms. Chan Hoi Wan.



### **MATERIAL ACQUISITIONS AND DISPOSALS**

On 20 June 2019, Evergrande Group (Nan Chang) Co., Ltd. (“Evergrande Nan Chang”), a wholly-owned subsidiary of the Company entered into a subscription agreement with Shengjing Bank Co., Ltd. (“Shengjing Bank”), pursuant to which Evergrande Nan Chang conditionally agreed to subscribe for 2,200,000,000 domestic shares of Shengjing Bank at RMB6.00 per share (the “Subscription”). The Subscription has not been completed as at 30 June 2019.

### **INTERIM DIVIDEND**

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

### **PURCHASE, SALE OR REDEMPTION OF THE GROUP’S LISTED SECURITIES**

On 25 January 2019, the Company issued (1) additional US\$1,100 million 7.0% senior notes due 2020 (which were consolidated and form a single series with the US\$500 million 7.0% senior notes due 2020 issued by the Company on 23 March 2017); (2) additional US\$875 million 6.25% senior notes due 2021 (which were consolidated and form a single series with the US\$598 million 6.25% senior notes due 2021 issued by the Company on 28 June 2017); and (3) additional US\$1,025 million 8.25% senior notes due 2022 (which were consolidated and form a single series with the US\$1,000 million 8.25% senior notes due 2022 issued by the Company on 23 March 2017).

On 6 March 2019, Scenery Journey Limited, a subsidiary of the Company, issued US\$600 million 9% senior notes due 2021.

On 11 April 2019, the Company issued (i) US\$1,250 million 9.5% senior notes due 2022 (the “2022 9.5% Notes”), (ii) US\$450 million 10.0% senior notes due 2023 (the “2023 10.0% Notes”), and (iii) US\$300 million 10.5% senior notes due 2024 (the “2024 10.5% Notes”).

On 18 April 2019, the Company issued (a) additional US\$200 million 9.5% senior notes due 2022 (which were consolidated and form a single series with the 2022 9.5% Notes); (b) additional US\$400 million 10.0% senior notes due 2023 (which were consolidated and form a single series with the 2023 10.0% Notes); and (c) additional US\$400 million 10.5% senior notes due 2024 (which were consolidated and form a single series with the 2024 10.5% Notes).

All of the notes issued 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 2019.

### **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 2019 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 6 June 2019 due to his other business commitment, Mr. Huang Xiangui, 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 2019 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 2019, and discussed with the Company’s management regarding review, internal control and other relevant matters.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 (Unaudited) RMB million	31 December 2018 (Audited) RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	52,109	40,794
Right-of-use assets	8	11,966	—
Land use rights	8	—	9,466
Investment properties	8	161,602	162,322
Goodwill	8	7,771	1,595
Intangible assets	8	7,293	424
Trade and other receivables	11	8,925	6,029
Prepayments	12	1,943	1,677
Investments accounted for using the equity method	13	68,267	67,046
Financial assets at fair value through other comprehensive income	14	1,675	1,570
Financial assets at fair value through profit or loss	15	8,596	8,965
Deferred income tax assets		4,576	4,389
		<b>334,723</b>	304,277
<b>Current assets</b>			
Inventories		565	—
Properties under development	9	1,054,522	971,802
Completed properties held for sale	10	130,273	121,971
Trade and other receivables	11	137,668	123,141
Contract acquisition costs		2,993	3,587
Prepayments	12	137,785	138,752
Income tax recoverable		11,475	11,116
Financial assets at fair value through profit or loss	15	518	1,173
Restricted cash	16	81,185	74,845
Cash and cash equivalents	17	206,833	129,364
		<b>1,763,817</b>	1,575,751
<b>Total assets</b>		<b>2,098,540</b>	1,880,028

## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 (Unaudited) RMB million	31 December 2018 (Audited) RMB million
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital and premium	18	1,238	1,205
Other reserves	19	66,637	65,998
Retained earnings		78,293	65,792
		<b>146,168</b>	132,995
Non-controlling interests		<b>199,125</b>	175,631
<b>Total equity</b>		<b>345,293</b>	308,626
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	437,326	354,857
Lease liabilities		883	—
Derivative financial liabilities	21	5,502	5,647
Other payables	22	3,681	1,543
Deferred income tax liabilities		49,180	49,899
		<b>496,572</b>	411,946
<b>Current liabilities</b>			
Borrowings	20	375,845	318,285
Lease liabilities		797	—
Trade and other payables	22	641,146	554,313
Contract liabilities		120,534	185,586
Current income tax liabilities		118,353	101,272
		<b>1,256,675</b>	1,159,456
<b>Total liabilities</b>		<b>1,753,247</b>	1,571,402
<b>Total equity and liabilities</b>		<b>2,098,540</b>	1,880,028

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

**Hui Ka Yan**  
Director

**Pan Da Rong**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2019 (Unaudited) RMB million	2018 (Unaudited) RMB million
Revenue	7	226,976	300,348
Cost of sales	25	(149,720)	(191,489)
<b>Gross profit</b>		<b>77,256</b>	108,859
Fair value gains on investment properties	8	1,004	1,347
Other income	23	3,408	4,395
Other (losses)/gains, net	24	(399)	2,471
Selling and marketing costs	25	(10,145)	(9,334)
Administrative expenses	25	(8,907)	(6,458)
Impairment losses on financial assets		(23)	(135)
Other operating expenses	25	(1,574)	(3,562)
<b>Operating profit</b>		<b>60,620</b>	97,583
Share of (losses)/profit of investments accounted for using the equity method	13	(297)	1,051
Fair value losses on financial assets at fair value through profit or loss	15	(557)	(428)
Fair value gains on derivative financial liabilities	21	145	1,203
Finance costs, net	26	(8,955)	(6,219)
<b>Profit before income tax</b>		<b>50,956</b>	93,190
Income tax expenses	27	(23,899)	(40,164)
<b>Profit for the period</b>		<b>27,057</b>	53,026
<b>Other comprehensive income</b> <i>(Item that may be reclassified to profit or loss)</i>			
Share of other comprehensive income of investments accounted for using the equity method		(71)	78
Currency translation differences		33	184
<i>(Item that may not be reclassified to profit or loss)</i>			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		78	(354)
<b>Other comprehensive losses for the period, net of tax</b>		<b>40</b>	(92)
<b>Total comprehensive income for the period</b>		<b>27,097</b>	52,934

