恒大地產集團®
EVERGRANDE REAL ESTATE GROUP

Evergrande Real Estate Group Limited
恒大地產集團有限公司

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

INTERIM REPORT 2013

CORE COMPETENCE

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

CONTENTS

Board of Directors and Committees

Chairman of The Board of Directors

Hui Ka Yan

Executive Directors

Xia Haijun (*Vice Chairman and Chief Executive Officer)*
Li Gang (*Vice Chairman and Executive Vice President)*
Xu Wen
Lai Lixin
Tse Wai Wah

Independent Non-Executive Directors

Chau Shing Yim, David
He Qi
Xie Hongxi

Audit Committee

Chau Shing Yim, David *(Chairman)*
He Qi
Xie Hongxi

Remuneration Committee

He Qi *(Chairman)*
Hui Ka Yan
Xie Hongxi

Nomination Committee

Hui Ka Yan *(Chairman)*
He Qi
Chau Shing Yim, David

Authorised Representatives

Hui Ka Yan
Fong Kar Chun, Jimmy

Corporate and Shareholder Information

Head Office

43rd Floor, Evergrande International Center
No. 78 Huangpu Avenue West
Guangzhou
Guangdong Province
The PRC
Postal code: 510620

Place of Business in Hong Kong

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

Website

www.evergrande.com

Company Secretary

Fong Kar Chun, Jimmy
Hong Kong solicitor

Auditor

PricewaterhouseCoopers

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Ltd
Bohai Bank Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Development Bank Corporation
China Everbright Bank Limited
China Minsheng Bank Limited
Guangzhou Rural Commercial Bank
Hua Xia Bank Co., Ltd
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd
Shanghai Pudong Development Bank Co., Ltd

Shareholder Information

Listing Information

The shares of the Company (the "Shares") are listed in
The Stock Exchange of Hong Kong Limited
("Stock Exchange")
The bonds of the Company are quoted in
Singapore Stock Exchange Limited
("Singapore Stock Exchange")

Securities Codes

Stock

HKEX: 3333

Bonds

RMB5,550,000,000 US$ Settled 7.50%
Senior Notes due 2014
Common Code: 057638222
ISIN: XS0576382229

RMB3,700,000,000 US$ Settled 9.25%
Senior Notes due 2016
Common Code: 057638249
ISIN: XS0576382492

US$1,350,000,000 13.00%
Senior Notes due 2015
CUSIP: 300151AA5/G3225AAAI
Common Code: 048317278/048284361
ISIN: US300151AA58/USG3225AAA19

Investor Relationship

For enquiries, please contact:
Investor relationship department
Email: evergrandeIR@evergrande.com
Telephone: (852) 2287 9211/2287 9207

Financial Calendar

Announcement of interim results: 26 August 2013

Chairman's Statement

Business Review

In the first half of 2013, the PRC government rolled out the "Five Policies and Measures" to further regulate and control the domestic real estate market by limiting purchases, restricting accessibility to mortgages and setting price ceilings to long-lasting mechanism such as the gradual increase in supply of social housing, improve the housing ownership information network and real estate registration database and expand the implementation of the pilot property tax. Since the second quarter, due to the relatively stable policies and the relatively loose liquidity, transactions in the market have experienced growth amid stability. The gross floor area ("GFA") of commodity housing sold nationwide and sales amount increased by 30.4% and 46.0%[1] respectively in the first half of 2013, as compared to the relatively low base recorded in the corresponding period of 2012.

Meanwhile, the regional markets and the performance of real estate developers were more diverging and the market concentration continued to increase: in June, among the 70 medium- to large-sized cities, 69 experienced year-on-year growth in the price of newly built commodity housing, while the price in first-tier cities continued to rise[2]; in the first half of the year, the sales of China's top ten real estate developers accounted for 15.2% of the total market share, representing an increase of 2.45 percentage points over 2012, whereas the GFA sold accounted for 9.85%, representing an increase of 0.75 percentage points over 2012[3].

In view of the general macro-economic condition and industry development during the reporting period and the practical business requirements of the Group, the Board proposed the plan of "Optimization, Reduction and Growth", which mainly includes: **optimizing the regional layout of residential property projects, continuing to reduce the Group's net debt ratio, growing total cash and net profit margins of major businesses**. In the first half of the year, the Group has acquired new land reserves of 14.566 million square metres, while newly acquired projects amounted to 34, of which, projects located in first- and second-tiers cities accounted for 38.2%, representing an increase of 10.6% as compared with the newly acquired projects in the first half of 2012. In addition, through strengthening the sales and collection of sales proceeds and strategic selling of investment properties, the Group has reduced the net debt ratio to 58.4%, representing a sharp decrease of 37.7 percentage points as compared with that of 2012. At the end of the period, total cash (including cash and cash equivalents and restricted cash) amounted to RMB41.97 billion, representing an increase of 69.6% as compared with that as at 30 June 2012. In the first half of the year, the net profit margin of major businesses of the Group reached 11.1%, representing an increase of 0.84 percentage points over that in the corresponding period of 2012.

The Group focused on maintaining profitability, optimizing the regional layout of its projects and acquiring additional quality land banks. During the period, the Group continued to pursuit in adopting the general strategy of striking a balance between consumption and replenishment of land banks, optimizing the regional layout of residential property projects and acquiring certain quality land plots. At the end of the period, the Group had a total land reserve of 145 million square metres, representing a slight increase of 4.443 million square metres or approximately 3.2% as compared to the end of 2012, but lower than the increase of 4.0% and 41.0% recorded in the corresponding periods of 2012 and 2011, respectively. The Group acquired 34 new land reserves, mainly covering 29 cities such as Guangzhou, Chongqing, Chengdu, Changsha, Haikou, Changchun, Harbin, Shenyang and Guiyang, and the cost of newly acquired land plots was approximately RMB1,687 per square metre. As at 30 June 2013, the GFA of land reserves held by the Group reached 145 million square metres, covering 140 cities in China and the total number of projects was 262; the average cost of land reserves was approximately RMB800 per square metre, which was relatively low as compared with industry peers.

1 Source: "National Real Estate Development and Sales for January to June 2013" issued by National Bureau of Statistics of China

2 Source: "Changes in Residential Selling Prices in 70 Medium- to Large-Sized Cities in June 2013" issued by National Bureau of Statistics of China

3 Source: "Top 50 PRC Real Estate Developers for 1H2013 in terms of Sales" jointly issued by China Real Estate Information Corporation and China Real Estate Appraisal

Chairman's Statement (Continued)

In the first half of 2013, among the 34 newly acquired projects, 38.2% were located in first- and second-tier cities, representing an increase of 10.6% as compared with the newly acquired projects in the first half year of 2012, and most of the newly acquired projects in third-tier cities were located at the central locations of those cities. The Board believes that from the standpoint of healthy cashflow, newly acquired land plots with more favorable locations, greater appreciation potential and which are in line with the high quality and steady growth strategy of the sixth "Three-Year Plan" will boost the overall profit margin and profitability of the Group.

Contracted sales increased significantly as compared with the same period of last year and achieved the planned target. During the period, the Group achieved contracted sales of RMB44.61 billion, representing a year-on-year increase of 27.3%, accomplishing 44.6% of annual planned sales; the area of contracted sales amounted to 6.647 million square metres, representing a year-on-year increase of 15.2% ; the average price of contracted sales was RMB6,712 per square metre, representing an increase of 10.5% as compared with the same period of 2012.

In view of the opportunities arising from the market since March, the Group adjusted sales strategies and prices, and at the same time launched some shops and car parking spaces for sale, achieving and promoting a simultaneous increase in volume and prices on a month-on-month basis. From January to June, the average monthly transaction price of the Group exceeded RMB6,100 per square metre and even rose to RMB7,310 per square metre in June. The Board believes that the rise in the selling price is mainly attributable to the superiority of the Group's products in location and quality, and the reasonable and stable selling price and sales amount will help the Group to further increase the profit margin of its major businesses.

During the reporting period, the Group launched 18 new projects, covering 18 second- and third-tier cities, including Shenyang, Kunming, Guiyang, Lanzhou, Zhenjiang, Changzhou, Jiaxing and Dongguan. In addition, the Group had a total of 197 projects in sales mode across 110 cities.

In the first half of the year, the contracted sales amounted to RMB44.61 billion, of which the sales in first-tier cities amounted to RMB380 million, or 0.9%; the sales in second-tier cities amounted to RMB20.78 billion, or 46.6%; the sales in third-tier cities amounted to RMB23.45 billion, or 52.5%. The above figures demonstrate that the Group's sales amount in second and third-tier cities has maintained a relatively balanced proportion.

