



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



2021

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
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui
Mr. Lai Lixin

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

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
Agricultural Bank of China Limited
Agricultural Development Bank of China
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
Shanghai Pudong Development Bank Co., Ltd.
Nanyang Commercial Bank (China)
Bank of Shanghai Co., Ltd.
China Zheshang Bank Co., Ltd.
China Everbright Bank Company Limited
Bank of Jilin Co., Ltd.
Bank of Luoyang Co., Ltd.
Longjiang Bank Corporation
Huishang Bank Corporation Limited
Bank of Jiujiang Co., Ltd.
China Bohai Bank Co., Ltd.
Guangzhou Rural Commercial Bank
Bank of Changsha 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 and one of its subsidiaries are quoted on Singapore Stock Exchange Limited ("Singapore Stock Exchange")

CORPORATE AND SHAREHOLDER INFORMATION

SECURITIES CODES

Stock

HKEX: 3333

Bonds

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

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

US\$1,450,000,000 9.5% Senior Notes due 2022
Common Code: 198203696
ISIN: XS1982036961

US\$2,000,000,000 11.5% Senior Notes due 2022
Common Code: 210919198
ISIN: XS2109191986

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

HK\$18,000,000,000 4.25% Convertible Bonds due 2023
Common Code: 176780096
ISIN: XS1767800961

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

US\$850,000,000 10.0% Senior Notes due 2023
Common Code: 198203777
ISIN: XS1982037779

US\$2,000,000,000 12.0% Senior Notes due 2023
Common Code: 210919210
ISIN: XS2109192109

US\$1,000,000,000 11.5% Senior Notes due 2023
Common Code: 210683429
ISIN: XS2106834299

US\$590,000,000 13.75% Senior Notes due 2023
Common Code: 190367193
ISIN: XS1903671938

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\$1,000,000,000 12.0% Senior Notes due 2024
Common Code: 210683437
ISIN: XS2106834372

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
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Telephone: (852) 2287 9229

CHAIRMAN'S STATEMENT



BUSINESS REVIEW

During the first half of 2021, with the acceleration of global vaccination and the gradual easing of lockdowns in various countries, international trade, investment and manufacturing showed a positive momentum, and the global economy continues to rebound. The International Monetary Fund (IMF) raised its global economic growth estimate this year by 0.5 percentage point to 6%. However, the global economy saw significant divergent recoveries and imbalances. The spread of the Delta variant of COVID-19 and the lag in vaccination in some developing countries increased the uncertainty of a further recovery of the global economy.

During the first half of the year, the Chinese Central Government continued to consolidate the achievements of pandemic prevention and control and economic and social development, and implemented macroeconomic policies. Economic development was steadily strengthened and improved. The GDP calculated at comparable prices grew by 12.7% year on year. The real estate policy adhered to the stance of “housing is for living, not for speculation”. Land prices, housing prices and expectations were stabilized to promote the stable and healthy development of the market. During the first half of the year, national contracted sales of commodity housing increased by 38.9% year on year to RMB9.3 trillion with contracted sales of residential housing reaching RMB8.5 trillion, representing a year-on-year increase of 41.9%. Inventory levels of residential housing continued to decline, with 2.3 trillion square meters of properties available for sale, representing a year-on-year decrease of 3.0%. The market share of the top 10 real estate companies in China reached 28.3%, representing an increase of 1.5 percentage points as compared to the end of last year¹.

¹ Data source: National Bureau of Statistics and public data

CHAIRMAN'S STATEMENT

Land reserves

During the first half of the year, the Group acquired an aggregate of 15 pieces of land reserves and further acquired the land surrounding 14 existing projects. The newly acquired land reserves had a total expected gross floor area ("GFA") of 7.71 million square meters at an average cost of RMB4,072 per square meter of GFA. New projects were mainly distributed among cities such as Chengdu, Dalian, Shijiazhuang, Changchun, Taiyuan, and Changsha.

As at 30 June 2021, the Group's total land reserves covered 778 projects located in 233 cities across China. The land reserves of the Group had a total planned GFA of 214 million square meters with an original value of RMB456.8 billion.

In particular, the original value of land reserves in first-tier and second-tier cities amounted to RMB317.6 billion, representing 69.5% of the total value with an average land cost of RMB2,653 per square meter of GFA. The original value of land reserves in third-tier cities amounted to RMB139.2 billion, representing 30.5% of the total value with an average cost of RMB1,470 per square meter of GFA.

In addition, the Group also had 146 urban redevelopment projects, including 131 in the Greater Bay Area (62 in Shenzhen), 4 in Taiyuan, 2 in Shijiazhuang, 2 in Tangshan and 7 in other cities.

Contracted sales

During the Reporting Period, the Group achieved contracted sales of RMB356.79 billion, a year-on-year increase of 2.3%, and GFA of contracted sales of 43.014 million square meters, a year-on-year increase of 11.4%. Cumulative cash collection for the first half of the year amounted to RMB321.19 billion, a year-on-year increase of 2.9%.

During the first half of the year, the Group launched 65 new projects for sale in cities including Beijing, Guangzhou, Shenzhen, Tianjin, Chongqing, Chengdu, Wuhan, Kunming, Guiyang, Changsha, Shenyang, Fuzhou and Urumqi. As at 30 June 2021, there were a total of 1,236 projects for sale, including completed projects and projects under construction.

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, 31 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Revenue of the Group was RMB222.69 billion for the six months ended 30 June 2021 (the “Reporting Period”) (corresponding period in 2020: RMB266.63 billion), representing a year-on-year decrease of 16.5%. Gross profit was RMB28.84 billion (corresponding period in 2020: RMB66.68 billion).

REVENUE

Revenue of the Group for the Reporting Period was RMB222.69 billion, representing a decrease of 16.5% as compared to the corresponding period in 2020. In particular, revenue generated from the property development segment decreased by 18.8% to RMB211.95 billion. The decrease was mainly due to the nationwide sales promotion activities and sales price concessions of the Group which caused decreased average sales price. During the year, the average delivered price decreased by 11.2% and the delivered area decreased by 8.5% as compared to the corresponding period in 2020. Revenue generated from property management increased by 76.3% as compared to the corresponding period in 2020 to RMB5.23 billion, mainly due to the significant increase in area under the Group’s management service for the Reporting Period. Revenue generated from investment properties slightly increased to RMB0.464 billion as compared to the same period last year.

GROSS PROFIT

Gross profit of the Group was RMB28.84 billion for the Reporting Period. The decrease in gross profit for the period was mainly attributable to the decrease in delivered area and the nationwide sales promotion activities and sales price concessions of the Group which caused decreased average sales price. The gross profit margin was 12.9% for the Reporting Period.

FAIR VALUE LOSSES ON INVESTMENT PROPERTIES

Fair value losses on investment properties of the Group for the Reporting Period was RMB0.284 billion, as compared with fair value gains of RMB1.026 billion in the corresponding period in 2020, mainly due to the decrease in the fair values of certain investment properties. Investment properties of the Group mainly included commercial podiums in living communities, office buildings with GFA of about 8.57 million square meters and approximately 345,000 car parking spaces.

OTHER INCOME

Other income of the Group for the Reporting Period was RMB3.97 billion, which was mainly attributable to the interest income, management and consulting service income and forfeited customer deposits.

OTHER GAINS, NET

Other net gains for the Reporting Period were RMB22.90 billion, representing an increase of RMB21.71 billion as compared to the same period last year. The increase was mainly attributable to gains from disposal of shares in two subsidiaries, Hengten Networks Group Limited and Jia Kai Cheng Group Co., Ltd. Other net gains for the same period last year amounted to RMB1.19 billion, mainly attributable to gains from disposal of associates and joint ventures and foreign exchange gains.

SELLING AND MARKETING COSTS

During the Reporting Period, selling and marketing costs of the Group increased by 30.2% to RMB17.85 billion from RMB13.70 billion in the same period in 2020. The 5.0% ratio of selling and marketing costs to contracted sales was mainly due to the higher sales commissions and investment in marketing campaigns to promote sales in response to the market environment.

ADMINISTRATIVE EXPENSES

During the Reporting Period, administrative expenses of the Group decreased by 3.0% to RMB8.78 billion from RMB9.05 billion in the same period in 2020.

BORROWINGS

As at 30 June 2021, the borrowings of the Group amounted to RMB571.8 billion, with the following maturities:

	30 June 2021 (RMB billion)	As percentage of total borrowings	31 December 2020 (RMB billion)	As percentage of total borrowings
Less than 1 year	240.0	42.0%	335.5	46.8%
1–2 years	156.8	27.4%	166.6	23.3%
2–5 years	164.3	28.7%	203.5	28.4%
More than 5 years	10.7	1.9%	10.9	1.5%
	571.8	100.0%	716.5	100.0%

A portion of the borrowings was secured by a pledge of the Group's 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. As at 30 June 2021, the average interest rate of borrowings was 9.02% per annum (31 December 2020: 9.49%).

MANAGEMENT DISCUSSION AND ANALYSIS

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. There are 23.7% 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. The Group recorded exchange gains of RMB1.39 billion during the period due to the slight appreciation of RMB to US dollar and HK dollar in the year. However, there is still uncertainty on the actual exchange losses or gains relating to the above 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 fluctuation risk.

LIQUIDITY

For detailed introduction on liquidity, please refer to liquidity and going concern in Note 2 Basis of Preparation in condensed consolidated financial information.

CONTRACTED SALES

During the Reporting Period, the Group's contracted sales increased by 2.3% year on year to RMB356.79 billion; contracted sales GFA reached 43.014 million square meters, representing a year-on-year increase of 11.4%. During the first half of the year, cumulative cash collection increased by 2.9% year on year to RMB321.19 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the geographical distribution of contracted sales amount of the Group during the first half of 2021.

Province (Autonomous region, special administrative region or municipality)	Contracted sales amount (RMB million)	Percentage of sales amount
Guangdong Province	49,741.7	13.94%
Jiangsu Province	25,523.1	7.15%
Zhejiang Province	19,614.2	5.50%
Chongqing	17,919.1	5.02%
Anhui Province	16,447.0	4.61%
Henan Province	16,314.0	4.57%
Sichuan Province	16,065.2	4.50%
Guizhou Province	14,408.8	4.04%
Shandong Province	14,401.1	4.04%
Hubei Province	12,638.9	3.54%
Hunan Province	12,323.2	3.45%
Shaanxi Province	11,272.0	3.16%
Xinjiang Uygur Autonomous Region	10,054.8	2.82%
Shanxi Province	9,959.2	2.79%
Liaoning Province	9,884.1	2.77%
Jiangxi Province	9,865.9	2.77%
Inner Mongolia Autonomous Region	9,782.3	2.74%
Guangxi Zhuang Autonomous Region	8,827.0	2.47%
Beijing	8,758.5	2.45%
Yunnan Province	8,716.9	2.44%
Hainan Province	8,552.4	2.40%
Hebei Province	8,434.5	2.36%
Gansu Province	7,577.0	2.12%
Fujian Province	7,187.0	2.01%
Shanghai	6,407.8	1.80%
Jilin Province	5,301.9	1.49%
Heilongjiang Province	5,003.7	1.40%
Tianjin	2,983.4	0.84%
Hong Kong Special Administrative Region	2,096.8	0.59%
Ningxia Hui Autonomous Region	725.9	0.20%
Qinghai Province	1.4	0.00%
Total	356,788.9	100.00%

As at the end of July 2021, the accumulated contracted sales amount of the Group was RMB400.56 billion; the contracted sales area was 48.449 million square meters.