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2019 (Unaudited) RMB million	2018 (Unaudited) RMB million
<b>Profit attributable to:</b>			
Shareholders of the Company		14,915	30,805
Non-controlling interests		12,142	22,221
		<b>27,057</b>	53,026
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		14,945	30,777
Non-controlling interests		12,152	22,157
		<b>27,097</b>	52,934
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	28	1.136	2.338
— Diluted earnings per share	28	1.125	2.202

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Sub-total RMB million		
<b>Unaudited:</b>							
<b>Balance as at 1 January 2019</b>	924	281	65,998	65,792	132,995	175,631	308,626
<b>Comprehensive income</b>							
Profit for the period	—	—	—	14,915	14,915	12,142	27,057
Other comprehensive losses							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	28	—	28	50	78
Share of other comprehensive income of investments accounted for using the equity method	—	—	(71)	—	(71)	—	(71)
Currency translation differences	—	—	73	—	73	(40)	33
<b>Total comprehensive income</b>	—	—	30	14,915	14,945	12,152	27,097
<b>Transactions with owners:</b>							
Transfer to statutory reserves	—	—	2,414	(2,414)	—	—	—
Issuance of ordinary shares pursuant to share option scheme	1	32	(7)	—	26	—	26
Employee share option schemes	—	—	256	—	256	109	365
Dividends	—	—	—	—	—	(481)	(481)
Capital injection from non-controlling interests (note 33(i))	—	—	—	—	—	22,621	22,621
Changes in ownership interest in subsidiaries without change of control (note 33(iii))	—	—	(2,054)	—	(2,054)	(14,278)	(16,332)
Acquisition of subsidiaries (note 33(ii))	—	—	—	—	—	76	76
Non-controlling interests arising on business combination (note 33)	—	—	—	—	—	3,306	3,306
Disposal of subsidiaries (note 33)	—	—	—	—	—	(11)	(11)
<b>Total transactions with owners</b>	1	32	609	(2,414)	(1,772)	11,342	9,570
<b>Balance as at 30 June 2019</b>	925	313	66,637	78,293	146,168	199,125	345,293

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Sub-total RMB million		
<b>Unaudited:</b>							
<b>Balance as at 31 December 2017</b>	928	342	57,292	56,210	114,772	127,436	242,208
Change in accounting policy	—	—	82	(616)	(534)	(229)	(763)
<b>Restated balance as at 1 January 2018</b>	928	342	57,374	55,594	114,238	127,207	241,445
<b>Comprehensive income</b>							
Profit for the period	—	—	—	30,805	30,805	22,221	53,026
<b>Other comprehensive losses</b>							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(222)	—	(222)	(132)	(354)
Share of other comprehensive income of investments accounted for using the equity method	—	—	78	—	78	—	78
Currency translation differences	—	—	116	—	116	68	184
<b>Total comprehensive income</b>	—	—	(28)	30,805	30,777	22,157	52,934
<b>Transactions with owners:</b>							
Transfer to statutory reserves	—	—	31	(31)	—	—	—
Issuance of ordinary shares pursuant to share option scheme	1	41	(9)	—	33	—	33
Employee share option schemes	—	—	1,047	—	1,047	294	1,341
Capital injection from non-controlling interests	—	—	—	—	—	29,074	29,074
Changes in ownership interest in subsidiaries without change of control	—	—	(328)	—	(328)	(700)	(1,028)
Acquisition of subsidiaries	—	—	—	—	—	1,035	1,035
Non-controlling interests arising on business combination	—	—	—	—	—	10	10
Disposal of subsidiaries	—	—	—	—	—	(318)	(318)
<b>Total transactions with owners</b>	1	41	741	(31)	752	29,395	30,147
<b>Balance as at 30 June 2018</b>	929	383	58,087	86,368	145,767	178,759	324,526

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

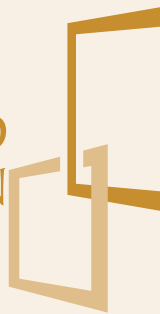
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB million</b>	RMB million
<b>Cash flows of operating activities</b>		
Net cash (used in)/generate from operations	<b>(4,386)</b>	62,374
Tax paid	<b>(10,256)</b>	(16,424)
Interest paid	<b>(30,980)</b>	(27,637)
<b>Net cash (used in)/generated from operating activities</b>	<b>(45,622)</b>	18,313
<b>Cash flows of investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	<b>(10,062)</b>	(6,825)
Purchases of property, plant and equipment, investment properties, right-of-use assets, land use rights and intangible assets	<b>(4,422)</b>	(8,367)
Proceeds from disposal of property, plant and equipment and investment properties	<b>2,275</b>	1,386
Proceeds from governments grant for construction	<b>1,325</b>	—
Investments in associates	<b>(3)</b>	—
Proceeds from disposal of joint ventures and associates	<b>3</b>	26
Investments in joint ventures	<b>(2,525)</b>	(10,516)
Net proceeds from disposal of subsidiaries	<b>92</b>	1,564
Purchase of financial assets at fair value through other comprehensive income	<b>—</b>	(24,981)
Proceeds from disposal of financial assets at fair value through other comprehensive income	<b>—</b>	27,259
Dividend received	<b>102</b>	—
Purchase of financial assets at fair value through profit or loss	<b>(3,737)</b>	(14)
Proceeds from disposal of financial assets at fair value through profit or loss	<b>4,269</b>	1,073
Cash advances to joint ventures	<b>(9,656)</b>	(11,411)
Repayments from joint ventures	<b>9,651</b>	3,035
Cash advance to non-controlling interests	<b>(4,585)</b>	(755)
Repayment from non-controlling interests	<b>3,518</b>	—
Repayments from associates	<b>—</b>	20
Prepayments for acquisition of subsidiaries	<b>(45)</b>	(2,783)
Interest received	<b>2,112</b>	2,732
<b>Net cash used in investing activities</b>	<b>(11,688)</b>	(28,557)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB million</b>	RMB million
<b>Cash flows from financing activities</b>		
Proceeds from bank and other borrowings	<b>226,706</b>	175,509
Repayments of bank and other borrowings and perpetual capital instruments	<b>(160,616)</b>	(237,365)
Proceeds from senior notes	<b>47,049</b>	—
Proceeds from convertible bonds	—	14,385
Proceeds from PRC corporate bonds	<b>19,937</b>	—
Repayment to unit holders of consolidated investment entities	<b>(697)</b>	—
Issuance of ordinary shares pursuant to share option scheme	<b>26</b>	33
Dividend paid to non-controlling interests	<b>(441)</b>	—
Acquisition of equity interest in subsidiaries from non-controlling interests	<b>(16,332)</b>	(1,028)
Capital injection from non-controlling interests	<b>22,621</b>	29,074
Cash advances from joint ventures	<b>16,155</b>	6,611
Repayments to joint ventures	<b>(4,029)</b>	(485)
Repayments to associates	<b>585</b>	—
Cash advances from non-controlling interests	<b>2,516</b>	1,401
Repayments to non-controlling interests	<b>(2,528)</b>	(2,488)
Restricted cash pledged for bank borrowings	<b>(15,779)</b>	28,625
Restricted cash pledged for other borrowings	<b>(249)</b>	219
Principal elements of lease payments	<b>(207)</b>	—
<b>Net cash generated from financing activities</b>	<b>134,717</b>	14,491
<b>Net decrease in cash and cash equivalents</b>	<b>77,407</b>	4,247
Cash and cash equivalents at beginning of period	<b>129,364</b>	152,008
Exchange gain on cash and cash equivalents	<b>62</b>	299
<b>Cash and cash equivalents at end of period</b>	<b>206,833</b>	156,554