Diligent construction planning, optimization of the scale of new constructions and focus on the coordination between sales planning and completion planning. In the first half of the year, area under construction of new projects was 8.399 million square metres, representing an increase of 12.4% as compared with 7.475 million square metres in the corresponding period of 2012. As at 30 June 2013, the Group had 201 projects under construction, and the area under construction was 37.671 million square metres; the Group has obtained pre-sale permits for 197 projects while 65 projects have not yet been launched for sale. The Board considers that the industry-leading construction scale and saleable area allow the Group to be well prepared for generating revenue from the delivery of properties and contracted sales in the next phase.

During the reporting period, the Group continued to put its standardized operation into practice. Through the continued optimization of corporate management and reasonable arrangement regarding the construction progress, 9.708 million square metres of GFA of properties were completed as scheduled. The Group delivered properties for an accumulated total of 166 projects with a transaction value of RMB41.29 billion and 6.905 million square metres of GFA.

Chairman's Statement (Continued)

Focus on continuing to reduce the net debt ratio as well as increasing the total cash and net profit margin of the Group's core businesses. During the reporting period, the sale proceeds of the Group reached RMB39.6 billion, and the net proceeds of share placing amounted to approximately RMB3.52 billion. The Group also put more effort in project cooperation, which resulted in an accumulated reduction in land premium payment of RMB8.9 billion for 23 cooperation projects. By building up a fine brand image, the Group strives to obtain more favorable contract terms, payment methods and conditions. Through the above measures, the Group's net debt ratio at the end of the period decreased 37.7 percentage points to 58.4% over that in the corresponding period of last year.

The Group continued to adhere to the strategy of "Cash is King". At the end of the period, the total cash amounted to RMB41.97 billion, reaching the highest level since the Company's listing. The Group also leveraged on its stable cooperation with the large commercial banks within China and the borrowings during the period recorded net increase of RMB15.54 billion. At the end of the period, the unutilized banking facilities and total cash amounted to RMB39.48 billion and RMB41.97 billion, respectively, and the Group's available funds amounted to RMB81.45 billion.

In the meantime, the Group has also sold some of its investment properties, adopted measures to improve the price of the residential properties and strived to reduce selling and marketing costs and administrative expenses, which helped to raise the profit margin of core businesses to 11.1% in the first half of the year, which represented an increase of 2.6 percentage points over that in the second half of 2012. The Board considers that as a result of the Group's outstanding quality products, there is still room for it to increase selling prices, and the various measures to strictly control the cost also started to bear fruit, which will continue to have positive influence on the profit margin of major businesses.

Vigorous promotion of product upgrades and implementation of standardized strategy. In the first half of the year, the Group made significant efforts to carry out comprehensive optimization and upgrade of the style, facade, furnishing and standards for landscape gardens of its products and reduce the costs of design and construction without compromising on quality. By so doing, the Group aims to further raise the overall price-to-performance ratio of its products and enhance its market competitiveness. The products are highly standardized after optimization while the designs are much more tailored to the rigid demand of the market and housing improvement needs. The streamline operation approach is generally adopted in architectural design, supply of raw material and construction methods to shorten the design cycle, guarantee the quality of design, enhance the effectiveness of development and save costs.

The Group is also committed to implementing upgrade works in certain areas, including facade, building materials, interior decoration, construction and landscape gardens. In the first half of the year, seven European new classicism facade styles were introduced, which together with the new roof and wall materials, significantly reduced the unit cost of facades while maintaining the original architectural appearance and style. For interior decoration, the Group insists on a unified and versatile decoration standard. At the same time, through strategic cooperative alliance, the Group has achieved centralized resources delivery with the aim of minimizing the cost, shortening the construction duration and assuring the quality of housing. The Group is also optimizing the standards for landscape gardens, through reducing the overall costs by approximately 30% without jeopardizing quality. Also, through controlling the contents of concrete and steel, consumption was reduced by 10% to 15% while the quality of the landscape gardens was maintained. By optimizing the design of foundation, earthwork, basement, equipment and specialized projects, it is expected that the annual construction cost can be reduced by approximately RMB1 billion.

The Board considers that the Group has adopted appropriate measures to tackle increasing construction costs, in particular with respect to the decreasing price for decoration materials every year, which signifies the entering into the harvesting period for the strategic premium alliance strongly promoted by the Group. This enables us to mitigate the impact of escalating costs on gross profit margin to a great extent and thus generates value for all shareholders.

Chairman's Statement (Continued)

Business Outlook

As outlined at the Central Economic Working Conference, the Chinese government will maintain the continuity and stability of macro-economic policies in the second half of the year, actively yet prudently pushing forward the people-oriented new urbanization and enhance the steady and healthy development of the property market. The Board believes that financial revolution and institutional innovation will give a new impetus to the economic development. The Board anticipates that the monetary policy and real estate control measures will emphasize stability. These policies are likely to provide a relatively stable external environment for the real estate industry, facilitating adjustment and transformation within the industry as well as stabilizing the macro-economy.

Through closely matching the views above with the Group's plan of "Optimization, Reduction and Growth", the Board will continue to adopt comprehensive measures to optimize the geographical layout of residential real estate projects, reduce the net debt ratio, increase the total amount of cash and net profit margin of main operations. On the basis of the sixth "Three-Year Plan" of "Sound Operation and Stable Growth", the Board will further promote the transformation from business expansion to steady operation as well as from regional expansion to intensified management and focus more on maintaining profitability and achieving high quality coordinated development.

Land Reserve

Given the completion of the nationwide strategic layout, the Group will continue to optimize the locational layout of residential real estate projects. The development focus of projects was concentrated in first- and second-tier cities and the geographical locations of projects were moved closer to central urban areas, which will maintain a stable overall total land reserve and attach more significance to the reasonable and balanced distribution of projects in the first-, second- and third-tier cities and the balanced development of each project. With respect to land acquisition, the Group will adopt a more prudent approach for new land acquisition in third-tier cities. In order to increase the profit margin of its projects and the overall profitability, the Group will analyse the population size and GDP of the cities where the projects are located, geographic location of the land, planning criteria and consumer spending ability with stricter quantitative standards.

The Group has settled land premium of RMB107.79 billion for its existing land reserves and RMB43.65 billion remains outstanding, of which land premium of RMB15.58 billion is expected to be settled in the second half of the year of 2013; land premium of RMB17.73 billion is expected to be settled in 2014 and land premium of RMB10.34 billion is expected to be settled in 2015 or beyond.

Contracted sales

Given that the policy is likely to be relatively stable in the second half of the year, it is foreseen that the overall market demand and supply will remain stable. Considering the relatively high base recorded in the previous year, growth in transaction volumes and prices may narrow as compared with the same period last year. The performance of different cities may be more varied and local fluctuation may occur in individual regional markets. The Group will further follow the market trend and seize opportunities in the market. While ensuring that the inventory is sufficient, the Group will formulate its regional sales plan with key focus areas, conduct monthly reviews after the completion of sales and timely adjust its sales strategies.

In the second half of the year, there will be approximately forty residential projects available for sales. These premises are situated in Zhengzhou, Xi'an, Chengdu, Chongqing, Wuhan, Jinan, Changsha, Harbin, Wuxi, Ningbo, Yangzhou, Tangshan and Zibo. The Group proposes to capitalize on market timing and develop new projects for sale selectively and emphatically in accordance with the overall market needs. Apart from this, in the second half of the year, there will be residential and commercial complex projects in cities including Haikou and Changchun, which are likely to supplement the contracted sales of the entire year.

Chairman's Statement (Continued)

With regard to the pricing strategy, the Group will strike a balance between the selling price and sales, elevate sales performance as well as maintaining a reasonable selling price and relatively stable and balanced monthly sales performance in a flexible and practical manner. Given the remarkable sales performance in the first half of the year, together with the great execution ability and product strength of the Group, the Board is optimistic about achieving the aggregate contracted sales target of RMB100 billion for the entire year.

Financial Capital

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

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

The Group strongly believes that at the middle stage of its sixth "Three-Year-Plan", the aforementioned strategies and measures could help ensure the sound and stable operation of the Company. Through detailed implementation of the plan of "Optimization, Reduction and Growth", and the determination to strive for improvement and surpass itself, the Group will continue to consolidate its leading position in premium real estate development industry with standardized operation in China in order to bring greater value to the public and its shareholders.

Acknowledgement

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

Hui Ka Yan
Chairman

Hong Kong, 26 August 2013

Management Discussion and Analysis

Overall Performance

The Group recorded revenue of RMB41.95 billion (corresponding period of 2012: RMB37.04 billion), representing a period-on-period growth of 13.3%. Gross profit amounted to RMB11.45 billion (corresponding period of 2012: RMB10.6 billion), representing an increase of 8% over the corresponding period last year. Profit attributable to shareholders was RMB6.24 billion (corresponding period of 2012: RMB5.66 billion), representing an increase of 10.2% compared with the corresponding period last year. Basic earnings per share amounted to RMB39 cents (corresponding period of 2012: RMB38 cents), representing a period-on-period increase of 2.6%.