During the Reporting Period, the Group achieved total delivery of 923 projects, with a delivery amount of RMB211.95 billion, a decrease by 18.81% period-on-period.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 163,119 employees, of which approximately 90% were graduates with bachelor's degree or above in property development or construction.

During the first half of 2021, the Group provided its employees with approximately 60,050 training sessions and professional seminars and trained approximately 1,310,591 staff in aggregate. The total training hours amounted to approximately 94,604 hours with approximately 1.58 hours per session.

As at 30 June 2021, total staff costs (including directors' emoluments) of the Group were approximately RMB14.22 billion (for the corresponding period of 2020: approximately RMB13.56 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

On 24 April 2020, the Board resolved to grant an aggregate of 623,000,000 share options under the Share Option Scheme to 5 Directors and 198 employees of the Group. The share options will enable the grantees to subscribe for 623,000,000 shares of the Company at the subscription price of HK\$13.112 per share. The option shares represent approximately 4.7% of the issued share capital of the Company as at the date of the grant of the share options.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The details of movement in the options granted under the 2009 Share Option Scheme and the Share Option Scheme of the Company for the six months ended 30 June 2021 are as follows:

Grantees	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at 1 January 2021	Number of share options			Outstanding as at 30 June 2021
					Granted during the period	Exercised during the period	Cancelled and Lapsed during the period	
Xia Haijun	9 October 2014	3.05	Note 1	4,391,000	N/A	N/A	N/A	4,391,000
	6 October 2017	30.20	Note 2	600,000	N/A	N/A	N/A	600,000
	24 April 2020	13.112	Note 3	30,000,000	N/A	N/A	N/A	30,000,000
Shi Junping	9 October 2014	3.05	Note 1	3,600,000	N/A	2,600,000	N/A	1,000,000
	6 October 2017	30.20	Note 2	500,000	N/A	N/A	N/A	500,000
	24 April 2020	13.112	Note 3	6,000,000	N/A	N/A	N/A	6,000,000
Huang Xianguai	9 October 2014	3.05	Note 1	3,000,000	N/A	3,000,000	N/A	0
	6 October 2017	30.20	Note 2	300,000	N/A	N/A	N/A	300,000
	24 April 2020	13.112	Note 3	2,000,000	N/A	N/A	N/A	2,000,000
Pan Darong	6 October 2017	30.20	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
	24 April 2020	13.112	Note 3	5,000,000	N/A	N/A	N/A	5,000,000
Lai Lixin	6 October 2017	30.20	Note 2	600,000	N/A	N/A	N/A	600,000
	24 April 2020	13.112	Note 3	5,000,000	N/A	N/A	N/A	5,000,000
Other employees of the Group (in aggregate)	9 October 2014	3.05	Note 1	5,700,000	N/A	2,954,000	N/A	2,746,000
	6 October 2017	30.20	Note 2	458,532,000	N/A	N/A	24,848,000	433,684,000
	24 April 2020	13.112	Note 3	478,900,000	N/A	N/A	34,700,000	444,200,000

Notes:

1. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. 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.

3. On 24 April 2020, an aggregate of 623,000,000 options were granted to 5 Directors and 198 employees. The exercise price of the options is HK\$13.112. 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 24 April 2021 and ending 23 April 2026;
 - (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 24 April 2022 and ending on 23 April 2027;
 - (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 24 April 2023 and ending 23 April 2028;
 - (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 24 April 2024 and ending on 23 April 2029; 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 24 April 2025 and ending on 23 April 2030.

SUBSIDIARIES' SHARE OPTION SCHEMES

China Evergrande New Energy Vehicle Group Limited

China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited, ("Evergrande Vehicle")) 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 Vehicle adopted a share option scheme on 6 June 2018 (the "Evergrande Vehicle Scheme"). The purpose of the Evergrande Vehicle Scheme is to enable Evergrande Vehicle to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Evergrande Vehicle. Under the Evergrande Vehicle Scheme, the directors of Evergrande Vehicle 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 Vehicle and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the board of Evergrande Vehicle, at its absolute discretion, considered had or will have contribution for Evergrande Vehicle and any of its subsidiaries, to subscribe for shares in Evergrande Vehicle representing up to a maximum of 10% of the number of shares of Evergrande Vehicle in issue as at 6 June 2018.

The total number of shares of Evergrande Vehicle that may fall to be issued upon the exercise of the options granted under the Evergrande Vehicle Scheme and any other share option schemes of Evergrande Vehicle 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 Vehicle in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1.00 to Evergrande Vehicle by way of consideration for the grant.

The exercise period of options shall be determined by the board of Evergrande Vehicle 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 Vehicle at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Evergrande Vehicle 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 Vehicle 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 Vehicle.

The Evergrande Vehicle Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018. During the six months ended 30 June 2021, 129,660,000 share options were granted under the Evergrande Vehicle Scheme to 1,583 employees of Evergrande Vehicle and its subsidiaries at the exercise price of HK\$32.82 per share.

Evergrande Property Services Group Limited

Evergrande Property Services Group Limited (“Evergrande Property”) 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: 6666).

Evergrande Property adopted a share option scheme on 10 May 2021 (the “Evergrande Property Scheme”). The purpose of the Evergrande Property Scheme is to enable Evergrande Property to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Evergrande Property. Under the Evergrande Property Scheme, the directors of Evergrande Property may, at their discretion, grant options to any full-time or part time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of Evergrande Property and any of its associated corporations and any advisers, consultants, agents, suppliers or joint venture partners whom the board of Evergrande Property, at its absolute discretion, considered had or will have contribution for Evergrande Property and any of its subsidiaries, to subscribe for shares in Evergrande Property representing up to a maximum of 10% of the number of shares of Evergrande Property in issue as at 10 May 2021.

The total number of shares of Evergrande Property that may fall to be issued upon the exercise of the options granted under the Evergrande Property Scheme and any other share option schemes of Evergrande Property 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 Property in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1.00 to Evergrande Property by way of consideration for the grant.

The exercise period of options shall be determined by the board of Evergrande Property 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 Property at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Evergrande Property 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 Property 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 Property.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Evergrande Fairyland Group Limited

Evergrande Fairyland Group Limited (“Evergrande Fairyland”) is a wholly-owned subsidiary of the Company incorporated in the Cayman Islands.

Evergrande Fairyland adopted a share option scheme on 10 May 2021 (the “Evergrande Fairyland Scheme”). The purpose of the Evergrande Fairyland Scheme is to enable Evergrande Fairyland to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Evergrande Fairyland. Under the Evergrande Fairyland Scheme, the directors of Evergrande Fairyland may, at their discretion, grant options to any full-time or part time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of Evergrande Fairyland and any of its associated corporations and any advisers, consultants, agents, suppliers or joint venture partners whom the board of Evergrande Fairyland, at its absolute discretion, considered had or will have contribution for Evergrande Fairyland and any of its subsidiaries, to subscribe for shares in Evergrande Fairyland representing up to a maximum of 10% of the number of shares of Evergrande Fairyland in issue as at 10 May 2021.

The total number of shares of Evergrande Fairyland that may fall to be issued upon the exercise of the options granted under the Evergrande Fairyland Scheme and any other share option schemes of Evergrande Fairyland 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 Fairyland in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1.00 to Evergrande Fairyland by way of consideration for the grant.

The exercise period of options shall be determined by the board of Evergrande Fairyland at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in Evergrande Fairyland in respect of any particular option granted shall be such price as the Evergrande Fairyland Board in its absolute discretion shall determine. In the event that the shares of Evergrande Fairyland become listed, then the subscription price shall be subject to alteration in accordance with relevant requirements under note (2) to Rule 17.03(9) of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed. In particular, the subscription price of any options granted during the period commencing six months before the lodgement of the listing application of Evergrande Fairyland up to its listing date shall be adjusted to not lower than the new issue price of the shares.

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

New Gains Group Limited

New Gains Group Limited (“New Gains”) is a non-wholly owned subsidiary of the Company, incorporated in the Cayman Islands.

New Gains adopted a share option scheme on 10 May 2021 (the “New Gains Scheme”). The purpose of the New Gains Scheme is to enable New Gains to grant options to selected eligible participants as incentives or rewards for their contribution to the development of New Gains. Under the New Gains Scheme, the directors of new Gains may, at their discretion, grant options to any full-time or part time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of New Gains and any of its associated corporations and any advisers, consultants, agents, suppliers or joint venture partners whom the board of New Gains, at its absolute discretion, considered had or will have contribution for New Gains and any of its subsidiaries, to subscribe for shares in New Gains representing up to a maximum of 10% of the number of shares of New Gains in issue as at 10 May 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The total number of shares of New Gains that may fall to be issued upon the exercise of the options granted under the New Gains Scheme and any other share option schemes of New Gains 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 New Gains in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1.00 to New Gains by way of consideration for the grant.

The exercise period of options shall be determined by the board of New Gains at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in Evergrande Fairyland in respect of any particular option granted shall be such price as the Evergrande Fairyland Board in its absolute discretion shall determine. In the event that the shares of Evergrande Fairyland become listed, then the subscription price shall be subject to alteration in accordance with relevant requirements under note (2) to Rule 17.03(9) of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed. In particular, the subscription price of any options granted during the period commencing six months before the lodgement of the listing application of Evergrande Fairyland up to its listing date shall be adjusted to not lower than the new issue price of the shares.

The New Gains Scheme shall be valid and in effect for a period of 10 years commencing on the date of adoption. No share options have been granted by New Gains under the New Gains Scheme since its adoption.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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.

Evergrande Charging Technology Co., Ltd.* (恒大充電通科技有限公司)

Evergrande Charging Technology Co., Ltd. (“ECT”) is a subsidiary of the Company established in the PRC. ECT adopted a share option scheme on 10 May 2021 (the “ECT Scheme”).

The purpose of the ECT Scheme is to enable ECT to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The ECT Scheme will provide the grantees with the opportunity to acquire proprietary interests in ECT 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.