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 1. GENERAL INFORMATION

China Evergrande Group (the “Company”), was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 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, new energy vehicle business, 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 condensed consolidated interim financial information is presented in millions of Renminbi Yuan (“RMB”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 28 August 2019.

This condensed consolidated interim financial information has not been audited.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018, as described in those annual financial statements.

### (i) New standards and amendments to standards adopted by the Group as at 1 January 2019

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 January 2019 for the Group:

HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

Save for the impact of adoption of HKFRS 16 disclosed in note 4, the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. ACCOUNTING POLICIES (Continued)

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

HKAS 1 and HKAS 8 (Amendment)	Definition of material <sup>1</sup>
HKFRS 3 (Amendment)	Definition of a business <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>

1 Effective for periods beginning on or after 1 January 2020.

2 Effective for periods beginning on or after 1 January 2021.

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. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

### (iii) Accounting policies adopted for the new energy vehicle business

#### (a) Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives of 10 years.

- Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their useful lives of 5 to 18 years.

- Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.



### 3. ACCOUNTING POLICIES (Continued)

#### (iii) Accounting policies adopted for the new energy vehicle business (Continued)

##### (b) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

Government grants relating to property, plant and equipment and intangible assets are charged against carrying amount of related assets or recognised as deferred income. If it is recognised as deferred income, it will credit to the relevant assets when it is ready for use and included in profit or loss over the useful life of related assets.

### 4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(b) below.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the reporting period of 2018. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### (a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	2019 RMB million
Operating lease commitments disclosed as at 31 December 2018	2,391
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,272
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(461)
Lease liability recognised as at 1 January 2019	1,811
Of which are:	
Current lease liabilities	712
Non-current lease liabilities	1,099
	1,811

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. CHANGES IN ACCOUNTING POLICIES (Continued)

### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land used rights are reclassified to right-of-use assets as of 1 January 2019.

The recognised right-of-use assets mainly relate to properties and land use rights.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

At 1 January 2019	Land used rights RMB million	Right-of-use assets RMB million	Lease liabilities RMB million
Opening balance	9,466	—	—
Reclassify from land use rights to right-of-use assets	(9,466)	9,466	—
Recognised lease liabilities and right-of-use assets	—	1,811	1,811
Opening balance — HKFRS 16	—	11,277	1,811

No significant impact on the Group's net profit after tax for the six months ending 30 June 2019 as a result of adoption of HKFRS 16.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.





#### 4. CHANGES IN ACCOUNTING POLICIES (Continued)

##### (b) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices for both short-term and long-term contracts. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets consist of properties and land use rights.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. ESTIMATES

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 2018.

## 6. 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.

### (b) Foreign exchange 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 2019, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Monetary assets		
– HK\$	<b>8,834</b>	5,145
– US\$	<b>15,652</b>	17,819
– EUR\$	<b>12</b>	14
– Others	<b>371</b>	344
	<b>24,869</b>	23,322
Monetary liabilities		
– HK\$	<b>36,975</b>	37,219
– US\$	<b>170,062</b>	112,175
	<b>207,037</b>	149,394

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Foreign exchange risk (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:

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
2% appreciation in RMB against HK\$	<b>422</b>	481
2% depreciation in RMB against HK\$	<b>(422)</b>	(481)
2% appreciation in RMB against US\$	<b>2,316</b>	1,415
2% depreciation in RMB against US\$	<b>(2,316)</b>	(1,415)

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2018.

### (c) 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 2019, the Group's total borrowings stood at RMB813,171 million which increased by RMB140,029 million during the period, and its gearing ratio reached 38.75% (total borrowings divided by total assets).

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 2019 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (d) 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).

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

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
<b>At 30 June 2019</b>				
<b>Current Assets</b>				
financial assets at fair value through other comprehensive income ("FVOCI")	823	—	852	1,675
financial assets at fair value through profit or loss ("FVPL")	417	—	8,697	9,114
<b>Total assets</b>	<b>1,240</b>	<b>—</b>	<b>9,549</b>	<b>10,789</b>
<b>Liabilities</b>				
Financial derivative liabilities	—	2,336	3,166	5,502
<b>At 31 December 2018</b>				
<b>Assets</b>				
FVOCI	633	—	937	1,570
FVPL	1,173	—	8,965	10,138
<b>Total assets</b>	<b>1,806</b>	<b>—</b>	<b>9,902</b>	<b>11,708</b>
<b>Liabilities</b>				
Financial derivative liabilities	—	2,807	2,840	5,647

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Fair value estimation (Continued)

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

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

	<b>30 June 2019</b>	31 December 2018
Senior notes — public traded	<b>122,204</b>	71,879
PRC bonds — public traded	<b>40,504</b>	20,174
Convertible bonds — public traded	<b>12,464</b>	10,572
	<b>175,172</b>	102,625

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, public PRC bonds and convertible bonds
- Trade and other payables

## 7. 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 new energy vehicle business, hotel operations, finance business, internet business, health industry business and investment 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 FVPL, gain on derivative financial liabilities, gain on disposal of FVOCI 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