Equity attributable to shareholders of the Group as at 30 June 2013 was RMB47.91 billion (31 December 2012: RMB38.26 billion), representing an increase of 25.2% from the end of last year. The total assets were RMB274.59 billion (31 December 2012: RMB238.99 billion), representing an increase of 14.9% from the end of last year. The net debt ratio was 58.4%, a decrease of 25.8 percentage points as compared to 84.2% at the end of 2012, or a decrease of 37.7 percentage points as compared to 96.1 % as at 30 June 2012.

Revenue

Revenue of the Group for the reporting period amounted to RMB41.95 billion, a growth of 13.3% compared with the corresponding period of last year, of which revenue generated from the property development segment amounted to RMB41.29 billion, representing a period-on-period growth of 13.2%. Revenue generated from property management services was RMB274 million, representing an increase of 69.9% compared with the corresponding period of last year. Revenue generated from property investment amounted to RMB70.11 million, representing a growth of 34.2% compared with the corresponding period of last year. Income from project construction, operation of hotels and other businesses related to real estate development was RMB319 million, which was close to the amount from the corresponding period of last year.

Gross Profit

Gross profit of the Group was RMB11.45 billion, representing an increase of 8% compared with the corresponding period of last year. The increase in gross profit was mainly attributable to a significant increase in delivered area. The gross profit margin was 27.3%, a decrease of 1.3 percentage points compared to 28.6% of the corresponding period last year, but improved by 0.3 percentage points compared to 27% in the second half of 2012, mainly because certain properties delivered in the first half of this year were the properties promoted in the third quarter of last year which affected the average contracted selling price. With the increase in average contracted selling price in the first half of 2013, the gross profit margin will have potential to increase.

Selling and Marketing Costs

During the reporting period, selling and marketing costs of the Group rose from RMB1.32 billion for the corresponding period of 2012 to RMB1.50 billion, which was principally due to an increase in the number of projects launched and significant expansion in scale. The numbers of projects in sales stage recorded an increase of 27.9% compared with the end of 2012. Furthermore, the corresponding increase in nationwide marketing and brand publicity activities during the reporting period also led to the increase.

Management Discussion and Analysis (Continued)

Administrative Expenses

During the reporting period, administrative expenses of the Group increased from RMB1.05 billion for the corresponding period of 2012 to RMB1.24 billion, which was mainly due to the continuous expansion of its national business and significant growth in operating results achieved during the reporting period. The number of projects recorded an increase of 20.2% compared with corresponding period of 2012. The number of employees and their remuneration have also increased correspondingly.

Financial Review

Borrowings

As of 30 June 2013, the borrowings of the Group amounted to RMB75.82 billion with the following maturity periods:

	30 June 2013 (RMB billion)	**As a percentage of total borrowings**	31 December 2012 (RMB billion)	As a percentage of total borrowings
Less than 1 year	28.26	37.3%	19.03	31.6%
1–2 years	33.16	43.7%	20.13	33.4%
2–5 years	13.66	18.0%	20.41	33.9%
More than 5 years	0.74	1.0%	0.70	1.1%
	75.82	100%	60.27	100%

As at 30 June 2013, RMB29.23 billion of the Group's borrowings carried floating interest rates, the remaining RMB46.59 billion of the Group's borrowings carried fixed interest rates. RMB66.08 billion of the Group's total borrowings were denominated in Renminbi, the remaining RMB9.74 billion borrowings were denominated in U.S. dollars.

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

Foreign Exchange Exposure

The Group's businesses are principally conducted in Renminbi. Other than the foreign currency denominated bank deposits and the senior notes denominated in U.S. dollars, the Group does not have any material exposure directly to foreign exchange fluctuations. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange risk.

Available Funds

As at 30 June 2013, the total amount of cash and cash equivalents and restricted cash was RMB41.97 billion, and the Group had unutilised banking facilities of RMB39.48 billion. These funds provided sufficient working capital for the Group to find the best business opportunities and provided significant financial support for rapid development.

Management Discussion and Analysis (Continued)

Financial Leverage

As at 30 June 2013, the net debt ratio was 58.4%, representing a decrease of 25.8 percentage points as compared to 84.2% as at 31 December 2012 and a decrease of 37.7 percentage points as compared to 96.1% in the corresponding period of 2012. It was mainly attributable to the Group's sales proceeds exceeding RMB39.6 billion, the net proceeds from the share placing of approximately RMB3.52 billion. In addition, the Group endeavored to develop 23 cooperation projects, which helped decrease the Group's cumulative land premium payment by RMB8.9 billion, and leveraged on its excellent brand image to obtain more favorable terms, method of payment and conditions of payment in respect of its contracts.

Contingency

As at 30 June 2013, the Group arranged bank financing for some property buyers and provided a buy-back guarantee in relation to the repayment obligations of approximately RMB68 billion for those buyers. The Group has not suffered from any significant loss resulting from the above guarantee in the past, primarily because such guarantee was only a transitional arrangement for property buyers prior to the completion of their mortgage registration. The guarantee was secured against the property rights of the property buyer and will be removed once the mortgage registration is completed. Considering the above factors, the Board is of the view that such buyers' defaults are unlikely and thus no provision will be required.

Land Reserve

During the reporting period, the Group acquired 34 land reserves. The GFA of the new land reserves was 14.566 million square metres, covering 29 cities with growth potential such as Guangzhou, Chongqing, Chengdu, Changsha, Haikou, Changchun, Harbin, Shenyang and Guiyang. During the reporting period, the total cost of the newly acquired land was approximately RMB1,687 per square metre.

Distribution of newly acquired land reserves of the Group in the first half of 2013

No.	Project Name	City	Site area (Square metre)	Planned Total GFA (Square metre)	Area of Land reserve (Square metre)	Proportionate interest
	Guangdong Province					
1	Guangzhou Shatainan Project	Guangzhou	44,275	144,779	92,379	100%
2	Evergrande Oasis Zhanjiang	Zhanjiang	127,834	477,925	477,925	100%
3	Evergrande Metropolis Heyuan	Heyuan	250,777	626,943	626,943	100%
	Chongqing City					
4	Evergrande Emerald Court Chongqing	Chongqing	193,531	335,881	335,881	100%
5	Evergrande Royal Scenic Peninsula Chongqing	Chongqing	142,332	247,023	247,023	100%
6	Evergrande Scenic Garden Chongqing	Chongqing	336,067	583,258	583,258	100%
	Jiangsu Province					
7	Evergrande Emperor Scenic Yangzhou	Yangzhou	105,857	178,383	178,383	80%
8	Evergrande Metropolis Jiangyin	Wuxi	120,927	302,316	302,316	100%
	Evergrande Atrium Jurong (Expansion Land)*	Zhenjiang	58,000	174,000	174,000	100%

Management Discussion and Analysis (Continued)

No.	Project Name	City	Site area (Square metre)	Planned Total GFA (Square metre)	Area of Land reserve (Square metre)	Proportionate interest
	Liaoning Province					
9	Evergrande Royal Scenic Bay Shenyang	Shenyang	61,038	165,018	165,018	100%
	Evergrande Emerald Court Shenyang (Expansion Land)*	Shenyang	53,932	129,438	129,438	100%
	Shandong Province					
10	Evergrande Emperor Scenic Zibo	Zibo	143,421	716,276	716,276	60%
11	Evergrande Metropolis Liaocheng	Liaocheng	76,200	252,328	252,328	51%
	Evergrande Splendor Laiwu (Expansion Land)*	Laiwu	78,149	57,710	57,710	100%
	Hunan Province					
12	Evergrande Bay Changsha	Changsha	178,644	607,464	607,464	100%
13	Evergrande Oasis Yiyang	Yiyang	204,527	747,148	747,148	100%
	Zhejiang Province					
14	Evergrande Royal Scenic Peninsula Quzhou	Quzhou	181,050	462,048	462,048	100%
15	Ningbo Xiangshan Project	Ningbo	357,227	311,074	311,074	51%
	Anhui Province					
16	Evergrande Metropolis Chuzhou	Chuzhou	68,861	204,200	204,200	100%
17	Evergrande Oasis Chuzhou	Chuzhou	84,502	259,000	259,000	100%
18	Evergrande Royal Scenic Bay Suzhou	Suzhou	90,836	335,322	335,322	100%
	Hebei Province					
19	Evergrande Metropolis Xingtai	Xingtai	88,671	436,924	436,924	100%
20	Evergrande Palace Tangshan	Tangshan	17,027	81,696	81,696	60%
21	Evergrande City Hengshui	Hengshui	64,248	245,162	245,162	70%
22	Evergrande Metropolis Langfang	Langfang	101,351	285,506	285,506	100%
	Evergrande Royal Scenic Peninsula Shijiazhuang (Expansion Land)*	Shijiazhuang	60,988	262,881	262,881	100%
	Hainan Province					
23	Evergrande Bund Haikou	Haikou	115,408	711,806	711,806	100%
	Jilin Province					
24	Evergrande Metropolis Plaza Changchun	Changchun	124,968	511,318	511,318	100%
	Heilongjiang Province					
25	Evergrande Emperor Scenic Harbin	Harbin	99,758	273,616	273,616	100%
26	Evergrande Royal Scenic Bay Harbin	Harbin	166,705	548,340	548,340	100%
	Henan Province					
27	Evergrande Metropolis Luohe	Luohe	170,124	570,480	570,480	100%
28	Evergrande Royal Scenic Luohe	Luohe	50,779	203,204	203,204	100%
	Sichuan Province					
29	Evergrande New City Chengdu	Chengdu	118,936	645,159	645,159	100%
	Guizhou Province					
30	Evergrande Emerald Court Guiyang	Guiyang	70,940	372,595	372,595	100%