10% of the share capital of ECT has been set aside for the ECT Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

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

The total number of shares of ECT issued and which may fall to be issued upon the exercise of the options granted under the ECT and any other share option schemes of ECT (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 ECT 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 ECT under the ECT Scheme shall be such price as the board of directors of ECT 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 ECT Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The period during which an option may be exercised will be determined by the board of directors of ECT in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The ECT Scheme shall be valid and effect for a period of 5 years commencing from its date of adoption. No share options have been granted by under the ECT Scheme since its adoption.

Star Network Cloud IoT Technology Co., Ltd.* (星絡家居雲物聯科技有限公司)

Star Network Cloud IoT Technology Co., Ltd.* (“Star Network Cloud”) is a subsidiary of the Company established in the PRC. Star Network Cloud adopted a share option scheme on 10 May 2021 (the “Star Network Cloud Scheme”).

The purpose of the Star Network Cloud Scheme is to enable Star Network Cloud to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The Star Network Cloud Scheme will provide the grantees with the opportunity to acquire proprietary interests in Star Network Cloud 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.

10% of the share capital of Star Network Cloud has been set aside for the Star Network Cloud Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The total number of shares of Star Network Cloud issued and which may fall to be issued upon the exercise of the options granted under the Star Network Cloud and any other share option schemes of Star Network Cloud (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 Star Network Cloud 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 Star Network Cloud under the Star Network Cloud Scheme shall be such price as the board of directors of Star Network Cloud 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 Star Network Cloud Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The period during which an option may be exercised will be determined by the board of directors of Star Network Cloud in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The Star Network Cloud Scheme shall be valid and effect for a period of 5 years commencing from its date of adoption. No share options have been granted by under the Star Network Cloud Scheme since its adoption.

Star Network Community Cloud IoT Technology Co., Ltd.* (星絡社區雲物聯科技有限公司)

Star Network Community Cloud IoT Technology Co., Ltd.* (“Star Network Community”) is a subsidiary of the Company established in the PRC. Star Network Community adopted a share option scheme on 10 May 2021 (the “Star Network Community Scheme”).

The purpose of the Star Network Community Scheme is to enable Star Network Community to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The Star Network Community Scheme will provide the grantees with the opportunity to acquire proprietary interests in Star Network Community 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.

10% of the share capital of Star Network Community has been set aside for the Star Network Community Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

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

The total number of shares of Star Network Community issued and which may fall to be issued upon the exercise of the options granted under the ECT and any other share option schemes of Star Network Community (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 Star Network Community in issue as at the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in Star Network Community under the Star Network Community Scheme shall be such price as the board of directors of Star Network Community 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 Star Network Community Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The period during which an option may be exercised will be determined by the board of directors of Star Network Community in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The Star Network Community Scheme shall be valid and effect for a period of 5 years commencing from its date of adoption. No share options have been granted by under the Star Network Community Scheme since its adoption.

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

As at 30 June 2021, 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

Names of Director	Nature of interest	Number of Shares	Approximate Percentage of shareholding
Hui Kai Yan (<i>Note 1</i>)	Interest of controlled corporation	10,162,119,735(L)	76.71%
Chau Shing Yim, David	Beneficial Owner	1,000,000(L)	0.00%
He Qi	Beneficial Owner	379,000(L)	0.00%
Xie Hongxi	Beneficial Owner	600,000(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 Professor Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company indirectly wholly owned by Professor 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 Professor Hui Ka Yan pursuant to the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Interest in the underlying shares of the Company

Name of Director	Nature of interest	Number of Shares outstanding involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	Beneficial owner	34,991,000	0.27%
Shi Junping	Beneficial owner	7,500,000	0.06%
Huang Xiangui	Beneficial owner	2,300,000	0.04%
Pan Darong	Beneficial owner	8,000,000	0.06%
Lai Lixin	Beneficial owner	5,600,000	0.04%

(iii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Number of securities	Approximate percentage of shareholding
Hui Kai Yan	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited (Note)	1 share	100%
Xia Haijun	Evergrande Property Services Group Limited	65,675,000 shares	0.61%
	China Evergrande New Energy Vehicle Group Limited	14,652,040 shares	0.15%
	New Gains Group Limited	39,901,902 shares	0.31%
Shi Junping	Evergrande Property Services Group Limited	1,000,000 shares	0.01%
	HengTen Networks Group Limited	3,440,000 shares	0.04%
Huang Xiangui	HengTen Networks Group Limited	728,000 shares	0.01%
	China Evergrande New Energy Vehicle Group Limited	57,500 shares	0.00%
Lai Lixin	Evergrande Property Services Group Limited	1,121,000 shares	0.01%

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture held	Amount of debenture in same class in issue	Type of debenture
Hui Ka Yan	US\$	50,000,000	1,000,000,000	12% senior notes due 2024
Xia Haijun	US\$	28,000,000	2,300,000,000	8.75% senior notes due 2025
	US\$	50,000,000	1,000,000,000	11.5% senior notes due 2023
Lai Lixin	US\$	200,000	4,680,476,000	8.75% senior notes due 2025
	US\$	300,000	1,450,000,000	9.5% senior notes due 2022
	US\$	300,000	600,000,000	9.0% senior notes due 2021
	US\$	300,000	1,000,000,000	11.5% senior notes due 2023
	US\$	900,000	2,000,000,000	11.5% senior notes due 2022
	US\$	1,000,000	1,344,921,000	7.5% senior notes due 2023
	US\$	200,000	598,181,000	6.25% senior notes due 2021
	US\$	900,000	1,000,000,000	8.25% senior notes due 2022

Save as disclosed above, as at 30 June 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 30 June 2021, 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)	76.71%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	70.73%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	5.97%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	5.97%
Chan Hoi Wan	Interest in controlled corporation, beneficial owner and trustee	1,173,383,000 (Note 4)	8.86%
Lau Luen Hung	Interest of spouse and interest of children under 18 years of age	1,173,383,000 (Note 5)	8.86%
Chinese Estates Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.47%
Sino Omen Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.47%
Solar Bright Ltd.	Interest in controlled corporation	857,541,000 (Note 6)	6.47%

Notes:

1. 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.
2. Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.
3. Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Mrs. Hui.
4. 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.
5. 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.
6. 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.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

SUBSEQUENT EVENTS

After the Reporting Period, the Group noted some negative reports in relation to the Group circulating in the market, which caused certain adverse effects on the liquidity of the Group.

The adverse effects on the liquidity of the Group led to delays in payments to suppliers and of construction fees in the Group's property development business, which resulted in the suspension of work on certain projects of the Group. Currently, with the coordination and support of the government, the Group is actively negotiating with suppliers and construction contractors to strive for the resumption of construction work of these projects. If the relevant projects do not resume work, there may be risks of impairment on the projects and impact on the Group's liquidity.

In order to improve the current cash flow situation and deal with the liquidity issue, subsequent to the Reporting Period and as of 27 August 2021, the Group has taken the following measures:

- Actively resolve payments to suppliers and contractors:
 - the Group sold property units to suppliers and contractors to set off some of the outstanding payments, with a total amount of approximately RMB25.17 billion;
- Disposal of interests in assets:
 - sale of an aggregate of 11% interest in Hengten Networks Group Limited. to two buyers at a price of HK\$3.20 per share for a total consideration of approximately HK\$3.25 billion; after deducting the shareholder's loan provided by the Group to Hengten Networks Group Limited, the net amount of cash generated from such sale was approximately HK\$1.18 billion;
 - sale of a 1.9% interest in Shengjing Bank Co., Ltd. at a price of RMB6.0 per share for a total consideration of RMB1.0 billion;
 - sale of a 7.08% interest in Shenzhen High and New Technology Investment Group Company Limited (深圳市高新投集團有限公司) for a total consideration of approximately RMB1.04 billion;
 - sale of a 49% interest in Evergrande Spring Group Limited for a total consideration of approximately RMB2.0 billion; and
 - sale of interests in 5 property projects and other non-core assets for a total consideration of approximately RMB9.27 billion.

The Group has risks of defaults on borrowings and cases of litigation outside of its normal course of business.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Group will continue to actively explore with potential investors on the sale of certain interests in China Evergrande New Energy Vehicle Group Limited (708.HK) and Evergrande Property Services Group Limited (6666.HK). At the same time, the Group will adopt the following measures to mitigate the liquidity issues that we are currently facing, which mainly includes adjusting project development timetable, strictly controlling costs, vigorously promoting sales and payment collection, striving for renewal and extension of borrowings, disposing of equity interests and assets (including but not limited to investment properties, hotels and other properties), and introducing new investors to increase the equity of the Group and its subsidiaries, with the objective to further improve liquidity, relieve financial pressure and reduce debt.

In the event that the Group fails to implement the above measures, maintains existing financing and/or obtains necessary new financing as planned, its liquidity issues may deteriorate, which may result in defaults on borrowings and litigations that may have a material adverse effect on the Group.

Evergrande Vehicle, a subsidiary of the Group, released its interim results on 30 August 2021. Evergrande Vehicle has also disclosed matters after the Reporting Period that shareholders and potential investors should pay attention to.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Group.

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

Between 7 June 2021 and 11 June 2021, the Company repurchased on the market an aggregate of 46,084,000 shares for a total consideration of HK\$529,287,080.

During the Reporting Period, the Company redeemed HK\$16.12 billion of the principal amount of the 4.25% convertible bonds due 2023 issued by the Company.

On 28 March 2021, the Company, Alpha Beauty Limited ("Alpha Beauty"), a wholly-owned subsidiary, and New Gains Group Limited ("New Gains"), another subsidiary of the Company, entered into agreements with investors pursuant to which New Gains agreed to allot and issue 651,380,929 new shares and Alpha Beauty agreed to sell 651,380,929 existing shares in New Gains to the investors for an aggregate consideration of HK\$16.35 billion.

On 13 May 2021, the Group placed 260 million shares of Evergrande Vehicle to investors at HK\$40.92 per share, raising proceeds of approximately HK\$10.6 billion.

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 2021.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the six months ended 30 June 2021, all directors have abided by the Model Code.