## 7. 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 2019 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	221,138	1,012	3,274	14,925	240,349
Inter-segment revenue	—	(191)	(952)	(12,230)	(13,373)
Revenue	221,138	821	2,322	2,695	226,976
Revenue from contracts with customers					
— Recognised at a point in time	221,138	—	—	1,211	222,349
— Recognised over time	—	—	2,322	1,484	3,806
Revenue from other sources: rental income	—	821	—	—	821
Share of post-tax profits of associates	71	—	—	519	590
Share of post-tax losses of joint ventures	(224)	—	—	(663)	(887)
Segment results	60,128	1,813	364	(1,982)	60,323
Loss on FVPL					(557)
Gain on derivative financial liabilities					145
Finance costs, net					(8,955)
Profit before income tax					50,956
Income tax expenses					(23,899)
Profit for the period					27,057
Depreciation and amortisation	985	—	8	915	1,908
Fair value gains on investment properties	—	1,004	—	—	1,004

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



### 7. 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 2018 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	294,760	603	2,514	15,466	313,343
Inter-segment revenue	—	(138)	(644)	(12,213)	(12,995)
Revenue	294,760	465	1,870	3,253	300,348
Revenue from contracts with customers					
— Recognised at a point in time	294,760	—	—	1,907	296,667
— Recognised over time	—	—	1,870	1,346	3,216
Revenue from other sources: rental income	—	465	—	—	465
Share of post-tax profits of associates	77	—	—	554	631
Share of post-tax (losses)/profits of joint ventures	(204)	—	—	624	420
Segment results	94,822	1,699	372	1,722	98,615
Loss on FVPL					(428)
Gain on derivative financial liabilities					1,203
Gain on disposal of FVOCI					19
Finance costs, net					(6,219)
Profit before income tax					93,190
Income tax expenses					(40,164)
Profit for the period					53,026
Depreciation and amortisation	557	—	7	683	1,247
Fair value gains on investment properties	—	1,347	—	—	1,347

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. SEGMENT INFORMATION (Continued)

Segment assets as at 30 June 2019 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	1,766,705	161,602	2,840	140,553	2,071,700
Unallocated assets					26,840
Total assets					2,098,540

Segment assets include:

Interest in associates	2,331	—	—	29,833	32,164
Interest in joint ventures	14,080	—	—	22,023	36,103

Segment assets as at 31 December 2018 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	1,602,712	162,322	2,868	84,913	1,852,815
Unallocated assets					27,213
Total assets					1,880,028

Segment assets include:

Interest in associates	2,256	—	—	29,447	31,703
Interest in joint ventures	14,816	—	—	20,527	35,343

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, right-of-use assets, land use rights, investment properties, goodwill, intangible assets, investments accounted for using equity method, inventories, properties under development, completed properties held for sale, trade and other receivables, contract acquisition costs, prepayments and cash balances. They exclude deferred income tax assets, income tax recoverable, FVOCI, and FVPL.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, LAND USE RIGHTS, INVESTMENT PROPERTIES, GOODWILL AND INTANGIBLE ASSETS

	Property, plant and equipment	Right-of- use assets	Land use rights	Investment properties	Goodwill	Intangible assets	Total
	RMB million	RMB million	RMB million	RMB million (note (i))	RMB million	RMB million (note (ii))	RMB million
<b>Six months ended 30 June 2019</b>							
Opening net book amount as at 1 January 2019	40,794	—	9,466	162,322	1,595	424	214,601
Adjustment for change in accounting policy (note 4(a))	—	11,277	(9,466)	—	—	—	1,811
Additions	7,244	408	—	341	—	139	8,132
Business combination (note 34)	5,301	781	—	—	6,176	7,035	19,293
Disposals	(17)	(22)	—	(2,124)	—	(93)	(2,256)
Fair value gains on investment properties	—	—	—	1,004	—	—	1,004
Depreciation and amortisation charge	(1,273)	(478)	—	—	—	(157)	(1,908)
Exchange difference	60	—	—	59	—	(55)	64
Closing net book amount as at 30 June 2019	52,109	11,966	—	161,602	7,771	7,293	240,741
<b>Six months ended 30 June 2018</b>							
Opening net book amount as at 1 January 2018	32,898	—	7,935	151,950	1,402	253	194,438
Additions	4,400	—	270	6,968	—	34	11,672
Business combination	6	—	—	37	193	14	250
Disposals	(386)	—	—	(1,888)	—	(3)	(2,277)
Fair value gains on investment properties	—	—	—	1,347	—	—	1,347
Depreciation and amortisation charge	(1,102)	—	(122)	—	—	(23)	(1,247)
Exchange difference	—	—	—	168	—	—	168
Closing net book amount as at 30 June 2018	35,816	—	8,083	158,582	1,595	275	204,351

(i) The Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 30 June 2019 has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

(ii) The additions of intangible assets mainly represent for research and development costs and patent, proprietary technology and franchise right from business combination (note 34).

**8. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, LAND USE RIGHTS, INVESTMENT PROPERTIES, GOODWILL AND INTANGIBLE ASSETS (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 2019.

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



## 9. PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Properties under development expected to be completed within normal operating cycle included under current assets	<b>1,054,522</b>	971,802
Properties under development comprise:		
– Construction costs and capitalised expenditures	<b>418,510</b>	369,218
– Interest capitalised	<b>112,276</b>	104,341
– Land use rights	<b>523,736</b>	498,243
	<b>1,054,552</b>	971,802

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 2019 is 8.49% (for the six months ended 30 June 2018: 7.92%).

## 10. COMPLETED PROPERTIES HELD FOR SALE

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Trade receivables (a)	<b>56,307</b>	37,239
Other receivables (b)	<b>90,286</b>	91,931
	<b>146,593</b>	129,170
Less: non-current portion of trade receivables and other receivables	<b>(8,925)</b>	(6,029)
Current portion	<b>137,668</b>	123,141

### (a) Trade receivables

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Trade receivables	<b>56,423</b>	37,413
Less: allowance provision for impairment	<b>(116)</b>	(174)
Trade receivables — net	<b>56,307</b>	37,239
Less: non-current portion	<b>(8,925)</b>	(4,722)
Current portion	<b>47,382</b>	32,517

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:

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Within 90 days	<b>35,214</b>	22,339
Over 90 days and within 180 days	<b>4,251</b>	3,023
Over 180 days and within 365 days	<b>8,389</b>	4,193
Over 365 days	<b>8,569</b>	7,858
	<b>56,423</b>	37,413

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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 11. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Other receivables

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Other receivables	<b>91,904</b>	93,469
Less: allowance provision for impairment	<b>(1,618)</b>	(1,538)
Other receivables — net	<b>90,286</b>	91,931
Less: non-current portion	—	(1,307)
Other receivables — net	<b>90,286</b>	90,624

The amounts of other receivables mainly represented the receivables from joint ventures, non-controlling interests, deposits for acquisition of land use right, construction projects and borrowings, and loans to certain third parties which were facilitated through the internet finance platform.