Management Discussion and Analysis (Continued)

No.	Project Name	City	Site area (Square metre)	Planned Total GFA (Square metre)	Area of Land reserve (Square metre)	Proportionate interest
	Jiangxi Province					
31	Evergrande Royal Scenic Jiujiang	Jiujiang	70,144	303,044	303,044	100%
32	Evergrande Emperor Scenic Jian	Jian	244,219	724,675	724,675	100%
	Shanxi Province					
33	Evergrande Emperor Scenic Yangquan	Yangquan	179,636	907,275	907,275	64%
	Inner Mongolia Autonomous Region					
34	Evergrande Metropolis Hohhot	Hohhot	64,343	216,859	216,859	100%
	Total		**4,766,232**	**14,618,074**	**14,565,674**	

* Extra land reserves for current projects

Contracted Sales

During the reporting period, the Group achieved contracted sales revenue of approximately RMB44.61 billion, accomplishing 44.6% of the sales target for the entire year. The area of the contracted sales amounted to 6.647 million square metres, while the average price of the contracted sales amounted to RMB6,712 per square metre. During the first half of 2013, the Group launched 18 new projects. As at 30 June 2013, the accumulated number of projects for sale was 197, across 27 regions and 110 cities in China.

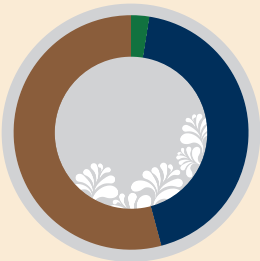
Regional distribution of contracted sales during the Period

No.	Province	Amount	Proportion
1	Guangdong	5,188,199,929	11.6%
2	Jiangsu	3,771,901,243	8.5%
3	Anhui	3,746,684,563	8.4%
4	Shandong	3,356,979,525	7.5%
5	Hebei	2,910,772,777	6.5%
6	Henan	2,870,788,216	6.4%
7	Hunan	2,777,737,781	6.2%
8	Shanxi	2,605,301,841	5.9%
9	Jiangxi	2,349,731,211	5.3%
10	Liaoning	2,310,192,216	5.2%
11	Chongqing	1,632,437,964	3.7%
12	Jilin	1,535,931,185	3.5%
13	Sichuan	1,398,225,533	3.1%
14	Heilongjiang	1,296,257,715	2.9%
15	Hubei	1,278,829,640	2.9%
16	Zhejiang	888,041,984	2.0%
17	Hainan	851,293,106	1.9%
18	Shaanxi	520,579,306	1.2%

Management Discussion and Analysis (Continued)

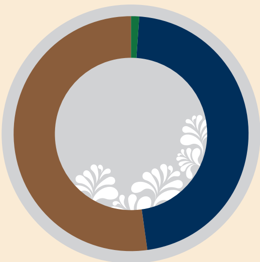
No.	Province	Amount	Proportion
19	Tianjin	503,611,185	1.1%
20	Inner Mongolia	470,519,976	1.1%
21	Guangxi	456,861,280	1.0%
22	Gansu	410,941,287	0.9%
23	Guizhou	410,909,794	0.9%
24	Xinjiang	373,297,955	0.8%
25	Yunnan	309,099,921	0.7%
26	Ningxia	239,719,339	0.5%
27	Qinghai	145,554,076	0.3%
	Total	**44,610,400,548**	**100%**

Distribution of 262 projects by cities



Projects in first-tier cities	7	2.7%
Projects in second-tier cities	104	39.7%
Projects in third-tier cities	151	57.6%
Total	262	100.0%

Distribution of contracted sales by cities



	Amount (RMB million)	Proportion
Contracted sales of projects in first-tier cities	379	0.9%
Contracted sales of projects in second-tier cities	20,787	46.6%
Contracted sales of projects in third-tier cities	23,445	52.5%
Total	44,611	100.0%

Note: First-tier cities include Beijing, Shanghai, Guangzhou and Shenzhen; Second-tier cities include provincial capital cities; Third-tier cities include non-provincial capital cities at prefectural level

During the first seven months of 2013, the Group's contracted sales amounted to RMB52.72 billion, accounting for 52.7% of the sales target for the entire year. Area of contracted sales was 7.786 million square metres.

Management Discussion and Analysis (Continued)

Property Development

During the period, the Group had a total of 149 projects completed which were situated in 26 major regions in China with a completed total GFA of 9.708 million square meters. The distribution of the completed projects is set out in the following table:

Breakdown of area completed by region during the period

No.	Provinces	Area Completed (Square Metre)	Proportion
1	Liaoning	974,588	10.0%
2	Shanxi	903,666	9.3%
3	Jiangsu	798,162	8.2%
4	Hunan	698,646	7.2%
5	Sichuan	613,023	6.3%
6	Shandong	552,503	5.7%
7	Jilin	468,064	4.8%
8	Hebei	461,506	4.8%
9	Shaanxi	454,012	4.7%
10	Henan	450,209	4.6%
11	Chongqing	409,033	4.2%
12	Anhui	409,009	4.2%
13	Heilongjiang	362,188	3.7%
14	Guangdong	295,094	3.0%
15	Jiangxi	280,034	2.9%
16	Guizhou	255,435	2.6%
17	Hubei	239,540	2.5%
18	Inner Mongolia	234,196	2.4%
19	Tianjin	181,962	1.9%
20	Hainan	162,405	1.7%
21	Qinghai	155,298	1.6%
22	Ningxia	134,270	1.4%
23	Guangxi	116,053	1.2%
24	Xinjiang	45,857	0.5%
25	Yunnan	38,658	0.4%
26	Zhejiang	14,749	0.2%
	Total	**9,708,160**	**100.0%**

During the period, the Group delivered a total of 166 projects with a transaction value of RMB41.29 billion, representing a period-on-period increase of 13.2%; the delivery area was 6.905 million square metres, representing a period-on-period increase of 13.6%.

As at 30 June 2013, the Group had 201 projects under construction with a GFA of approximately 37.671 million square meters, 197 projects for sale, and 65 projects yet to be launched for sale.

Management Discussion and Analysis (Continued)

Investment Properties

During the Period, the Group appropriately improved its investment properties portfolio including retail shops and car parks, with an aim to benefit from the long term and stable growth of cash flow to supplement the property development operation. As at 30 June 2013, the Group possessed approximately 1,174,902 square metres of retail and composite building floor area and 123,774 car park spaces, which spread across 124 projects in the PRC nationwide. Given the large number of investment properties in the portfolio, no individual property held for investment purposes was considered to be material with reference to the value of the total assets of the Group. During the Period, we achieved a total rental income of RMB70.11 million, a period-on-period increase of 34.2%; segmental profit was RMB3.13 billion, of which fair value gain of the investment properties amounted to RMB2.89 billion (net profit after tax was approximately RMB1.86 billion).

Property Management

During the Period, the Group recorded revenue from property management of RMB274 million, representing a period-on-period growth of 69.9%. Such an increase was mainly attributable to the rise of property management fees as a result of the increase in the GFA of properties completed and delivered during the Period.

Other Business

During the Period, the Group recorded a total of RMB319 million of revenue mainly generated from property construction and hotel operation, which was close to the amount from the corresponding period of last year.

Investor Relations

The Group is committed to establishing a two-way interactive relationship with investors. During the period, the Group has arranged interviews with 107 institutional investors and organised visits for 128 guests to our property projects in different locations across China. Our management attended 129 teleconferences and face to face conferences and received 158 investors. The Group has participated in numerous activities such as investor conferences organised by various institutions, including Citi, Deutsche Bank, Credit Suisse, UBS, J.P. Morgan, Morgan Stanley, Macquarie, HSBC, DBS Vickers, Haitong Securities and CLSA, and met with 579 investors from 452 investment institutions. During the period, the management of the Group has also travelled to places including Hong Kong, Singapore, Europe and the United States in order to exchange and interact with numerous investment institutions frequently, and listen widely to various opinions and suggestions of investors on the basis of the latest published results.