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 2021.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

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 2021, and discussed with the Company’s management regarding the review, internal controls and other relevant matters.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2021 (Unaudited) RMB million	31 December 2020 (Audited) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	7	81,027	75,731
Right-of-use assets	7	19,617	18,561
Investment properties	7	155,407	165,850
Goodwill	7	8,185	7,822
Intangible assets	7	13,516	10,696
Trade and other receivables	9	6,955	7,249
Prepayments	10	2,334	2,461
Investments accounted for using the equity method	11	115,736	92,270
Financial assets at fair value through other comprehensive income	12	3,562	1,412
Financial assets at fair value through profit or loss	13	9,866	8,230
Deferred income tax assets		8,777	5,943
		424,982	396,225
Current assets			
Inventories		357	358
Properties under development	8	1,278,965	1,257,908
Completed properties held for sale	8	144,514	148,473
Trade and other receivables	9	175,946	141,706
Contract acquisition costs		4,198	5,190
Prepayments	10	164,684	151,026
Income tax recoverable		20,698	16,334
Financial assets at fair value through profit or loss	13	1,604	3,195
Restricted cash	14	74,855	21,992
Cash and cash equivalents	14	86,772	158,752
		1,952,593	1,904,934
Total assets		2,377,575	2,301,159

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2021 (Unaudited) RMB million	31 December 2020 (Audited) RMB million
EQUITY			
Equity attributable to shareholders of the Company			
Share capital and premium	15	4,218	4,635
Other reserves	16	122,980	92,786
Retained earnings		63,610	49,480
		190,808	146,901
Non-controlling interests	30	220,233	203,530
Total equity		411,041	350,431
LIABILITIES			
Non-current liabilities			
Borrowings	17	331,726	381,055
Derivative financial liabilities		64	—
Deferred income tax liabilities		50,214	53,142
Other payables	18	11,771	9,278
		393,775	443,475
Current liabilities			
Derivative financial liabilities		301	—
Borrowings	17	240,049	335,477
Trade and other payables	18	951,133	829,174
Contract liabilities		215,790	185,746
Current income tax liabilities		165,486	156,856
		1,572,759	1,507,253
Total liabilities		1,966,534	1,950,728
Total equity and liabilities		2,377,575	2,301,159

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

Hui Ka Yan
Director

Pan Darong
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2021 (Unaudited) RMB million	2020 (Unaudited) RMB million
Revenue	6	222,690	266,631
Cost of sales	21	(193,855)	(199,949)
Gross profit		28,835	66,682
Fair value (losses)/gains on investment properties	7	(284)	1,026
Other income	19	3,967	5,436
Other gains	20	22,903	1,192
Selling and marketing costs	21	(17,846)	(13,704)
Administrative expenses	21	(8,781)	(9,050)
Impairment losses on financial assets		(491)	(249)
Other operating expenses	21	(2,613)	(3,954)
Operating profit		25,690	47,379
Share of (losses)/profits of investments accounted for using the equity method	11	(1,458)	83
Fair value gains on financial assets at fair value through profit or loss	13	620	107
Fair value (losses)/gains on derivative financial liabilities	23	(2,856)	28
Finance costs, net	22	(4,082)	(10,772)
Profit before income tax		17,914	36,825
Income tax expenses	24	(7,415)	(22,064)
Profit for the period		10,499	14,761
Other comprehensive (loss)/income <i>(Item that may be reclassified to profit or loss)</i>			
Share of other comprehensive income of investments accounted for using the equity method		75	52
Currency translation differences		(1,262)	193
<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		(34)	(72)
Other comprehensive (loss)/income for the period, net of tax		(1,221)	173
Total comprehensive income for the period		9,278	14,934

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2021 (Unaudited) RMB million	2020 (Unaudited) RMB million
Profit/(loss) attributable to:			
Shareholders of the Company		14,383	6,540
Non-controlling interests		(3,884)	8,221
		10,499	14,761
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		13,423	6,713
Non-controlling interests		(4,145)	8,221
		9,278	14,934
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	25	1.085	0.495
— Diluted earnings per share	25	1.084	0.494

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		
Unaudited:							
Balance as at 1 January 2021	933	3,702	92,786	49,480	146,901	203,530	350,431
Comprehensive income							
Profit for the period	—	—	—	14,383	14,383	(3,884)	10,499
Other comprehensive losses							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(82)	—	(82)	48	(34)
Share of other comprehensive income of investments accounted for using the equity method	—	—	75	—	75	—	75
Currency translation differences	—	—	(953)	—	(953)	(309)	(1,262)
Total comprehensive income	—	—	(960)	14,383	13,423	(4,145)	9,278
Transactions with owners:							
Transfer to statutory reserves	—	—	253	(253)	—	—	—
Issuance of ordinary shares pursuant to share option scheme (note 15, note 16)	1	27	(6)	—	22	—	22
Employee share option schemes	—	—	494	—	494	239	733
Repurchase of shares of the Company	(4)	(441)	4	—	(441)	—	(441)
Dividends	—	—	—	—	—	(40)	(40)
Capital injection from non-controlling interests (note 30(a))	—	—	21,626	—	21,626	30,708	52,334
Changes in ownership interest in subsidiaries without change of control (note 30(b))	—	—	8,783	—	8,783	(7,357)	1,426
Non-controlling interests arising on business combination (note 31)	—	—	—	—	—	64	64
Disposal of subsidiaries	—	—	—	—	—	(2,766)	(2,766)
Total transactions with owners	(3)	(414)	31,154	(253)	30,484	20,848	51,332
Balance as at 30 June 2021	930	3,288	122,980	63,610	190,808	220,233	411,041

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		
Unaudited:							
Balance as at 1 January 2020	932	643	66,133	77,992	145,700	212,837	358,537
Comprehensive income							
Profit for the period	—	—	—	6,540	6,540	8,221	14,761
Other comprehensive losses							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(50)	—	(50)	(22)	(72)
Share of other comprehensive income of investments accounted for using the equity method	—	—	52	—	52	—	52
Currency translation differences	—	—	171	—	171	22	193
Total comprehensive income	—	—	173	6,540	6,713	8,221	14,934
Transactions with owners:							
Transfer to statutory reserves	—	—	3	(3)	—	—	—
Issuance of ordinary shares pursuant to share option scheme	1	57	(12)	—	46	—	46
Employee share option schemes	—	—	210	—	210	58	268
Repurchase of shares of the Company	(13)	(700)	13	(2,250)	(2,950)	—	(2,950)
Dividends	—	—	—	(18,629)	(18,629)	(16,341)	(34,970)
Capital injection from non-controlling interests	—	—	—	—	—	14,258	14,258
Changes in ownership interest in subsidiaries without change of control	—	—	(805)	—	(805)	(33,108)	(33,913)
Acquisition of subsidiaries	—	—	—	—	—	390	390
Disposal of subsidiaries	—	—	—	—	—	(145)	(145)
Total transactions with owners	(12)	(643)	(591)	(20,882)	(22,128)	(34,888)	(57,016)
Balance as at 30 June 2020	920	—	65,715	63,650	130,285	186,170	316,455

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Cash flows of operating activities		
Net cash generated from operations	26,693	59,442
Tax paid	(6,369)	(16,944)
Interest paid	(35,155)	(38,885)
Net cash (used in)/generated from operating activities	(14,831)	3,613
Cash flows of investing activities		
Acquisition of subsidiaries, net of cash acquired	(1,183)	(2,694)
Purchases of property, plant and equipment, investment properties, right-of-use assets and intangible assets	(11,674)	(6,031)
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets	2,253	1,652
Proceeds from governments grant for construction	1,202	904
Investments in associates	(2,050)	(161)
Investments in joint ventures	(3,227)	(2,866)
Net proceeds from disposal of subsidiaries	4,019	99
Dividend received	—	53
Purchase of financial assets at fair value through profit or loss	(2,828)	(4,363)
Proceeds from disposal of financial assets at fair value through profit or loss	3,548	3,143
Cash advances to joint ventures	(15,568)	(7,725)
Repayments from joint ventures	8,046	5,632
Repayment from associates	142	11
Cash advance to associates	(356)	(1)
Cash advance to non-controlling interests	(4,568)	(6,416)
Repayment from non-controlling interests	1,433	3,990
Prepayments for acquisition of subsidiaries	(475)	—
Interest received	1,668	2,095
Net cash used in investing activities	(19,618)	(12,678)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Cash flows from financing activities		
Proceeds from bank and other borrowings	93,188	208,411
Repayments of bank and other borrowings	(196,168)	(211,055)
Proceeds from senior notes	2,586	43,586
Repayment of senior notes	(27,581)	(13,027)
Proceeds from PRC corporate bonds	7,847	10,938
Repayments from PRC corporate bonds	—	(6,542)
Repayments of Convertible bonds	(13,390)	—
Repurchase of shares	(441)	(2,950)
Issuance of ordinary shares pursuant to share option scheme	22	46
Dividend paid	(40)	(34,970)
Acquisition of equity interest in subsidiaries from non-controlling interests	(10,636)	(33,913)
Proceeds from disposal of equity interests in subsidiaries to non-controlling interests	8,801	—
Capital injection from non-controlling interests	52,334	14,258
Cash advances from joint ventures	69,821	31,616
Cash advance from associates	1,334	193
Repayments to joint ventures	(25,623)	(31,605)
Repayments to associates	(224)	(10)
Cash advances from non-controlling interests	2,414	2,464
Repayments to non-controlling interests	(1,709)	(3,490)
Changes of restricted cash pledged for bank and other borrowings	366	25,780
Principal elements of lease payments	(347)	(363)
Net cash used in financing activities	(37,446)	(633)
Decrease in cash and cash equivalents	(71,895)	(9,698)
Cash and cash equivalents at beginning of period	158,752	150,056
Exchange (gain)/loss on cash and cash equivalents	(85)	389
Cash and cash equivalents at end of period	86,772	140,747

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 31 August 2021.

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 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

(i) The impact of COVID-19 to the condensed consolidated interim financial information

The outbreak of Coronavirus Disease 2019 (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties and hotels, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. BASIS OF PREPARATION (Continued)

(ii) Liquidity and going concern

For the six months ended 30 June 2021, the Group recorded a net profit of approximately RMB10,499 million. Of which, the two major subsidiaries principally engaged in property development business, Hengda Real Estate Group Company Limited and Evergrande Fairyland Group Limited, recorded a net loss of RMB4,100 million, and the subsidiary principally engaged in new energy vehicle business, China Evergrande New Energy Vehicle Group Limited, recorded a net loss of RMB4,822 million.

As at 30 June 2021, the borrowing balance of the Group was RMB571,775 million, of which borrowing due within one year amounted to RMB240,049 million. The Group had bank deposit balances of RMB161,627 million, of which, RMB74,855 million was restricted cash.

As of 31 August 2021, some payables related to property development were overdue, leading to the suspension of work on some projects of the Group. The Group is currently negotiating with suppliers and construction contractors to strive for the resumption of construction work of these projects through ways of deferred payment or sale of its properties to set off the outstanding payments. The Group will do its utmost to continue its operations and endeavor to deliver properties to customers as scheduled.

In addition, the Group will adopt the following measures to mitigate the liquidity issues that we are currently facing, which mainly includes adjusting project development timetable, strictly controlling costs, vigorously promoting sales and payment collection, striving for renewal and extension of borrowings, disposing of equity interests and assets (including but not limited to investment properties, hotels and other properties), and introducing new investors to increase the equity of the Group and its subsidiaries. The Group will adopt the plan that would be most beneficial to the Group.