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

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

As at 30 June 2019 and 31 December 2018, the fair value of trade and other receivables approximated their carrying amounts.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. PREPAYMENTS

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Prepaid value added taxes and other taxes	<b>14,335</b>	13,436
Prepayments and advances to third parties	<b>125,393</b>	126,993
— for acquisition of land use rights	<b>95,983</b>	97,556
— for acquisition of subsidiaries	<b>25,416</b>	25,371
— others	<b>3,994</b>	4,066
	<b>139,728</b>	140,429
Less: non-current portion		
— prepayment for acquisition of property, plant and equipment	<b>(1,943)</b>	(1,677)
	<b>137,785</b>	138,752

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Associates	<b>32,164</b>	31,703
Joint ventures	<b>36,103</b>	35,343
	<b>68,267</b>	67,046

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	<b>Six months ended 30 June</b>	
	<b>2019 RMB million</b>	2018 RMB million
Share of profits of associates	<b>590</b>	631
Share of (losses)/profit of joint ventures	<b>(887)</b>	420
	<b>(297)</b>	1,051

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### Interests in associates

The movements of the interests in associates are as follows:

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
Balance as at 1 January	31,703	13,372
Additions	34	1,000
Disposals	—	(3)
Dividend declared	(163)	—
Share of post-tax profit of associates	590	631
Balance as at 30 June	32,164	15,000

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

### Interests in joint ventures

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

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
Balance as at 1 January	35,343	17,004
Additions	2,572	12,857
Disposals	(795)	(23)
Dividend declared	(59)	—
Share of post-tax (losses)/profit of joint ventures	(887)	420
Other comprehensive (loss)/income	(71)	78
Balance as at 30 June	36,103	30,336

The additions during the period mainly included the investments in a number of property development companies newly established.

As at 30 June 2019, the Group provided financial guarantees for certain borrowings of joint ventures and an associate amounting to RMB24,650 million (31 December 2018: RMB19,052 million).

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
Balance as at 1 January	1,570	—
Reclassified from AFS	—	5,786
Additions	—	24,981
Disposals	—	(28,240)
Net gains/(losses) recognised in equity	105	(471)
Balance as at 30 June	1,675	2,056

As at 30 June 2019 and 31 December 2018, the balances of FVOCI include the following:

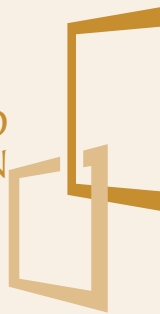
	30 June 2019 RMB million	31 December 2018 RMB million
Listed equity securities	823	633
Unlisted equity investments	852	937
	1,675	1,570

As at 30 June 2019, FVOCI are denominated in US\$ and RMB.

There were no impairment provisions on FVOCI made during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
Balance as at 1 January	10,138	3,150
Reclassified from AFS	—	279
Additions	3,737	14
Business combination (note 34)	65	—
Fair value losses	(557)	(428)
Disposals	(4,269)	(1,073)
Balance as at 30 June	9,114	1,942
Less: non-current portion	(8,596)	—
	<b>518</b>	1,942

As at 30 June 2019 and 31 December 2018, the balances of FVPL include the following:

	30 June 2019 RMB million	31 December 2018 RMB million
	Listed equity securities	417
Unlisted equity investments	8,697	8,965
	<b>9,114</b>	10,138
Less: non-current portion	(8,596)	(8,965)
	<b>518</b>	1,173

As at 30 June 2019 and 31 December 2018, the listed equity securities of FVPL represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange Limited and the Stock Exchange, which are quoted in an active market.

As at 30 June 2019 and 31 December 2018, the unlisted equity investments of FVPL represented the Group's equity investment in certain high technology and media companies, and the fair value of these investments has been determined by reference to the valuation carried out by independent and professionally qualified valuers.

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

## 16. RESTRICTED CASH

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Denominated in RMB	<b>81,181</b>	74,326
Denominated in other currencies	<b>4</b>	519
	<b>81,185</b>	74,845

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 2019, the Group's restricted cash mainly comprised guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

## 17. CASH AND CASH EQUIVALENTS

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Cash at bank and in hand:		
– Denominated in RMB	<b>189,417</b>	119,258
– Denominated in other currencies	<b>17,416</b>	10,106
	<b>206,833</b>	129,364

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



## 18. 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
<b>Six months ended 30 June 2019</b>					
Balance as at 1 January 2019	13,118,063,900	131,180,639	924	281	1,205
Issuance of ordinary shares pursuant to share option scheme	9,871,000	98,710	1	32	33
Balance as at 30 June 2019	13,127,934,900	131,279,349	925	313	1,238
<b>Six months ended 30 June 2018</b>					
Balance as at 1 January 2018	13,168,259,900	131,682,599	928	342	1,270
Issuance of ordinary shares pursuant to share option scheme	13,379,000	133,790	1	41	42
Balance as at 30 June 2018	13,181,638,900	131,816,389	929	383	1,312



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19. 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
<b>Six months ended 30 June 2019</b>							
<b>Balance at 1 January 2019</b>	<b>(986)</b>	<b>41,921</b>	<b>21,658</b>	<b>2,502</b>	<b>304</b>	<b>599</b>	<b>65,998</b>
Change in fair value of FVOCI	—	28	—	—	—	—	28
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(7)	—	—	(7)
Share of other comprehensive income of investments accounted for using the equity method	—	(71)	—	—	—	—	(71)
Currency translation differences	—	—	—	—	—	73	73
Transfer to statutory reserves	—	—	2,414	—	—	—	2,414
Employee share option schemes (note (c))	—	—	—	256	—	—	256
Changes in ownership interest in subsidiaries without change of control	—	(2,054)	—	—	—	—	(2,054)
Balance at 30 June 2019	<b>(986)</b>	<b>39,824</b>	<b>24,072</b>	<b>2,751</b>	<b>304</b>	<b>672</b>	<b>66,637</b>
<b>Six months ended 30 June 2018</b>							
<b>Balance as at 31 December 2017</b>	(986)	44,989	11,763	899	293	334	57,292
Change in accounting policy	—	82	—	—	—	—	82
<b>Restated balance at 1 January 2018</b>	(986)	45,071	11,763	899	293	334	57,374
Change in fair value of FVOCI	—	(222)	—	—	—	—	(222)
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(9)	—	—	(9)
Share of other comprehensive income of investments accounted for using the equity method	—	78	—	—	—	—	78
Currency translation differences	—	—	—	—	—	116	116
Transfer to statutory reserves	—	—	31	—	—	—	31
Employee share option schemes	—	—	—	1,047	—	—	1,047
Changes in ownership interest in subsidiaries without change of control	—	(328)	—	—	—	—	(328)
Balance at 30 June 2018	(986)	44,599	11,794	1,937	293	450	58,087

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 19. 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.