Since January 2013, in order to ensure the transparency of information and enhance the scope and effect of communication at a higher level, the Group also published its results of monthly contracted sales on the website of Hong Kong Stock Exchange regularly every month. The Group firmly believes that a smooth and transparent communication channel coupled with positive interactive relationship with investors will help us formulate business strategies for the benefit of shareholders, and unremittingly contribute value to shareholders.

Management Discussion and Analysis (Continued)

Corporate Social Responsibilities

Under the new social and market environment, the Group continues to be actively committed to social responsibilities and is deeply devoted to fully supporting charitable activities such as livelihood, sports and environmental protection.

On the 2013 Guangdong Poverty Alleviation Day, the Group agreed to donate RMB20 million. The Group previously agreed to donate RMB120 million in 2010, RMB318 million in 2011 and RMB350 million in 2012, respectively, to this cause. The payments will be made in accordance with certain progress. In June this year, the Group donated RMB0.3 million to Guangdong Province Society for Promotion of the Guangcai Programme to improve the livelihood of the ethnic region in Ruyuan County, Guangdong, which showed the Group's dedication to the alleviation of poverty. After the Ya'an earthquake, the Group donated RMB20 million to the disaster area through the China Foundation of Poverty Alleviation, which was among the first large-sized conglomerates to respond after the disaster.

In order to promote traditional Chinese cultures, the Group agreed to donate RMB5 million to the Chinese Yu-opera Culture Promotion Society; in an attempt to boost employment and nurture talents, the Group organized recruitment programs in colleges and universities across the country which provided a good employment and job-hunting platform for 1,101 graduating students.

With respect to green construction, the Group continuously carried out the delivery of fully-decorated properties and continued to optimize and upgrade main product mix, standards of decoration and enhance design management. In the beginning of this year, the Group successfully developed various new floor plans and new standards of flat decoration which conformed to modern requirements. The Group also implemented seven different facade styles to enhance the regional adaptability of the residential properties and achieved shorter construction periods, better quality, energy saving and consumption reduction. Since 1 March, Evergrande's new standard for residential properties has been applied to our over 200 projects in more than 120 cities across the nation.

The Group endeavours to contribute to China's sports development. Guangzhou Evergrande Football Club under the Group repeatedly defeated strong opponents in AFC Champion League, while Evergrande volleyball team was the champion of the 14th Asian Club Cup in female volleyball. While the athletic teams inspired the whole nation with their outstanding results, the Group also established the "Evergrande's Eight Regulations for National Player" and innovated the teaching method of Evergrande Football School in order to bring up more sports talent for the nation. Another example which highlights the great sense of responsibility of the Group is when the Group prioritized the needs of the nation and gave full support to Lang Ping, the coach in chief of the Evergrande female volleyball team, to answer the national team's call-up and assume the role of chief coach.

Management Discussion and Analysis (Continued)

Awards

During the period, the Group won multiple awards again. In the assessment of the Top 500 China Real Estate Developers, the Group ranked second in Top 500 China Real Estate Developers for three consecutive years, first in the Top Ten City Coverage's Real Estate Developers in China and second in the Top 10 China Real Estate Developers by Corporate Social Responsibility. In the selection of the "Top 10 of Top 100 Real Estate Developers in China by Integrated Capability 2012" jointly held by The Corporate Research Institute under the State Development Research Centre of the State Council, the Real Estate Research Institute of Tsinghua University and China Index Academy, the Group ranked second in the Top 100 Real Estate Developers in China by Integrated Capability, first in the Top 10 China Real Estate Companies Listed in Hong Kong by Integrated Capability and first in the Top 10 Investment Value.

In addition, the Group has been awarded the "Guangdong Poverty Alleviation Hongmian Gold Cup" by the Leading Group of Poverty Alleviation Development of Guangdong Province and was conferred "The China Charity Award", the highest honour in China's charity sector, by the State's Ministry of Civil Affairs for six consecutive years. The above-mentioned awards demonstrate a high degree of recognition by society of the Group's achievements in operating results, social responsibilities and brand influence.

Human Resources

As at 30 June 2013, the Group had a total of 39,828 employees, of which approximately 90% are graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high quality personnel.

The Group firmly believes that people are the most important corporate resources, and has been adhering to a people-oriented human resources development strategy. This helped the Group create a harmonious working environment and positive interaction between the Group and its staff. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and prevailing market salary scale. As at 30 June 2013, total staff cost (including directors' emoluments) of the Group was approximately RMB2.51 billion (corresponding period of 2012: approximately RMB2.17 billion).

Corporate Governance and Other Information

Information on Share Options of the Company

(i) Share Option Scheme

On 14 October 2009, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board can grant options (the "Options") to our employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "Participants") to subscribe for shares in the Company in order to serve as compliment and to reciprocate their contribution to the Group. The details of the principal terms and conditions of the Share Option Scheme were set out in the prospectus (the "Prospectus") of the Company dated 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 shares (the "Shares") of by the Company in issue as at the date of grant. The details of the Options granted are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price HK$	Number of share options held as at 1 January 2013	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled/ lapsed during the period	Number of share options held as at 30 June 2013
7 Directors	18 May 2010	Note 1	2.40	150,000,000	–	–	–	150,000,000
130 Other employees	18 May 2010	Note 1	2.40	418,613,000	–	33,679,000	600,000[4]	384,334,000
Total				568,613,000	–	33,679,000	600,000	534,334,000

Notes:

1. The Options with respect to a Participant may be exercisable in 5 tranches in the following manners:

   (i) the first 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 31 December 2010 and ending on 31 December 2015;

   (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 31 December 2011 and ending on 31 December 2016;

   (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 31 December 2012 and ending on 31 December 2017;

   (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 31 December 2013 and ending on 31 December 2018;

   (v) the fifth tranche comprising the remaining number of Shares that are subject to the Options granted will be exercisable at any time during the period commencing from 31 December 2014 and ending on 13 October 2019.

2. The closing price of the Shares on the date of grant of the Options was HK$2.27 per Share.

3. The Share Option Scheme will expire on 13 October 2019, being not more than 10 years pursuant to 17.03(11) of the Listing Rules.

4. These options have lapsed due to the resignation of one grantee during the period.

Corporate Governance and Other Information (Continued)

5. Valuation of the options granted

The valuation of options granted on 18 May 2010 was conducted based on the Binomial Model with the following assumptions:

Date of grant	18 May 2010
Closing share price at the date of grant	HK$2.27
Exercise price per share	HK$2.40
Annual risk free rate	2.88% per year
Expected volatility	42% per year
Life of the option	6.4 years
Expected dividend yield	1.80% per year

The fair value per share of option:

Vesting period	Directors	Other employees
7 months after the grant date	HK$0.351511	HK$0.294435
19 months after the grant date	HK$0.376185	HK$0.325711
31 months after the grant date	HK$0.398259	HK$0.355246
43 months after the grant date	HK$0.417160	HK$0.380112
55 months after the grant date	HK$0.430320	HK$0.398881

(ii) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme on 14 October 2009 ("Pre-IPO Share Option Scheme"). The purposes and main terms of the Pre-IPO Share Option Scheme are similar to Share Option Scheme, and the main terms are as follows:

(a) The subscription price per Share shall be equal to the initial offer price of the Shares under the global offering, that means HK$3.50 per share;

(b) As of 30 June 2013, the total number of Shares involved in the Pre-IPO Share Option Scheme was 171,929,000 shares, which is equivalent to approximately 1.07% of the Shares issued by of the Company; and

(c) No further options shall be offered or granted starting from the date the Shares are traded on the Stock Exchange.

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme:

Grantee	Date of grant of options	Exercise period of share options	Number of options held as at 1 January 2013	Number of share options exercised during the period	Number of options cancelled/ lapsed during the period	Number of options not yet exercised on 30 June 2013
Directors	14 October 2009	Note 1	57,080,000	—	—	57,080,000
Other employees	14 October 2009	Note 1	120,799,000	4,950,000	—	115,849,000
Total			177,879,000	4,950,000	—	172,929,000

Corporate Governance and Other Information (Continued)

Note:

1. Those grantees to whom options have been granted are entitled to exercise the options according to the following manner:

   (a) a maximum of 30% of the Shares (rounded to the nearest integer) involved in the options granted can be exercised any time from the anniversary of 5 November 2009 ("Listing Date") to 36 months after the anniversary of the Listing Date;

   (b) a maximum of 60% of the shares (rounded to the nearest integer) involved in the options granted minus the number of shares in respect of those options exercised can be exercised any time from the second anniversary of the Listing Date to 36 months after the second anniversary of the Listing Date; and

   (c) the number of shares involved in the options granted minus the number of shares in respect of those options exercised can be exercised any time from the third anniversary of the Listing Date to 36 months after the third anniversary of the Listing Date.