Management of the Company has considered the assumptions regarding the operating cash flow, capital expenditures and financing needs, and projected anticipated cash flow for the coming twelve months. The directors, after reviewing the anticipated cash flow, are of the opinion that if the above measures are effectively implemented, the Group will have sufficient working capital to meet the financial obligations which will be due within the next twelve months, and the preparation of the condensed consolidated interim financial information with a going concern basis is considered appropriate.

If the above measures cannot be effectively implemented, the directors believe that it would be inappropriate to prepare the condensed consolidated interim financial information on a going concern basis. Under such circumstance, the Group shall consider the following adjustments in the condensed consolidated financial information: (i) to write down the carrying amounts of the assets to their realisable values; (ii) to provide for contingent liabilities which might arise and (iii) to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in the current condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2020, as described in those annual financial statements.

(i) New standards and amendments to standards adopted by the Group as at 1 January 2021

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the new and amended standards does not have any significant impact to the results and financial position of the Group.

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

HKFRS 3 (Amendments)	Reference to the Conceptual Framework ¹
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use ¹
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRS Standards 2018–2020	Improvements to HKFRS ¹
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination ¹
HKFRS 17	Insurance Contracts ²
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ²
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ³

¹ Effective for periods beginning on or after 1 January 2022.

² Effective for periods beginning on or after 1 January 2023.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. 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 2020.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(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 2021, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	30 June 2021	31 December 2020
	RMB million	RMB million
Monetary assets		
– HK\$	15,814	7,574
– US\$	8,552	10,484
– EUR\$	659	666
– Others	578	409
	25,603	19,133
Monetary liabilities		
– HK\$	6,760	20,901
– US\$	134,390	158,073
	141,150	178,974

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. 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:

	30 June 2021 RMB million	31 December 2020 RMB million
2% appreciation in RMB against HK\$	(136)	200
2% depreciation in RMB against HK\$	136	(200)
2% appreciation in RMB against US\$	1,888	2,214
2% depreciation in RMB against US\$	(1,888)	(2,214)
2% appreciation in RMB against EUR\$	(10)	(10)
2% depreciation in RMB against EUR\$	10	10

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 2020.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2020.

(c) Liquidity risk

For detailed introduction on liquidity, please refer to liquidity and going concern in Note 2 .

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. 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
At 30 June 2021				
Current Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	2,858	—	704	3,562
Financial assets at fair value through profit or loss ("FVPL")	698	—	10,772	11,470
Total assets	3,556	—	11,476	15,032
Liabilities				
Derivative financial liabilities	—	—	365	365
At 31 December 2020				
Assets				
FVOCI	655	—	757	1,412
FVPL	922	—	10,503	11,425
Total assets	1,577	—	11,260	12,837

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. 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:

	30 June 2021 RMB million	31 December 2020 RMB million
Senior notes — public traded	112,674	151,277
PRC bonds — public traded	47,502	32,665
Convertible bonds — public traded	66	13,520
	160,242	197,462

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

6. SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include 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. Impairment losses on financial assets, fair value gains on FVPL, (losses)/gains on derivative financial liabilities, dividend income of FVOCI and finance cost and income are not included in the result for each operating segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

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

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021 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	211,952	642	7,873	15,433	235,900
Inter-segment revenue	—	(178)	(2,642)	(10,390)	(13,210)
Revenue	211,952	464	5,231	5,043	222,690
Revenue from contracts with customers					
— Recognised at a point in time	211,952	—	16	1,614	213,582
— Recognised over time	—	—	5,215	3,429	8,644
Revenue from other sources: rental income	—	464	—	—	464
Share of post-tax profits of associates	126	—	1	927	1,054
Share of post-tax losses of joint ventures	(347)	—	—	(2,165)	(2,512)
Segment results	4,856	110	2,392	17,365	24,723
Impairment losses on financial assets					(491)
Gain on FVPL					620
Loss on derivative financial liabilities					(2,856)
Finance costs, net					(4,082)
Profit before income tax					17,914
Income tax expenses					(7,415)
Profit for the period					10,499
Depreciation and amortisation	1,137	—	18	1,795	2,950
Fair value losses on investment properties	—	(284)	—	—	(284)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 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	261,044	639	4,564	16,618	282,865
Inter-segment revenue	—	(185)	(1,597)	(14,452)	(16,234)
Revenue	261,044	454	2,967	2,166	266,631
Revenue from contracts with customers					
— Recognised at a point in time	261,044	—	91	1,208	262,343
— Recognised over time	—	—	2,876	958	3,834
Revenue from other sources: rental income	—	454	—	—	454
Share of post-tax (losses)/profits of associates	(15)	—	—	1,258	1,243
Share of post-tax losses of joint ventures	(338)	—	—	(822)	(1,160)
Segment results	45,738	1,746	1,513	(1,290)	47,707
Impairment losses on financial assets					(249)
Dividend income of FVOCI					4
Gain on FVPL					107
Gain on derivative financial liabilities					28
Finance costs, net					(10,772)
Profit before income tax					36,825
Income tax expenses					(22,064)
Profit for the period					14,761
Depreciation and amortisation	822	—	18	1,570	2,410
Fair value gains on investment properties	—	1,026	—	—	1,026

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

Segment assets as at 30 June 2021 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	1,940,294	155,407	20,011	217,356	2,333,068
Unallocated assets					44,507
Total assets					2,377,575
Segment assets include:					
Interest in associates	6,590	—	9	69,181	75,780
Interest in joint ventures	20,945	—	—	19,011	39,956

Segment assets as at 31 December 2020 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	1,845,903	165,850	14,631	239,661	2,266,045
Unallocated assets					35,114
Total assets					2,301,159
Segment assets include:					
Interest in associates	6,636	—	—	49,821	56,457
Interest in joint ventures	14,860	—	—	20,953	35,813

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

7. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES, GOODWILL AND INTANGIBLE ASSETS

	Property, plant and equipment	Right-of-use assets	Investment properties	Goodwill	Intangible assets	Total
	RMB million	RMB million	RMB million (note (a))	RMB million	RMB million	RMB million
Six months ended 30 June 2021						
Opening net book amount as at 1 January 2021	75,731	18,561	165,850	7,822	10,696	278,660
Additions	9,032	2,247	52	—	3,286	14,617
Acquisition of subsidiaries (note 31)	26	26	35	5,788	3,392	9,267
Disposals	(1,075)	(278)	(962)	—	—	(2,315)
Disposals of subsidiaries	(1,119)	(66)	(9,159)	(5,145)	(3,081)	(18,570)
Fair value losses on investment properties	—	—	(284)	—	—	(284)
Depreciation and amortisation charge	(1,539)	(873)	—	—	(538)	(2,950)
Exchange difference	(29)	—	(125)	(280)	(239)	(673)
Closing net book amount as at 30 June 2021	81,027	19,617	155,407	8,185	13,516	277,752
Six months ended 30 June 2020						
Opening net book amount as at 1 January 2020	55,798	13,553	162,556	7,788	7,960	247,655
Additions	4,639	1,090	940	—	1,031	7,700
Disposals	(10)	(108)	(1,372)	—	(4)	(1,494)
Fair value gains on investment properties	—	—	1,026	—	—	1,026
Depreciation and amortisation charge	(1,394)	(607)	—	—	(409)	(2,410)
Exchange difference	5	—	284	—	11	300
Closing net book amount as at 30 June 2020	59,038	13,928	163,434	7,788	8,589	252,777

(a) The Group measures its investment properties at fair value.

7. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, 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 2021.

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

8. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

(a) Properties under development

	30 June 2021 RMB million	31 December 2020 RMB million
Properties under development expected to be completed within normal operating cycle included under current assets	1,278,965	1,257,908
Properties under development comprise:		
– Construction costs and capitalised expenditures	513,422	485,538
– Interest capitalised	183,755	169,772
– Land use rights	581,788	602,598
	1,278,965	1,257,908

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 2021 is 9.48% (for the six months ended 30 June 2020: 9.51%).

(b) Completed properties held for sale

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

During the six months ended 30 June 2021, a provision of RMB2,991 million (during the six months ended 30 June 2020: RMB250 million) was made to write down the properties under development and completed properties held for sale (note 21).

As at 30 June 2021, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB6,215 million (31 December 2020: RMB3,224 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. TRADE AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
	RMB million	RMB million
Trade receivables (a)	48,600	46,365
Other receivables (b)	134,301	102,590
	182,901	148,955
Less: non-current portion of trade receivables and other receivables	(6,955)	(7,249)
Current portion	175,946	141,706

(a) Trade receivables

	30 June 2021	31 December 2020
	RMB million	RMB million
Trade receivables	48,928	46,606
Less: allowance provision for impairment	(328)	(241)
Trade receivables — net	48,600	46,365
Less: non-current portion	(6,955)	(7,146)
Current portion	41,645	39,219

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

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

	30 June 2021	31 December 2020
	RMB million	RMB million
Within 90 days	42,807	40,655
Over 90 days and within 180 days	2,382	1,991
Over 180 days and within 365 days	3,724	3,600
Over 365 days	15	360
	48,928	46,606

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

9. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

	30 June 2021 RMB million	31 December 2020 RMB million
Other receivables	136,658	104,543
Less: allowance provision for impairment	(2,357)	(1,953)
Other receivables — net	134,301	102,590
Less: non-current portion	—	(103)
Current portion	134,301	102,487

Other receivables mainly comprised the receivables from joint ventures and non-controlling interests and deposits for acquisition of land use right, construction projects and borrowings.

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 2021 and 31 December 2020, the fair value of trade and other receivables approximated their carrying amounts.

10. PREPAYMENTS

	30 June 2021 RMB million	31 December 2020 RMB million
Prepaid value added taxes and other taxes	25,865	23,502
Prepayments and advances to third parties	141,153	129,985
— for acquisition of land use rights	132,131	123,066
— for acquisition of subsidiaries	1,277	2,344
— others	7,745	4,575
	167,018	153,487
Less: non-current portion		
— prepayment for acquisition of intangible assets and property, plant and equipment	(2,334)	(2,461)
	164,684	151,026

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2021 RMB million	31 December 2020 RMB million
Associates	75,780	56,457
Joint ventures	39,956	35,813
	115,736	92,270

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

	Six months ended 30 June 2021 RMB million	2020 RMB million
Share of profits of associates	1,054	1,243
Share of losses of joint ventures	(2,512)	(1,160)
	(1,458)	83

Interests in associates

The movements of the interests in associates are as follows:

	Six months ended 30 June 2021 RMB million	2020 RMB million
Balance as at 1 January	56,457	52,402
Additions (note a)	18,511	161
Acquisition of subsidiaries (note 31)	10	—
Disposals	(237)	—
Dividend declared	—	(53)
Share of post-tax profits of associates	1,054	1,243
Other comprehensive (loss)/income	(15)	10
Balance as at 30 June	75,780	53,763

(a) The addition mainly represented the 37.55% equity interest in Hengten Networks Group Limited (note 20(a)).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Interests in joint ventures

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

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Balance as at 1 January	35,813	35,409
Additions	7,145	3,116
Disposals	(580)	(2,759)
Share of post-tax losses of joint ventures	(2,512)	(1,160)
Other comprehensive income	90	42
Balance as at 30 June	39,956	34,648

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

As at 30 June 2021, the Group provided financial guarantees for certain borrowings of joint ventures and an associate amounting to RMB25,134 million (31 December 2020: RMB17,032 million).