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK\$30.2 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
<b>Six months ended 30 June 2019</b>	
Balance at 1 January 2019	792,974,000
Exercised during the period	(9,871,000)
Cancelled during the period	(63,179,000)
Lapsed during the period	(1,200,000)
Balance at 30 June 2019	718,724,000
<b>Six months ended 30 June 2018</b>	
Balance at 1 January 2018	986,736,000
Exercised during the period	(13,379,000)
Lapsed during the period	(50,450,000)
Balance at 30 June 2018	922,907,000

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. BORROWINGS

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Borrowings included in non-current liabilities:		
Senior notes (note (a))	<b>128,511</b>	79,912
PRC corporate bonds (note (b))	<b>63,664</b>	43,666
Convertible bonds (note (c))	<b>12,829</b>	12,704
Bank and other borrowings (note (d))	<b>451,341</b>	420,143
	<b>656,345</b>	556,425
Less: current portion of non-current borrowings	<b>(219,019)</b>	(201,568)
	<b>437,326</b>	354,857
Borrowings included in current liabilities:		
Bank and other borrowings (note (d))	<b>156,826</b>	116,717
Current portion of non-current borrowings	<b>219,019</b>	201,568
	<b>375,845</b>	318,285
Total borrowings	<b>813,171</b>	673,142
The total borrowings are denominated in the following currencies:		
RMB	<b>606,924</b>	529,669
US\$	<b>169,699</b>	110,075
HK\$	<b>36,548</b>	33,398
	<b>813,171</b>	673,142

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 20. BORROWINGS (Continued)

### (a) Senior notes

	31 December 2018 US\$ million	New issuance US\$ million	<b>30 June 2019 US\$ million</b>
Par value			
2017 issued 2020 Notes	500	—	<b>500</b>
2017 issued 2022 Notes	1,000	—	<b>1,000</b>
2017 issued 2024 Notes	1,000	—	<b>1,000</b>
2017 issued 2021 Notes	598	—	<b>598</b>
2017 issued 2023 Notes	1,345	—	<b>1,345</b>
2017 issued 2025 Notes	4,681	—	<b>4,681</b>
2018 issued 2020 Notes	1,565	—	<b>1,565</b>
2018 issued 2022 Notes	645	—	<b>645</b>
2018 issued 2023 Notes	590	—	<b>590</b>
2019 issued 2020 Notes I	—	1,100	<b>1,100</b>
2019 issued 2021 Notes I	—	875	<b>875</b>
2019 issued 2022 Notes I	—	1,025	<b>1,025</b>
2019 issued 2020 Notes II	—	100	<b>100</b>
2019 issued 2021 Notes II	—	600	<b>600</b>
2019 issued 2022 Notes II	—	1,450	<b>1,450</b>
2019 issued 2023 Notes	—	850	<b>850</b>
2019 issued 2024 Notes	—	700	<b>700</b>
2019 issued 2022 Notes III	—	300	<b>300</b>
2019 issued 2021 Notes III	—	200	<b>200</b>
<b>Total</b>	<b>11,924</b>	<b>7,200</b>	<b>19,124</b>
Unrecognised financing charges	(281)		<b>(430)</b>
At amortised cost — US\$	11,642		<b>18,694</b>
At amortised cost — RMB	79,912		<b>128,511</b>

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 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 (“2017 issued 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 (“2017 issued 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 (“2017 issued 2025 Note”).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. BORROWINGS (Continued)

#### (a) Senior notes (Continued)

On 6 November 2018 and 19 November 2018, the Group has issued 11.00% two-year senior notes with aggregated principal amount of US\$565 million (equivalent to approximately RMB3,874 million) and US\$1,000 million (equivalent to approximately RMB6,838 million), respectively, at 100% of the face value (“2018 issued 2020 Notes”).

On 25 January 2019, the Company issued 7.00%, 18-month senior notes with an aggregated principal amount of US\$1,100 million (equivalent to approximately RMB7,474 million) at 98.627% of the face value (“2019 issued 2020 Notes I”), 6.25% , 30-month senior notes with an aggregated principal amount of US\$875 million (equivalent to approximately RMB5,945 million) at 93.096% of the face value (“2019 issued 2021 Notes I”), and 8.25%, 42-month senior notes with an aggregated principal amount of US\$1,025 million (equivalent to approximately RMB6,964 million) at 94.054% of the face value (“2019 issued 2022 Notes I”).

On 21 February 2019, the Company issued 8.00%, 18-month senior notes with an aggregated principal amount of US\$ 100 million (equivalent to approximately RMB672 million) at 100% of the face value (“2019 issued 2020 Notes II”).

On 6 March 2019, a subsidiary of the Company issued 9.00%, 2-year senior notes with an aggregated principal amount of US\$ 600 million (equivalent to approximately RMB4,023 million) at 100% of the face value (“2019 issued 2021 Notes II”).

On 11 April 2019, the Company issued 9.50%, 3-year senior notes with an aggregated principal amount of US\$1,450 million (equivalent to approximately RMB9,728 million) at 100% of the face value (“2019 issued 2022 Notes II”), 10.00% , 4-year senior notes with an aggregated principal amount of US\$850 million (equivalent to approximately RMB5,702 million) at 100% of the face value (“2019 issued 2023 Notes”), and 10.50%, 5-year senior notes with an aggregated principal amount of US\$700 million (equivalent to approximately RMB4,696 million) at 100% of the face value (“2019 issued 2024 Notes”).

On 30 April 2019, the Company issued 9.50%, 33-month senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB2,019 million) at 100% of the face value (“2019 issued 2022 Notes III”).

On 24 May 2019, the Company issued 8.90%, 2-year senior notes with an aggregated principal amount of US\$200 million (equivalent to approximately RMB1,380 million) at 100% of the face value (“2019 issued 2021 Notes III”).

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





## 20. 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 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 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.

On 6 May 2019, a subsidiary of the Company issued 6.27%, four-year public PRC corporate bonds with an aggregated principal amount of RMB15,000 million at 100% of the face value, and 6.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 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 2019 and 31 December 2018.