Further details of the Pre-IPO Share Option Scheme are provided in the Prospectus.

Debenture

During the six months ended 30 June 2013, none of the Company, its holding company or its subsidiaries were the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

Interests and Short Positions of Directors in the Shares, Underlying Shares or Debentures

As at 30 June 2013, the interest and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interest in the shares of the Company

Name of director	Nature of interest	Number of securities	Approximate percentage of shareholding
Hui Ka Yan (Note 1)	Interest of controlled company	10,162,119,735 (L)	63.43%

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 Dr. Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company wholly owned by Dr. 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 Dr Hui pursuant to the SFO.

Corporate Governance and Other Information (Continued)

(ii) Interest in the underlying shares of the Company

(a) Pre-IPO Share Option Scheme

Name of director	Nature of interest	Number of shares involved in the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Pre-IPO Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	beneficiary owner	20,000,000	0.13%
Li Gang	beneficiary owner	13,080,000	0.09%
Tse Wai Wah	beneficiary owner	6,000,000	0.04%
Xu Wen	beneficiary owner	6,000,000	0.04%
Lai Lixin	beneficiary owner	6,000,000	0.04%

Note: The Pre-IPO Share Options are exercisable at HK$3.50 per Share.

(b) Share Option Scheme

Name of director	Nature of interest	Number of shares 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	beneficiary owner	80,000,000	0.53%
Li Gang	beneficiary owner	30,000,000	0.20%
Tse Wai Wah	beneficiary owner	9,000,000	0.06%
Xu Wen	beneficiary owner	11,000,000	0.07%
Lai Lixin	beneficiary owner	9,000,000	0.06%

Note: The exercise price of the share options granted on 18 May 2010 was HK$2.40 per Share.

(iii) Interest in associated corporations of the Company

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

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

(iv) Interest in debentures of the Company

Name of director	Currency of debentures	Amount of debentures bought	Amount of debentures in same class in issue
Tse Wai Wah	CNY	1,500,000	3,700,000,000
Lai Lixin	CNY	2,000,000	3,700,000,000

Note: These debentures were bought off exchange.

Save as disclosed above, as at 30 June 2013, none of the Directors, or chief executives of the Company had any other interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporation required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions

As at 30 June 2013, other than the Directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which will have to be recorded in the register to be kept or to be notified to the Company and the Stock Exchange pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled company	10,162,119,735 (L) (Note 1)	63.43%
Xin Xin (BVI) Limited	Beneficiary owner	9,370,871,497 (L) (Note 2)	58.49%
Even Honour Holdings Limited	Beneficiary owner	791,248,238 (L) (Note 3)	4.94%

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 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 Dr. Hui Ka Yan.

3. Even Honour Holdings Limited is wholly owned by Mrs Hui.

Corporate Governance and Other Information (Continued)

Interim Dividend

The Board resolved not to declare any interim dividend.

Purchase, Sale or Redemption of the Company's Listed Securities

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has been in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

Review of Interim Report

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2013 have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. Mr. Chau Shing Yim, David, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The Audit Committee of the Board has also reviewed the Group's interim results for the six months ended 30 June 2013, and discussed with the Company's management regarding review, internal control and other relevant matters.

Model Code for Securities Transactions Conducted by the Directors

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

Condensed Consolidated Balance Sheet

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	9,756,020	8,559,167
Land use rights	7	2,680,897	2,347,117
Investment properties	7	30,962,464	24,941,627
Properties under development	8	201,963	—
Trade and other receivables	10	1,756,845	1,112,242
Intangible assets	7	440,758	446,989
Deferred income tax assets	18	1,090,026	1,039,782
		46,888,973	38,446,924
Current assets			
Properties under development	8	136,612,031	133,293,609
Completed properties held for sale	9	17,474,897	15,158,843
Trade and other receivables	10	6,909,581	5,785,030
Prepayments	11	23,008,854	19,871,222
Income tax recoverable		1,719,027	1,245,324
Restricted cash	12	8,992,310	7,399,279
Cash and cash equivalents	13	32,981,092	17,790,320
		227,697,792	200,543,627
Total assets		274,586,765	238,990,551
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	14	1,108,641	1,043,317
Share premium	14	6,473,695	2,901,986
Reserves	15	7,680,945	6,546,500
Retained earnings		32,645,798	27,771,925
		47,909,079	38,263,728
Perpetual capital instruments	16	6,013,800	—
Non-controlling interests		4,078,523	3,427,597
Total equity		58,001,402	41,691,325

Condensed Consolidated Balance Sheet (Continued)

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	17	47,558,371	41,243,149
Other payables	19	563,238	738,516
Deferred income tax liabilities	18	5,869,794	4,939,761
		53,991,403	46,921,426
Current liabilities			
Borrowings	17	28,260,336	19,030,706
Trade and other payables	19	81,506,578	77,788,431
Receipt in advance from customers		42,772,400	44,833,483
Current income tax liabilities	20	10,054,646	8,725,180
		162,593,960	150,377,800
Total liabilities		216,583,363	197,299,226
Total equity and liabilities		274,586,765	238,990,551
Net current assets		65,103,832	50,165,827
Total assets less current liabilities		111,992,805	88,612,751

The notes on pages 30 to 52 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Revenue	6	41,952,314	37,041,343
Cost of sales	22	(30,500,297)	(26,442,967)
Gross profit		11,452,017	10,598,376
Fair value gains on investment properties	6	2,890,742	2,500,618
Other income	21	424,537	228,739
Selling and marketing costs	22	(1,497,504)	(1,315,071)
Administrative expenses	22	(1,243,705)	(1,051,652)
Other operating expenses	22	(843,466)	(511,829)
Operating profit		11,182,621	10,449,181
Finance income/(costs), net	23	118,285	(63,725)
Profit before income tax		11,300,906	10,385,456
Income tax expenses	24	(4,786,272)	(4,764,702)
Profit for the period		6,514,634	5,620,754
Other comprehensive income		—	—
Total comprehensive income for the period		6,514,634	5,620,754
Attributable to:			
Shareholders of the Company		6,237,273	5,662,819
Non-controlling interests		277,361	(42,065)
		6,514,634	5,620,754
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	25	0.39	0.38
— Diluted earnings per share	25	0.38	0.37
Dividends	26	—	—

The notes on pages 30 to 52 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Unaudited:								
Balance as at 1 January 2012	1,037,199	5,423,466	5,601,609	19,897,438	31,959,712	—	2,171,041	34,130,753
Total comprehensive income	—	—	—	5,662,819	5,662,819	—	(42,065)	5,620,754
Transactions with owners:								
Transfer to statutory reserves	—	—	1,296,350	(1,296,350)	—	—	—	—
Employee share option schemes	4,676	206,540	9,976	—	221,192	—	—	221,192
Dividends	—	(2,842,104)	—	—	(2,842,104)	—	—	(2,842,104)
Changes in ownership interests in subsidiaries without change of control	—	—	(393,303)	—	(393,303)	—	(1,018,993)	(1,412,296)
Distribution to non-controlling interests	—	—	—	—	—	—	(561,840)	(561,840)
Capital injection from non-controlling interests	—	—	—	—	—	—	247,944	247,944
Acquisition of subsidiaries	—	—	—	—	—	—	924,751	924,751
Total transactions with owners	4,676	(2,635,564)	913,023	(1,296,350)	(3,014,215)	—	(408,138)	(3,422,353)
Balance as at 30 June 2012	1,041,875	2,787,902	6,514,632	24,263,907	34,608,316	—	1,720,838	36,329,154
Unaudited:								
Balance as at 1 January 2013	1,043,317	2,901,986	6,546,500	27,771,925	38,263,728	—	3,427,597	41,691,325
Total comprehensive income	—	—	—	6,237,273	6,237,273	—	277,361	6,514,634
Transactions with owners:								
Transfer to statutory reserves	—	—	1,363,400	(1,363,400)	—	—	—	—
Employee share option schemes (note 15(c))	2,427	108,450	(3,603)	—	107,274	—	—	107,274
Issue of shares	62,897	3,463,259	—	—	3,526,156	—	—	3,526,156
Issue of perpetual capital instruments (note 16)	—	—	—	—	—	6,013,800	—	6,013,800
Changes in ownership interests in subsidiaries without change of control (note 30)	—	—	(225,352)	—	(225,352)	—	(49,548)	(274,900)
Capital injection from non-controlling interests	—	—	—	—	—	—	189,555	189,555
Acquisition of subsidiaries (note 31)	—	—	—	—	—	—	233,558	233,558
Total transactions with owners	65,324	3,571,709	1,134,445	(1,363,400)	3,408,078	6,013,800	373,565	9,795,443
Balance as at 30 June 2013	1,108,641	6,473,695	7,680,945	32,645,798	47,909,079	6,013,800	4,078,523	58,001,402

The notes on pages 30 to 52 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Net cash used in operating activities		**(7,945,076)**	(4,969,938)
Net cash used in investing activities		**(4,878,219)**	(5,007,702)
Net cash generated from financing activities		**28,040,226**	8,383,974
Net increase/(decrease) in cash and cash equivalents		**15,216,931**	(1,593,666)
Cash and cash equivalents at beginning of period		**17,790,320**	20,081,945
Exchange (losses)/gains		**(26,159)**	14,105
Cash and cash equivalents as at the end of the period		**32,981,092**	18,502,384

The notes on pages 30 to 52 form an integral part of these interim consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

Evergrande Real Estate Group Limited (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 and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the property development, property investment, property management, property construction, hotel and other businesses in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 1586, Royal Bank House, Grand Cayman, KY1-1110, Cayman Islands.