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Balance as at 1 January	1,412	1,587
Additions	2,196	—
Net losses recognised in equity	(46)	(95)
Balance as at 30 June	3,562	1,492

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

As at 30 June 2021 and 31 December 2020, the balances of FVOCI include the following:

	30 June 2021	31 December 2020
	RMB million	RMB million
Listed equity securities	2,858	655
Unlisted equity investments	704	757
	3,562	1,412

As at 30 June 2021, FVOCI are denominated in US\$ and RMB.

There were no impairment provisions on FVOCI made during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Balance as at 1 January	11,425	8,926
Additions	2,828	4,363
Acquisition of subsidiaries (note 31)	168	—
Fair value gains	620	107
Disposals	(3,548)	(3,143)
Disposal of subsidiaries	(23)	—
Balance as at 30 June	11,470	10,253
Less: non-current portion	(9,866)	(8,550)
	1,604	1,703

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

As at 30 June 2021 and 31 December 2020, the balances of FVPL include the following:

	30 June 2021 RMB million	31 December 2020 RMB million
Listed equity securities	698	922
Unlisted equity investments	10,772	10,503
	11,470	11,425
Less: non-current portion	(9,866)	(8,230)
	1,604	3,195

As at 30 June 2021 and 31 December 2020, the listed equity securities represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange Limited, the Shenzhen Stock Exchange Limited and the Stock Exchange, which are quoted in an active market.

As at 30 June 2021 and 31 December 2020, the unlisted equity investments represented the Group's equity investment in certain high technology and media companies.

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

14. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

(a) Restricted cash

	30 June 2021 RMB million	31 December 2020 RMB million
Denominated in RMB	74,738	21,968
Denominated in other currencies	117	24
	74,855	21,992

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 2021, the Group's restricted cash comprised mainly guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and loans, and guarantee deposits for sale.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

	30 June 2021 RMB million	31 December 2020 RMB million
Cash at bank and in hand:		
– Denominated in RMB	85,999	154,695
– Denominated in other currencies	773	4,057
	86,772	158,752

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.

As at 30 June 2021, the regulated pre-sales proceeds of properties amounting to RMB41,629 million was included in bank deposits.

15. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million
Six months ended 30 June 2021					
Balance as at 1 January 2021	13,239,284,900	132,392,849	933	3,702	4,635
Issuance of ordinary shares pursuant to share option scheme	8,554,000	85,540	1	27	28
Repurchase of shares	(46,084,000)	(460,840)	(4)	(441)	(445)
Balance as at 30 June 2021	13,201,754,900	132,017,549	930	3,288	4,218
Six months ended 30 June 2020					
Balance as at 1 January 2020	13,226,187,900	132,261,879	932	643	1,575
Issuance of ordinary shares pursuant to share option scheme	17,077,000	170,770	1	57	58
Repurchase of shares	(188,155,000)	(1,881,550)	(13)	(700)	(713)
Balance as at 30 June 2020	13,055,109,900	130,551,099	920	–	920

During the six months ended 30 June 2021, the Company repurchased an aggregate of 46,084,000 own shares through the Stock Exchange, at a total consideration of HK\$529 million (equivalent to approximately RMB441 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. RESERVES

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserve RMB million	Total RMB million
Six months ended 30 June 2021							
Balance at 1 January 2021	(986)	56,850	32,797	3,503	323	299	92,786
Change in fair value of FVOCI	—	(82)	—	—	—	—	(82)
Capital injection from non-controlling interests	—	21,626	—	—	—	—	21,626
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(6)	—	—	(6)
Share of other comprehensive income of investments accounted for using the equity method	—	75	—	—	—	—	75
Currency translation differences	—	—	—	—	—	(953)	(953)
Transfer to statutory reserves	—	—	253	—	—	—	253
Employee share option schemes (note (c))	—	—	—	494	—	—	494
Repurchase of shares of the Company	—	—	—	—	4	—	4
Changes in ownership interest in subsidiaries without change of control	—	8,783	—	—	—	—	8,783
Balance at 30 June 2021	(986)	87,252	33,050	3,991	327	(654)	122,980
Six months ended 30 June 2020							
Balance at 1 January 2020	(986)	36,754	26,738	2,916	304	407	66,133
Change in fair value of FVOCI	—	(50)	—	—	—	—	(50)
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(12)	—	—	(12)
Share of other comprehensive income of investments accounted for using the equity method	—	52	—	—	—	—	52
Currency translation differences	—	—	—	—	—	171	171
Transfer to statutory reserves	—	—	3	—	—	—	3
Employee share option schemes	—	—	—	210	—	—	210
Repurchase of shares of the Company	—	—	—	—	13	—	13
Changes in ownership interest in subsidiaries without change of control	—	(805)	—	—	—	—	(805)
Balance at 30 June 2020	(986)	35,951	26,741	3,114	317	578	65,715

16. 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

(i) *Employee share option scheme of the Company*

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 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.

On 24 April 2020, 623,000,000 share options (the “2020 Option”) were granted to directors and employees with an exercise price of HK\$13.11 per share. All the options granted will be exercisable within 5 years after vesting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. RESERVES (Continued)

(c) Employee share option reserve (Continued)

(i) Employee share option scheme of the Company (Continued)

Movements of share options are as follows:

	Number of share options
Six months ended 30 June 2021	
Balance at 1 January 2021	1,007,123,000
Exercised during the period	(8,554,000)
Cancelled during the period	(59,548,000)
Balance at 30 June 2021	939,021,000
Six months ended 30 June 2020	
Balance at 1 January 2020	586,933,000
Granted during the period	623,000,000
Exercised during the period	(17,077,000)
Cancelled during the period	(37,501,000)
Balance at 30 June 2020	1,155,355,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. RESERVES (Continued)

(c) Employee share option reserve (Continued)

(ii) *Employee share option scheme of Evergrande Auto*

A subsidiary of the Group, China Evergrande New Energy Vehicle Group Limited (“Evergrande Auto”) approved and adopted a share option scheme on 6 June 2018 (the “2018 Share Option Plan”).

On 6 November 2020, Evergrande Auto granted 298,820,000 share options under 2018 Share Option Plan to certain of its directors and other selected employees with an exercise price of HK\$23.05 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting. When exercisable, each option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 15 June 2021, Evergrande Auto granted 129,660,000 share options under 2018 Share Option Plan to certain of its directors, and other selected employees of the Group with an exercise price of HK\$32.82 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting. When exercisable, each option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of share options are as follows:

	Number of share options
Balance at 1 January 2021	294,880,000
Granted during the period	129,660,000
Forfeited during the period	(6,440,000)
Balance at 30 June 2021	418,100,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS

	30 June 2021 RMB million	31 December 2020 RMB million
Borrowings included in non-current liabilities:		
Senior notes (note (a))	126,938	151,277
PRC corporate bonds (note (b))	50,881	45,011
Convertible bonds (note (c))	67	13,520
Bank borrowings and other borrowings (note (d))	351,955	420,581
	529,841	630,389
Less: current portion of non-current borrowings	(198,115)	(249,334)
	331,726	381,055
Borrowings included in current liabilities:		
Bank borrowings and other borrowings (note (d))	41,934	86,143
Current portion of non-current borrowings	198,115	249,334
— Senior notes (note (a))	24,229	26,039
— PRC corporate bonds (note (b))	15,930	23,090
— Convertible bonds (note (c))	—	13,520
— Bank and other borrowings (note (d))	157,956	186,685
	240,049	335,477
Total borrowings	571,775	716,532
The total borrowings are denominated in the following currencies:		
RMB	436,390	544,139
US\$	128,994	152,098
HK\$	6,391	20,295
	571,775	716,532

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS (Continued)

(a) Senior notes

	31 December 2020 US\$ million	New issuance US\$ million	Redemption or Repayment US\$ million	30 June 2021 US\$ million
Par value				
2017 issued 2022 Notes	997	—	—	997
2017 issued 2024 Notes	951	—	—	951
2017 issued 2021 Notes	598	—	(598)	—
2017 issued 2023 Notes	1,332	—	—	1,332
2017 issued 2025 Notes	4,650	—	(17)	4,633
2018 issued 2022 Notes	644	—	—	644
2018 issued 2023 Notes	589	—	—	589
2019 issued 2021 Notes I	875	—	(875)	—
2019 issued 2022 Notes I	1,025	—	—	1,025
2019 issued 2021 Notes II	600	—	(600)	—
2019 issued 2022 Notes II	1,450	—	—	1,450
2019 issued 2023 Notes	834	—	—	834
2019 issued 2024 Notes	691	—	—	691
2019 issued 2022 Notes III	300	—	—	300
2019 issued 2021 Notes III	1,050	—	(1,050)	—
2020 issued 2022 Notes	1,999	—	—	1,999
2020 issued 2023 Notes I	1,994	—	—	1,994
2020 issued 2023 Notes II	999	—	—	999
2020 issued 2024 Notes	995	—	—	995
2020 issued 2021 Notes I	400	—	(400)	—
2020 issued 2021 Notes II	500	—	(500)	—
2021 issued 2023 Notes I	—	314	—	314
2021 issued 2023 Notes II	—	110	—	110
Total	23,473	424	(4,040)	19,857
Unrecognised financing charges	(288)			(223)
Amortised cost — US\$	23,185			19,634
Amortised cost — RMB	151,277			126,938

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS (Continued)

(a) Senior notes (Continued)

On 23 March 2017, the Company issued 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 (“2017 issued 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 (“2017 issued 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”). The Group has repaid US\$598 million of the 2017 issued 2021 Notes in June 2021.

On 6 November 2018 the Group has issued 13.0% four-year senior notes with an aggregated principal amount of US\$645 million (equivalent to approximately RMB4,419 million) at 100% of the face value (“2018 issued 2022 Notes”), and 13.75% five-year senior notes with an aggregated principal amount of US\$590 million (equivalent to approximately RMB4,042 million) at 100% of the face value (“2018 issued 2023 Notes”).