### (c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK\$18,000 million at the face value.

The Convertible Bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

### (d) Bank and other borrowings

Other borrowings mainly represent certain subsidiaries of the Group 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

## 21. DERIVATIVE FINANCIAL LIABILITIES

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Embedded financial derivatives of share compensation arrangement (note (a))	<b>3,166</b>	2,840
Embedded financial derivatives of convertible bonds (note (b))	<b>2,336</b>	2,807
	<b>5,502</b>	5,647

- (a) 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”, a wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and 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. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

On 6 November 2017, Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan entered into the Third Round Investment Agreements with certain strategy investors (the “Third Round SIs”), pursuant to which the Third Round SIs agreed to inject capital of RMB60,000 million to Hengda Real Estate. The capital contributions of RMB60,000 million have been received by Hengda Real Estate on 7 November 2017.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and the First round SIs and the Second Round 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, the Amendment Agreement and the Third Round Investment Agreements, if the Proposed Reorganisation cannot be completed by 31 January 2020 (for the First and Second Round SIs) or 31 January 2021 (for the Third Round SIs) respectively, the SIs have right to:

- (i) 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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 21. DERIVATIVE FINANCIAL LIABILITIES (Continued)

- (ii) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

The above share compensation arrangement constitutes an embedded derivative and has been recognised as a financial derivative liability. The fair value of financial derivative liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach.

A fair value loss of RMB326 million was recognized in profit and loss accounts for the six months ended 30 June 2019.

- (b) A valuation on the embedded derivatives of the Convertible Bonds has been performed by an independent qualified valuer on 30 June 2019, the binomial model is used in the valuation of the embedded financial derivatives. A fair value gain of RMB471 million was recognised in profit and loss accounts for the six months ended 30 June 2019.

## 22. TRADE AND OTHER PAYABLES

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Trade payables — third parties	<b>495,499</b>	423,648
Other payables	<b>117,332</b>	104,111
Payroll payable	<b>1,597</b>	2,558
Accrued expenses	<b>6,110</b>	7,066
Deferred income from grants	<b>1,648</b>	—
Other taxes payable	<b>22,641</b>	18,473
	<b>644,827</b>	555,856
Less: non-current portion of other payables and deferred income from grants	<b>(3,681)</b>	(1,543)
Current portion	<b>641,146</b>	554,313

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22. TRADE AND OTHER PAYABLES (Continued)

The aging analysis of trade payables is as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB million</b>	RMB million
Within one year	<b>440,633</b>	378,322
Over one year	<b>54,866</b>	45,326
	<b>495,499</b>	423,648

## 23. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Interest income	<b>2,112</b>	2,732
Forfeited customer deposits	<b>355</b>	521
Management and consulting service income from joint ventures (note 32(a))	<b>593</b>	900
Others	<b>348</b>	242
	<b>3,408</b>	4,395

## 24. OTHER (LOSSES)/GAINS – NET

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Net gains on disposal of subsidiaries	<b>66</b>	2,067
Gains on disposal of associates and joint ventures	<b>2</b>	—
Gains on disposal of FVOCI, net	<b>—</b>	19
Net foreign exchange (losses)/gains	<b>(467)</b>	385
	<b>(399)</b>	2,471

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 25. 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	
	2019	2018
	RMB million	RMB million
Cost of properties sold	143,299	186,470
Employee benefit expenses	8,122	7,675
Employee benefit expenditure — including directors' emoluments	11,508	11,430
Less: capitalised in properties under development, investment properties under construction and construction in progress	(3,386)	(3,755)
Tax and other levies	1,373	1,737
Advertising and promotion expenses	4,134	3,659
Sales commissions	2,514	2,127
Depreciation of property, plant and equipment	1,273	1,102
Amortisation of right-of-use assets, land use rights and intangible assets	635	145
Donations	901	2,926

## 26. FINANCE COST, NET

	Six months ended 30 June	
	2019	2018
	RMB million	RMB million
<b>Finance costs</b>		
Interest expenses from borrowings	31,712	29,177
Less: interest capitalised	(24,320)	(24,892)
	7,392	4,285
Exchange losses	1,243	1,710
Other finance costs	320	224
	8,955	6,219

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 27. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
Current income tax		
– Hong Kong profits tax	16	10
– PRC corporate income tax	15,205	23,141
– PRC land appreciation tax	10,861	19,277
Deferred income tax		
– PRC corporate income tax	(842)	(949)
– PRC land appreciation tax	(1,341)	(1,315)
	<b>23,899</b>	40,164

### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 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 2018: 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 28. 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 granted on 18 May 2010 and 9 October 2014.

## 29. DIVIDENDS

The Board of Directors has resolved not to pay an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil)

## 30. FINANCIAL GUARANTEES

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	<b>419,692</b>	412,721
Guarantees for borrowings of cooperation parties (note (b))	<b>70,189</b>	49,711
Guarantees for borrowings of joint ventures and an associate (note 32(b))	<b>24,650</b>	19,052
	<b>514,531</b>	481,484

- (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

## 31. COMMITMENTS

### Commitments for property development expenditure

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Contracted but not provided for		
– Property development activities	<b>265,303</b>	283,004
– Acquisition of land use rights	<b>65,679</b>	61,585
– Acquisition of subsidiaries	<b>2,318</b>	2,710
	<b>333,300</b>	347,299

## 32. RELATED PARTY TRANSACTIONS

Dr. Hui Ka Yan (“Dr. Hui”) is the ultimate controlling shareholder and also the director of the Company.