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

The condensed consolidated interim financial information is presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 26 August 2013.

These 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 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 2012, as described in those annual financial statements.

(i) Amendments to standards and interpretations adopted by the Group as of 1 January 2013

The following amendments to standards and interpretations are mandatory for the Group's financial year beginning 1 January 2013. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Government Loan
HKFRS 7 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle

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

4 Estimates

The preparation of interim 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 these 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 2012.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Financial Risk Management

5.1 Financial risk factor

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

There have been no significant changes in risk management policies since 31 December 2012.

5.2 Liquidity risk

During the six months ended 30 June 2013, the Group raised additional short term and long term borrowings. The Group's current borrowings increased by RMB9,230 million and non-current borrowings increased by RMB6,315 million, respectively, during the period.

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 which mainly include property construction, hotel and other property development related services. 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. Finance costs or income are not included in the result for each operating segment.

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Segment Information (Continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Segment Information (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Gross segment revenue	36,485,790	61,471	220,629	3,313,025	40,080,915
Inter-segment revenue	—	(9,215)	(59,135)	(2,971,222)	(3,039,572)
Revenue	36,485,790	52,256	161,494	341,803	37,041,343
Segment results	8,286,060	2,550,261	(96,707)	(290,433)	10,449,181
Finance cost, net					(63,725)
Profit before income tax					10,385,456
Income tax expenses					(4,764,702)
Profit for the period					5,620,754
Depreciation and amortisation	53,928	—	2,769	183,755	240,452
Fair value gains on investment properties	—	2,500,618	—	—	2,500,618

6 Segment Information (Continued)

Segment assets as at 30 June 2013 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Segment assets	226,149,594	30,962,464	546,480	14,119,174	271,777,712
Unallocated					2,809,053
Total assets					274,586,765

Segment assets as at 31 December 2012 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Segment assets	198,486,629	24,941,627	406,478	12,870,711	236,705,445
Unallocated					2,285,106
Total assets					238,990,551

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

	Property and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Investment properties RMB'000
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	4,864,442	445,758	275,517	18,918,630
Additions	1,524,837	548,017	232,236	2,196,225
Disposals	(3,905)	—	—	(14,718)
Fair value gains on investment properties	—	—	—	2,500,618
Depreciation and amortisation charge	(161,751)	(2,937)	(75,764)	—
Closing net book amount as at 30 June 2012	6,223,623	990,838	431,989	23,600,755
Six months ended 30 June 2013				
Opening net book amount as at 1 January 2013	8,559,167	2,347,117	446,989	24,941,627
Additions	1,520,105	348,500	119,458	3,877,002
Disposals	(13,105)	—	(2,050)	(746,907)
Fair value gains on investment properties	—	—	—	2,890,742
Depreciation and amortisation charge	(310,147)	(14,720)	(123,639)	—
Closing net book amount as at 30 June 2013	9,756,020	2,680,897	440,758	30,962,464

8 Properties under Development

	30 June 2013 RMB'000	31 December 2012 RMB'000
Properties under development expected to be completed:		
— Within one operating cycle, included under current assets	136,612,031	133,293,609
— Beyond one operating cycle, included under non-current assets	201,963	—
	136,813,994	133,293,609
Properties under development comprise:		
— Construction costs and capitalised expenditures	56,040,755	59,616,030
— Interest capitalised	9,405,598	7,818,635
— Land use rights	71,367,641	65,858,944
	136,813,994	133,293,609

The 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 borrowings for the six months ended 30 June 2013 is 9.74% (for the six months ended 30 June 2012: 9.66%).

9 Completed Properties held for Sale

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

10 Trade and Other Receivables

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables (note (a))	4,645,409	3,600,288
Other receivables	4,021,017	3,296,984
	8,666,426	6,897,272
Less: non-current portion	(1,756,845)	(1,112,242)
Trade receivables (note (a))	(1,380,517)	(742,972)
Other receivables	(376,328)	(369,270)
Current portion	6,909,581	5,785,030

As at 30 June 2013 and 31 December 2012, the fair value of trade and other receivables approximated their carrying amounts.

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

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 90 days	2,841,671	2,809,586
Over 90 days and within 180 days	307,517	136,922
Over 180 days and within 365 days	1,082,890	440,929
Over 365 days	413,331	212,851
	4,645,409	3,600,288

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

11 Prepayments

	30 June 2013 RMB'000	31 December 2012 RMB'000
Prepaid business taxes and other taxes	1,810,600	1,448,815
Prepayments and advances to third parties:	21,198,254	18,422,407
— for acquisition of land use rights	20,822,505	17,907,958
— others	375,749	514,449
	23,008,854	19,871,222

12 Restricted Cash

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantee deposit for construction of projects (note (a))	5,322,486	4,660,258
Guarantee deposit for bank acceptance notes and loans (note (b))	2,684,305	1,887,894
Guarantee deposit for land acquisitions	399,509	394,253
Others	586,010	456,874
	8,992,310	7,399,279

(a) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties at certain banks as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. The restriction will be released upon the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.

(b) The Group placed certain cash deposits with designated banks as security for bank acceptance notes and bank loans.

Restricted cash as at 30 June 2013 and 31 December 2012 are denominated in RMB. 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.

Restricted cash earns interest at floating daily bank deposit rates.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Cash and Cash Equivalents

	30 June 2013 RMB'000	31 December 2012 RMB'000
Cash at bank and in hand:		
— Denominated in RMB	30,829,550	16,944,290
— Denominated in other currencies	2,151,542	846,030
	32,981,092	17,790,320

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.

14 Share Capital and Premium

	Number of ordinary shares (Thousands)	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Total RMB'000
Six months ended 30 June 2012					
Balance as at 1 January 2012	14,893,628	148,936	1,037,199	5,423,466	6,460,665
Issue of shares pursuant to the option scheme	74,157	742	4,676	206,540	211,216
Dividends	—	—	—	(2,842,104)	(2,842,104)
Balance as at 30 June 2012	14,967,785	149,678	1,041,875	2,787,902	3,829,777
Six months ended 30 June 2013					
Balance as at 1 January 2013	14,990,682	149,907	1,043,317	2,901,986	3,945,303
Issue of shares pursuant to the option scheme	38,629	386	2,427	108,450	110,877
Issue of shares	1,000,000	10,000	62,897	3,463,259	3,526,156
Balance as at 30 June 2013	16,029,311	160,293	1,108,641	6,473,695	7,582,336

15 Reserves

	Merger reserve RMB'000 (note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (note (b))	Employee share option reserve RMB'000 (note (c))	Capital redemption reserve RMB'000	Total RMB'000
Six months ended 30 June 2012						
Balance at 1 January 2012	(986,474)	4,829,117	1,262,140	489,671	7,155	5,601,609
Retained earnings appropriated to statutory reserves	—	—	1,296,350	—	—	1,296,350
Changes in ownership interests in subsidiaries without change of control	—	(393,303)	—	—	—	(393,303)
Employee share option scheme	—	—	—	65,114	—	65,114
Issue of shares pursuant to the option scheme	—	—	—	(55,138)	—	(55,138)
Balance at 30 June 2012	(986,474)	4,435,814	2,558,490	499,647	7,155	6,514,632
Six months ended 30 June 2013						
Balance at 1 January 2013	(986,474)	4,435,814	2,558,490	531,515	7,155	6,546,500
Retained earnings appropriated to statutory reserves	—	—	1,363,400	—	—	1,363,400
Changes in ownership interests in subsidiaries without change of control (note 30)	—	(225,352)	—	—	—	(225,352)
Employee share option scheme (note (c))	—	—	—	27,702	—	27,702
Issue of shares pursuant to the option scheme	—	—	—	(31,305)	—	(31,305)
Balance at 30 June 2013	(986,474)	4,210,462	3,921,890	527,912	7,155	7,680,945

(a) Merger reserve

The 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15 Reserves (Continued)

(b) Statutory reserves

In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the group entities established in the PRC, these group entities were required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve.