On 25 January 2019, the Company issued 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%, 38-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”). The Group has repaid US\$875 million of the 2019 issued 2021 Notes I in June 2021.

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”). The Group has repaid US\$600 million of the 2019 issued 2021 Notes II in March 2021.

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”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS (Continued)

(a) Senior notes (Continued)

On 24 May 2019, 30 July 2019, 24 September 2019, 18 December 2019 and 19 December 2019, the Company issued 8.90%, 2-year senior notes with an aggregated principal amount of US\$1,050 million (equivalent to approximately RMB7,314 million) at 100% of the face value ("2019 issued 2021 Notes III"). The Group has repaid US\$1,050 million of the 2019 issued 2021 Notes III in March 2021.

On 22 January 2020, the Company issued 11.5%, 3-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2023 Notes II"), and 12.0%, 4-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2024 Notes").

On 24 January 2020, a subsidiary of the Company issued 11.5%, 33-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2022 Notes"), and 12.0%, 45-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2023 Notes I").

From February 2020 to March 2020, the Company issued 8.90%, 12-month senior notes with principal amounts of US\$400 million (equivalent to approximately RMB2,725 million) at 100% of the face value, respectively ("2020 issued 2021 Notes I"). The Group has repaid US\$400 million of the 2020 issued 2021 Notes I in March 2021.

From July 2020 to August 2020, the Company issued 8.90%, 1-year senior notes with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,495 million) at 100% of the face value ("2020 issued 2021 Notes II"). The Group has repaid US\$500 million of the 2020 issued 2021 Notes II in May 2021.

On 22 January 2021, the Company issued 9.00%, 2-year senior notes with an aggregated principal amount of US\$314 million (equivalent to approximately RMB2,029 million) at 100% of the face value ("2021 issued 2023 Notes I").

On 1 March 2021, the Company issued 9.00%, 1.89-year senior notes with an aggregated principal amount of US\$110 million (equivalent to approximately RMB712 million) at 100% of the face value ("2021 issued 2023 Notes II").

All senior notes contain various early redemption options. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 30 June 2021 and 31 December 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS (Continued)

(b) PRC corporate bonds

On 7 July 2015, a subsidiary of the Company issued 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 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.

On 8 January 2020, a subsidiary of the Company issued 6.98%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,500 million at 100% of the face value.

On 26 May 2020, a subsidiary of the Company issued 5.90%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 5 June 2020, a subsidiary of the Company issued 5.60%, three-year public PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 23 September 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 19 October 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB2,100 million at 100% of the face value.

On 27 April 2021, a subsidiary of the Company issued 7.00%, five-year public PRC corporate bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB8,200 million issued on 7 July 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 2021 and 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. BORROWINGS (Continued)

(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.

On 14 February 2018 (the “Issuance Day”), the Group received the net proceeds from issuance of the Convertible Bonds of HK\$17,736 million (equivalent to RMB14,383 million).

The Convertible bonds was recognised as embedded financial derivatives and debt component as follows:

Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible bonds to require the Company to redeem the Convertible bonds; and the fair value of the option of the Company to redeem the Convertible bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The Company has redeemed majority portion of the Convertible bonds in February 2021. After completion of the redemption, the repurchased Convertible Bonds was cancelled.

(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

18. TRADE AND OTHER PAYABLES

	30 June 2021	31 December 2020
	RMB million	RMB million
Trade payables — third parties	666,902	621,715
Other payables	236,054	163,892
Payroll payable	1,887	2,245
Accrued expenses	9,703	10,412
Deferred income from government grants	4,185	2,983
Lease liabilities	3,996	3,190
Other taxes payable	40,177	34,015
	962,904	838,452
Less: non-current portion of other payables, deferred income from government grants and lease liabilities	(11,771)	(9,278)
Current portion	951,133	829,174

The aging analysis of trade payables is as follows:

	30 June 2021	31 December 2020
	RMB million	RMB million
Within one year	582,431	560,517
Over one year	84,471	61,198
	666,902	621,715

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. OTHER INCOME

	Six months ended 30 June	
	2021 RMB million	2020 RMB million
Interest income	2,111	2,579
Forfeited customer deposits	480	526
Management and consulting service income	772	1,482
Others	604	849
	3,967	5,436

20. OTHER GAINS

	Six months ended 30 June	
	2021 RMB million	2020 RMB million
Net gains on disposal of subsidiaries (note a)	23,526	29
(Losses)/gains on disposal of associates and joint ventures	(17)	296
Net foreign exchange (losses)/gains	(606)	867
	22,903	1,192

- (a) On 29 June 2021, the Group disposed of 8% equity interest of Hengten Networks Group Limited (“Hengten Networks”), a subsidiary of the Group at a cash consideration of HK\$4,433 million (equivalent to RMB3,688 million). The difference between the consideration and the carrying amount of net assets of the 8% equity interest amounting to RMB3,490 million was recognised as a gain on disposal of a subsidiary. Upon the completion of disposal, the Group held 37.55% equity interest of Hengten Networks and accounted for it as an associate. The difference between the fair value and the carrying amount of net assets of the remaining 37.55% equity interest amounting to RMB17,531 million was recognised as a remeasure gain.

On 30 June 2021, the Group disposed of 29.9% equity interest of Jia Kai Cheng Group Co., Ltd (“Jia Kai Cheng”), a subsidiary of the Group at a cash consideration of RMB2,760 million. The difference between the consideration and the carrying amount of net assets of the 29.9% equity interest amounting to RMB1,481 million was recognised as a gain on disposal of a subsidiary. Upon the completion of disposal, the Group held 27.85% equity interest of Jia Kai Cheng and accounted for it as FVOCI. The difference between the fair value and the carrying amount of net assets of the remaining 27.85% equity interest and amounting to RMB1,003 million was recognised as a remeasure gain.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. 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	
	2021	2020
	RMB million	RMB million
Cost of properties sold	184,904	194,572
Employee benefit expenses	10,293	9,614
Employee benefit expenditure — including directors' emoluments	14,217	13,559
Less: capitalised in properties under development, investment properties under construction and construction in progress	(3,924)	(3,945)
Tax and other levies	1,038	1,112
Advertising and promotion expenses	8,319	5,339
Sales commissions	5,195	4,678
Depreciation of property, plant and equipment	1,539	1,394
Amortisation of right-of-use assets and intangible assets	1,411	1,016
Write-down of properties held for sale and properties under development	2,991	250
Impairment losses on financial assets	491	249
Donations	456	2,370

22. FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Finance costs		
Interest expenses from borrowings	36,907	41,838
Less: interest capitalised	(31,007)	(34,255)
	5,900	7,583
Exchange (gains)/losses	(1,996)	3,012
Other finance costs	178	177
	4,082	10,772

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23. FAIR VALUE (LOSSES)/GAINS ON DERIVATIVE FINANCIAL LIABILITIES

The fair value losses during six months ended 30 June 2021 mainly represented the fair value changes of contingent consideration payable arising from acquisition of subsidiaries (note 31).

24. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Current income tax		
– Hong Kong profits tax	18	21
– PRC corporate income tax	7,496	17,926
– PRC land appreciation tax	5,872	9,773
	13,386	27,720
Deferred income tax		
– PRC corporate income tax	(4,552)	(4,031)
– PRC land appreciation tax	(1,419)	(1,625)
	7,415	22,064

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 2020: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24. INCOME TAX EXPENSES (Continued)

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.

25. 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 9 October 2014.

26. DIVIDENDS

The Board of Directors has resolved not to pay an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

27. FINANCIAL GUARANTEES

	30 June 2021 RMB million	31 December 2020 RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	518,809	550,189
Guarantees for borrowings of cooperation parties (note (b))	12,921	12,452
Guarantees for borrowings of joint ventures and associates (note 29 (c))	25,134	17,032
	556,864	579,673

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27. FINANCIAL GUARANTEES (Continued)

- (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) Amounts 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.

28. COMMITMENTS

(a) Commitments for property development and acquisition of subsidiaries

	30 June 2021 RMB million	31 December 2020 RMB million
Contracted but not provided for		
— Property development activities	291,078	319,585
— Acquisition of land use rights	88,614	105,834
— Acquisition of plant and equipment and intangible assets	13,568	14,196
	393,260	439,615

(b) Lease Commitments

As at 30 June 2021, the Group did not have any material short-term lease commitments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

29. RELATED PARTY TRANSACTIONS

Prof. Hui Ka Yan is the ultimate controlling shareholder and also the director of the Company.

(a) Transactions with related parties

During six months ended 30 June 2021 and 2020, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2021 RMB million	2020 RMB million
Nature of transactions		
Associates		
Provision of services to associates	1	—
Sales of goods to associates	2	—
Loan interest charged by associates	185	96
Joint ventures		
Management and consulting service to joint ventures	695	1,088
Sales of goods to joint ventures	151	195
Provision of services to joint ventures	846	271
Rental income from joint ventures	32	12
Interest income from joint ventures	443	258
Rental fee charged by joint ventures	16	75
Purchase of goods from a joint venture	20	8
Integrated insurance procurement	8	138
Interest expenses charged by a joint venture	203	257
Shareholder of the Company and Key management		
Interest of senior notes charged by Prof. Hui Ka Yan (note 29 (b)(iv))	19	396
Interest of senior notes charged by Mr. Xia Haijun ("Mr. Xia") (note 29 (b)(iv))	27	33
Interest of senior notes charged by Mr. Lai Lixin ("Mr. Lai") (note 29 (b)(iv))	1	—

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

29. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

As at 30 June 2021 and 31 December 2020, the Group had the following significant non-trade balances with related parties:

	30 June 2021 RMB million	31 December 2020 RMB million
Cash and cash equivalents		
— Associates	1,323	10,456
Trade receivables		
— Associates	3	2
— Joint ventures	489	460
	492	462
Other receivables (note (i))		
— Associates	1,719	1,505
— Joint ventures	40,795	33,296
	42,514	34,801
Prepayment		
— Joint ventures	1,030	49
Trade and other payables (note (ii)):		
— Joint ventures	95,168	50,969
— Associates	2,124	1,014
— Prof. Hui Ka Yan	17	17
— Mr. Xia	16	17
— Mr. Lai	1	1
	97,326	52,018
Lease liabilities		
— A joint venture	435	455
Borrowings		
— A joint venture (note (iii))	2,806	2,806
— associates (note (iii))	5,558	5,560
— Prof. Hui Ka Yan (note (iv))	323	326
— Mr. Xia (note (iv))	502	506
— Mr. Lai (note (iv))	24	27
	9,213	9,225

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

29. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

- (i) Except for the amounts due from joint ventures of RMB15,620 million (31 December 2020: RMB15,994 million), which carry interest ranging from 4% to 15% (31 December 2020: 4% to 15%) per annum and receivable according to respective agreements, the remaining balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (ii) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (iii) The balances are borrowings in nature, which are secured, interest bearing and repayable according to respective loan agreements.
- (iv) The balances represented Prof. Hui Ka Yan subscribed for US\$50 million 2020 issued 2024 Notes.