### (a) Transactions with related parties

During six months ended 30 June 2019 and 2018, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group’s business:

	<b>Six months ended 30 June 2019 RMB million</b>	2018 RMB million
<b>Nature of transactions</b>		
<b>Associates</b>		
Loan interest charged by an associate	<b>76</b>	568
Provision of financial guarantees for borrowing of an associate	<b>144</b>	—
<b>Joint ventures</b>		
Management and consulting service to joint ventures	<b>593</b>	900
Sales of goods to joint ventures	<b>196</b>	244
Provision of services to a joint venture	<b>151</b>	70
Rental income from joint ventures	<b>33</b>	69
Interest income from joint ventures	<b>285</b>	—
Advertisement service fees charged by joint ventures	<b>213</b>	170
Rental fee charged by joint ventures	<b>27</b>	25
Purchase of goods from a joint venture	<b>22</b>	31
Loan interest charged by a joint venture	<b>264</b>	228
Provision of financial guarantees for borrowing of joint ventures	<b>6,290</b>	14,383

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



## 32. RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties

As at 30 June 2019 and 31 December 2018, the Group had the following significant non-trade balances with related parties:

	<b>30 June 2019 RMB million</b>	31 December 2018 RMB million
Cash and cash equivalents:		
— An associate	<b>57,188</b>	24,631
Trade and other receivables (note (i))		
— Joint ventures	<b>18,782</b>	17,470
Prepayment for advertisement service fees		
— A joint venture	<b>128</b>	66
Trade and other payables (note (i)) equivalents:		
— Joint ventures	<b>23,330</b>	11,204
— Associates	<b>585</b>	—
— Xin Xin and Dr. Hui	<b>—</b>	141
	<b>23,915</b>	11,345
Borrowings (note (ii))		
— A joint venture	<b>6,700</b>	3,700
— An associate	<b>4,525</b>	4,336
— Xin Xin and Dr. Hui (note (iii))	<b>—</b>	6,807
	<b>11,225</b>	14,843
Financial guarantees:		
Guarantees for borrowings of joint ventures and an associate	<b>24,650</b>	19,052

- (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, interest bearing and repayable according to respective loan agreements.
- (iii) The balances of 31 December 2018 represented Xin Xin and Dr. Hui subscribed for US\$250 million 2018 issued 2022 Notes and US\$250 million 2018 issued 2023 Notes, respectively. Xin Xin and Dr. Hui disposed the notes during the six months ended 30 June 2019.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 32. RELATED PARTY TRANSACTIONS (Continued)

### (c) 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	
	2019 RMB million	2018 RMB million
Salaries and other employee benefits	324	569

## 33. NON-CONTROLLING INTERESTS

	Six months ended 30 June	
	2019 RMB million	2018 RMB million
At 1 January	175,631	127,207
Profit for the year	12,142	22,221
Change in fair value of FVOCI, net of tax	50	(132)
Currency translation differences	(40)	68
Capital injection (note (i))	22,621	29,074
Acquisition of subsidiaries — acquisition of asset (note (ii))	76	1,035
Acquisition of subsidiaries — acquisition of business	3,306	10
Changes in ownership interests in subsidiaries without change of control (note (iii))	(14,278)	(700)
Dividends	(481)	—
Disposal of subsidiaries	(11)	(318)
Employee share option schemes	109	294
	199,125	178,759

### (i) Capital injection

During the six months ended 30 June 2019, the Group has established certain new subsidiaries engaging in property development and property investment businesses and received capital injections from minority interests totaling RMB22,621 million.

### (ii) Acquisition of subsidiaries

During the six months ended 30 June 2019, the Group acquired controlling interests of certain property development companies in the PRC at considerations totaling approximately RMB2,152 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 RMB76 million.

### (iii) Changes in ownership interest in subsidiaries without change of control

During the six months ended 30 June 2019, the Group acquired certain minority interests in subsidiaries amounting to RMB14,278 million, the difference between consideration paid and the carrying amount of minority interests acquired amounting to RMB2,054 million was recognised as a decrease in reserves.



### 34. BUSINESS COMBINATION

During the six months ended 30 June 2019, the Group acquired controlling interests in certain companies engaged in new energy vehicles business and property development in the PRC and Europe to increase its land reserve and diversify its business.

#### (i) Acquisition of National Electric Vehicle Sweden AB

On 15 January 2019, the Group entered into a Sale and Purchase Agreement with a third party in relation to the acquisition of 100% equity interest of Mini Minor Limited (“Mini Minor”) with a consideration of US\$1,130 million (equivalent to approximately RMB7,755 million). Mini Minor held 51% shareholding of National Energy Vehicle Sweden AB (“NEVS”). NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles. Mini Minor subsequently acquired additional 17% equity interest of NEVS on 14 May 2019.

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

	RMB million
Cash consideration	7,755
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	4,442
Right-of-use assets	754
Intangible assets	6,065
Trade and other receivables	281
Prepayments	77
Financial assets at fair value through profit or loss	65
Inventories	23
Restricted cash	16
Cash and cash equivalents	904
Borrowings	(4,522)
Deferred income tax liabilities	(1,532)
Trade and other payables	(1,634)
<b>Total identifiable net assets</b>	<b>4,939</b>
Non-controlling interest	(2,641)
Identifiable net assets acquired	2,298
Goodwill	5,457

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 34. BUSINESS COMBINATION (Continued)

#### (ii) Other acquisitions of new energy vehicles business

During the six months ended 30 June 2019, saved for the acquisition of NEVS, the Group acquired some other new energy vehicles business with an aggregate consideration of RMB1,974 million.

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

	RMB million
Cash consideration	1,974
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	858
Right-of-use assets	27
Intangible assets	970
Trade and other receivables	535
Prepayments	90
Investments accounted for using the equity method	31
Inventories	323
Cash and cash equivalents	471
Borrowings	(301)
Deferred income tax liabilities	(171)
Trade and other payables	(882)
Contract liabilities	(31)
<b>Total identifiable net assets</b>	<b>1,920</b>
Non-controlling interest	(665)
Identifiable net assets acquired	1,255
Goodwill	719

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



### 34. BUSINESS COMBINATION (Continued)

#### (iii) Other acquisitions of property development business

During the six months ended 30 June 2019, the Group acquired controlling interests in certain companies engaged in property development in the PRC.

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

	RMB million
Cash consideration	676
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	1
Trade and other receivables	29
Prepayments	186
Income tax recoverable	24
Properties under development	4,545
Cash and cash equivalents	218
Borrowings	(230)
Deferred income tax liabilities	(465)
Trade and other payables	(3,195)
Contract liabilities	(434)
Current income tax liabilities	(3)
<b>Total identifiable net assets</b>	<b>676</b>
Non-controlling interest	—
Identifiable net assets acquired	676
Goodwill	—



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 34. BUSINESS COMBINATION (Continued)

### (iii) Other acquisitions of property development business (Continued)

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

	RMB million
Cash considerations	10,305
Considerations deferred	(624)
Cash and cash equivalents acquired	(1,593)
Payments for business combinations conducted in the period	8,088
Payments for business combinations conducted in prior periods	1,974
Cash outflow on acquisitions in the period	10,062

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB519 million and net loss of RMB1,891 million to the Group for the period from the respective acquisition dates to 30 June 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated loss for the period would have been RMB227,128 million and RMB27,181 million respectively.