The balances represented Mr. Xia subscribed for US\$28 million 2017 issued 2025 Notes and US\$50 million 2020 issued 2023 Notes II, respectively.

The balances represented Mr. Lai subscribed for US\$200 thousand 2017 issued 2025 Notes, US\$300 thousand 2019 issued 2022 Notes, US\$300 thousand 2019 issued 2021 Notes, US\$300 thousand 2020 issued 2023 Notes II, US\$900 thousand 2020 issued 2022 Notes II, US\$1 million 2017 issued 2023 Notes, US\$200 thousand 2017 issued 2021 Notes and US\$900 thousand 2017 issued 2022 Notes, respectively.

(c) Financial guarantees to joint ventures and associates

	30 June 2021 RMB million	31 December 2020 RMB million
Financial guarantees:		
Guarantees for borrowings of joint ventures and associates	25,134	17,032

(d) Key management compensation

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

	Six months ended 30 June 2021 RMB million	2020 RMB million
Salaries and other employee benefits	368	511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30. NON-CONTROLLING INTERESTS

	Six months ended 30 June	
	2021 RMB million	2020 RMB million
At 1 January	203,530	212,837
(Loss)/profit for the period	(3,884)	8,221
Change in fair value of FVOCI, net of tax	48	(22)
Currency translation differences	(309)	22
Capital injection (note (a))	30,708	14,258
Acquisition of subsidiaries — acquisition of asset	—	390
Acquisition of subsidiaries — acquisition of business (note 31)	64	—
Changes in ownership interests in subsidiaries without change of control (note (b))	(7,357)	(33,108)
Dividends	(40)	(16,341)
Disposal of subsidiaries	(2,766)	(145)
Employee share option schemes	239	58
	220,233	186,170

(a) Capital injection

	Non-controlling interests RMB million	Reserves RMB million	Cash received RMB million
Evergrande Auto (note (i))	7,669	14,135	21,804
Other subsidiaries (note (ii))	23,039	7,491	30,530
	30,708	21,626	52,334

- (i) On 24 January 2021, a subsidiary of the Group, Evergrande Auto entered into a subscription agreement with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares at HK\$27.3 per share, with net proceeds of approximately HK\$26,000 million (equivalent to approximately RMB21,804 million). The carrying amount of net assets attributed to certain investors amounting to RMB7,669 million was recognised as an increase in non-controlling interests. The difference between the net proceeds and the carrying amount of net assets attributed to certain investors amounting to RMB14,135 million was recognised as an increase in reserves.
- (ii) During the six months ended 30 June 2021, the Group has established certain new subsidiaries engaging in property development and property sales agency businesses and received capital injections from minority interests totaling RMB30,530 million. The carrying amount of net assets attributed to certain minority interests amounting to RMB23,039 million was recognised as an increase in non-controlling interests. The difference between the capital injections and the carrying amount of net assets attributed to certain minority interests amounting to RMB7,491 million was recognised as an increase in reserves.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30. NON-CONTROLLING INTERESTS (Continued)

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

	Non-controlling interests	Reserves	Cash received
	RMB million	RMB million	RMB million
Evergrande Auto (note (i))	337	8,464	8,801
Hengten Networks (note (ii))	1,776	1,485	3,261
Other subsidiaries (note (iii))	(9,470)	(1,166)	(10,636)
	(7,357)	8,783	1,426

- (i) On 12 May 2020, the Group disposed of 260 million shares of Evergrande Auto at a cash consideration of RMB8,801 million. The Group's equity interest in Evergrande Auto changed from 67.64% to 64.98% and Evergrande Auto is still the subsidiary of the Group. The carrying amount of equity interest of the shares disposed of amounted to RMB337 million was recognised as an increase in non-controlling interests. The difference between the net proceeds from disposal of Evergrande Auto' shares and the carrying amount of equity interest disposed of amounting to RMB8,464 million was recognised as an increase in reserves.
- (ii) On 20 January 2021, a subsidiary of the Group, Hengten Networks acquired 100% equity interest of Virtual Cinema Entertainment Limited and its subsidiaries ("Virtual Cinema"), which is principally engaged in film and TV programme production and online streaming platform (note 31(b)). Part of the consideration amounting to HK\$3,913 million (approximately RMB3,261 million) was settled by issue 1,154,330,943 shares of Hengten Networks at a issue price of HK\$3.39. The Group's equity interest in Hengten Networks changed from 52.06% to 45.55% and Hengten Networks is still the subsidiary of the Group. The fair value of shares issued was recognised as an increased in non-controlling interests and reserves amounting to RMB1,776 million and RMB1,485 million, respectively.
- (iii) During the six months ended 30 June 2021, the Group acquired certain equity interests of certain subsidiaries amounting to RMB9,470 million from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB1,166 million was recognised as a decrease in reserves.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. BUSINESS COMBINATION

During the six months ended 30 June 2021, the Group acquired controlling interests of certain companies engaged in property management and internet business.

(a) Acquisitions of property management business

During the six months ended 30 June 2021, the Group acquired certain property management companies at an aggregate cash consideration of RMB2,413 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	2,354
Fair value of contingent consideration	59
Total consideration as at acquisition date	2,413
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	25
Right-of-use assets	25
Investment properties	35
Intangible assets	1,054
Investments accounted for using the equity method	10
Financial assets at fair value through profit or loss	168
Cash and cash equivalents	245
Other assets	684
Other liabilities	(1,343)
Total identifiable net assets	903
Non-controlling interest	(62)
Identifiable net assets acquired	841
Goodwill	1,572

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. BUSINESS COMBINATION (Continued)

(a) Acquisitions of property management business (Continued)

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

	RMB million
Total fair value of considerations	2,413
Less: cash considerations payable as at 30 June 2021	(1,282)
Cash considerations paid in the period	1,131
Less: cash and cash equivalents in the subsidiaries acquired	(245)
Net Cash outflow of cash	886

Revenue and profit contribution

The acquired business contributed revenues of RMB1,053 million and net profit of RMB78 million to the group for the period from their respective acquisition dates to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the six months ended 30 June 2021 would have been RMB223,074 million and RMB10,546 million respectively.

(b) Acquisitions of internet business

On 20 January 2021, a subsidiary of the Group, Hengten Networks acquired 100% of the issued shares in Virtual Cinema, which is principally engaged in film and TV programme production and online streaming platform.

The consideration was settled by a combination of (i) HK\$3,913 million (approximately RMB3,261 million) of the consideration settled in 1,154,330,943 shares of Hengten Networks at the issue price of HK\$3.39; and (ii) a maximum of HK\$2,907 million (approximately RMB2,423 million) of the consideration settled by way of allotment and issue at maximum 1,834,279,307 warrants of Hengten Networks at the initial warrants exercise price of HK\$0.96 per Warrant Share.

The actual number of warrants to be issued is subject to the net profit of Virtual Cinema in the three years after the acquisition.

The following table summarises the consideration paid for Virtual Cinema and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. BUSINESS COMBINATION (Continued)

(b) Acquisitions of internet business (Continued)

Consideration	RMB million
Fair value of share consideration	3,261
Fair value of contingent consideration	2,423
Total consideration as at acquisition date	5,684
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1
Right-of-use assets	1
Intangible assets	2,338
Other assets	308
Other liabilities	(1,178)
Total identifiable net assets	1,470
Non-controlling interests	(2)
Identifiable net assets acquired	1,468
Goodwill on business combination	4,216
Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:	
	RMB million
Cash considerations paid in the period	—
Add cash and cash equivalents in the subsidiaries acquired	90
Cash inflow as at acquisition date	90

Revenue and profit contribution

The acquired business contributed revenues of RMB1,345 million and net profit of RMB152 million to the group for the period from their respective acquisition dates to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the six months ended 30 June 2021 would have been RMB222,749 million and RMB10,527 million respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

32. SUBSEQUENT EVENTS

Subsequent to 30 June 2021, the Group noted some negative reports in relation to the Group circulating in the market, which caused certain adverse effects on the liquidity of the Group.

The adverse effects on the liquidity of the Group led to delays in payments to suppliers and of construction fees in the Group's property development business, which resulted in the suspension of work on certain projects of the Group. Currently, with the coordination and support of the government, the Group is actively negotiating with suppliers and construction contractors to strive for the resumption of construction work of these projects. If the relevant projects do not resume work, there may be risks of impairment on the projects and impact on the Group's liquidity.

In order to improve the current cash flow situation and deal with the liquidity issue, subsequent to 30 June 2021 and as of 27 August 2021, the Group has taken the following measures:

Actively resolve payments to suppliers and contractors

- The Group sold property units to suppliers and contractors to set off some of the outstanding payments, with a total amount of approximately RMB25,170 million;

Disposal of interests in assets

- Sale of an aggregate of 11% interest in Hengten Networks Group Limited to two buyers at a price of HK\$3.20 per share for a total consideration of approximately HK\$3,250 million; after deducting the shareholder's loan provided by the Group to Hengten Networks Group Limited, the net amount of cash generated from such sale was approximately HK\$1,180 million;
- Disposal of a 1.9% interest in Shengjing Bank Co., Ltd. at a price of RMB6.0 per share for a total consideration of RMB1,000 million;
- Disposal of a 7.08% interest in Shenzhen High and New Technology Investment Group Company Limited (深圳市高新投集團有限公司) for a total consideration of approximately RMB1,040 million;
- Disposal of a 49% interest in Evergrande Spring Group Limited for a total consideration of approximately RMB2,000 million; and
- Disposal of interests in 5 property projects and other non-core assets for a total consideration of approximately RMB9,270 million.

The Group has risks of defaults on borrowings and cases of litigation outside of its normal course of business.

The Group will continue to actively explore with potential investors on the disposal of certain equity interests in China Evergrande New Energy Vehicle Group Limited (708.HK) and Evergrande Property Services Group Limited (6666.HK). At the same time, the Group will adopt the following measures to mitigate the liquidity issues that we are currently facing, which mainly includes adjusting project development timetable, strictly controlling costs, vigorously promoting sales and payment collection, striving for renewal and extension of borrowings, disposing of equity interests and assets (including but not limited to investment properties, hotels and other properties), and introducing new investors to increase the equity of the Group and its subsidiaries, with the objective to further improve liquidity, relieve financial pressure and reduce debt.

In the event that the Group fails to implement the above measures, maintains existing financing and/or obtains necessary new financing as planned, its liquidity issues may deteriorate, which may result in defaults on borrowings and litigations that may have a material adverse effect on the Group.