The statutory surplus reserve can only be used to make good of losses of previous years or to increase the capital of respective companies upon the approval of relevant authority.

(c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee completing certain time's service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 14 October 2009, 208,000,000 share options (the "Pre-IPO Options) were granted to directors and employees with an exercise price of HK$3.5 per share. All the options granted will be exercisable within 3 years after vesting.

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

Movements of share options are as follows:

	Number of share options
Six months ended 30 June 2012	
Balance at 1 January 2012	884,346,000
Exercised during the period	(74,157,000)
Lapsed during the period	(13,600,000)
Balance at 30 June 2012	796,589,000
Six months ended 30 June 2013	
Balance at 1 January 2013	746,492,000
Exercised during the period	(38,629,000)
Lapsed during the period	(600,000)
Balance at 30 June 2013	707,263,000

15 Reserves (Continued)

(c) Employee share option reserve (Continued)

Particulars of share options as at 30 June 2013 and 31 December 2012 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares 30 June 2013	Number of outstanding shares 31 December 2012
Pre-IPO Options:					
14 October 2009	1 year	5 November 2010 – 5 November 2013	HK$3.5	34,769,000	39,719,000
14 October 2009	2 years	5 November 2012 – 5 November 2014	HK$3.5	58,640,000	58,640,000
14 October 2009	3 years	5 November 2013 – 5 November 2015	HK$3.5	79,520,000	79,520,000
2010 Options:					
18 May 2010	7 Months	31 December 2010 – 31 December 2015	HK$2.4	14,014,000	47,813,000
18 May 2010	19 Months	31 December 2012 – 31 December 2016	HK$2.4	130,080,000	130,200,000
18 May 2010	31 Months	31 December 2013 – 31 December 2017	HK$2.4	130,080,000	130,200,000
18 May 2010	43 Months	31 December 2013 – 31 December 2018	HK$2.4	130,080,000	130,200,000
18 May 2010	55 Months	31 December 2014 – 13 October 2019	HK$2.4	130,080,000	130,200,000
				707,263,000	746,492,000

The weighted average fair value of both options granted was determined by reference to valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model. The significant inputs into the model were share price at the date of grant, annual risk free rate, expected volatility, life of the option and expected dividend yield, which are based on the best estimate of the Company's directors. The value of an option varies with different variables of certain subjective assumption.

16 Perpetual Capital Instruments

In June 2013, certain wholly owned subsidiaries of the Company issued subordinated perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate principal amount of RMB6,013,800,000.

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of the subsidiaries, do not have maturity date and the distribution payments can be deferred at the discretion of the issuers of the Perpetual Capital Instruments. The Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17 Borrowings

	30 June 2013 RMB'000	31 December 2012 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	33,421,227	30,008,266
Senior notes	17,425,690	17,514,602
— Senior notes issued in 2010 ("2010 Senior Notes") (note (a))	8,252,303	8,372,268
— Senior notes issued in 2011 ("2011 Senior Notes") (note (b))	9,173,387	9,142,334
Other borrowings — secured (note (c))	19,712,240	9,575,341
	70,559,157	57,098,209
Less: current portion of non-current borrowings	(23,000,786)	(15,855,060)
	47,558,371	41,243,149
Borrowings included in current liabilities:		
Bank borrowings — secured	3,916,235	1,813,500
Current portion of non-current borrowings	23,000,786	15,855,060
Other borrowings — secured (note (c))	1,343,315	1,362,146
	28,260,336	19,030,706
Total borrowings	75,818,707	60,273,855
The total borrowings are denominated in the following currencies:		
RMB	66,083,516	51,398,747
US dollar	9,735,191	8,875,108
	75,818,707	60,273,855

(a) 2010 Senior Notes

On 27 January 2010, the Company issued 13%, five-year senior notes with an aggregated principal amount of US$750,000,000 (equivalent to approximately RMB5,120,400,000) at 100% of the face value. On 13 April 2010, the Company further issued additional senior notes in the same terms with an aggregated principal amount of US$600,000,000 (equivalent to approximately RMB4,095,600,000) at 100% of the face value.

17 Borrowings (Continued)

(b) 2011 Senior Notes

On 13 January 2011, the Company issued 7.50%, three-year senior notes with an aggregated principal amount of RMB5,550,000,000 and 9.25%, five-year senior notes with an aggregated principal amount of RMB3,700,000,000 at 100% of the face value.

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

(c) Other borrowings

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

As at 30 June 2013, the Group's borrowings were secured by its property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, certain shares of the subsidiaries and cash in bank.

Movements of borrowings are analysed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Opening amount as at 1 January	**60,273,855**	51,726,710
Additions of borrowings	**28,021,545**	12,957,044
Repayments of borrowings	**(12,387,780)**	(5,107,691)
Amortisation of issuance costs	**55,268**	49,980
Exchange (gains)/losses	**(144,181)**	31,859
Closing amount as at 30 June	**75,818,707**	59,657,902

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net movements of deferred taxation are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Opening balance at 1 January	**3,899,979**	2,942,432
Charged to profit or loss	**879,789**	750,902
Closing balance at 30 June	**4,779,768**	3,693,334

19 Trade and Other Payables

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Trade payables	**52,482,970**	53,963,729
Other payables	**27,718,402**	22,483,445
Accrued expenses	**1,216,069**	1,479,990
Other taxes payable	**652,375**	599,783
	82,069,816	78,526,947
Less: non-current portion of other payables	**(563,238)**	(738,516)
	81,506,578	77,788,431

19 Trade and Other Payables (Continued)

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year	45,980,548	49,661,436
Over one year	6,502,422	4,302,293
	52,482,970	53,963,729

20 Current Income Tax Liabilities

The current income tax liabilities are analysed as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Income tax payables		
— PRC corporate income tax	3,007,632	2,396,611
— PRC land appreciation tax	7,047,014	6,328,569
	10,054,646	8,725,180

21 Other Income

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest income from bank deposits	54,662	53,472
Forfeited customer deposits	17,081	32,522
Advertising income (note (a))	161,056	105,488
Gain on disposal of investment properties	185,277	6,537
Others	6,461	30,720
	424,537	228,739

(a) Amount represented the advertising income generated from operation of football and volleyball clubs.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22 Expenses by Nature

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of properties sold	**26,474,339**	22,876,894
Business tax and other levies (note (a))	**2,378,152**	2,198,675
Staff costs — including directors' emoluments	**2,509,080**	2,171,737
Advertising costs	**757,995**	749,257
Sales commissions	**219,685**	190,959
Consultancy fee (note (b))	**65,926**	49,988
Depreciation	**310,147**	161,751
Amortisation	**138,359**	78,701
Donations to governmental charity	**123,802**	63,312

(a) Business tax

The group entities with business operation in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%
Hotel operations	5%
Advertising revenue	5%

(b) Consultancy fee

The consultancy fee for the six months ended 30 June 2013 and 2012 are mainly related to market promotion, planning and consultancy services provided by real estate consulting firms and commercial bank.

23 Finance Income/(Costs), Net

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Exchange gains/(losses)	**137,439**	(34,211)
Interest expenses from borrowings	**(3,391,064)**	(2,644,207)
Less: interest capitalised	**3,371,910**	2,614,693
	118,285	(63,725)

24 Income Tax Expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**2,228,695**	2,022,384
— PRC land appreciation tax	**1,677,788**	1,991,416
Deferred income tax		
— PRC corporate income tax	**465,249**	676,841
— PRC land appreciation tax	**414,540**	74,061
	4,786,272	4,764,702

The weighted average applicable tax rate for the six months ended 30 June 2013 and 2012 is 25%.

Overseas income tax

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

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax during the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2012: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

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

PRC land appreciation tax

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Basic earnings per share (RMB)	**0.39**	0.38
Diluted earnings per share (RMB)	**0.38**	0.37

26 Dividends

The Board of the Company resolved not to declare any dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

27 Financial guarantees

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**67,713,111**	57,272,505

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 to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. 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.

28 Commitments

(a) Operating leases commitments

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Property and equipment:		
Not later than one year	**99,720**	105,863
Later than one year and not later than five years	**121,845**	105,073
Later than five years	**58,459**	53,919
	280,024	264,855

(b) Commitments for property development expenditure

	30 June 2013 RMB'000	31 December 2012 RMB'000
Contracted but not provided for		
— Property development activities	**54,616,382**	55,404,349
— Acquisition of land use rights	**33,064,727**	23,342,110
	87,681,109	78,746,459

29 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
許家印博士 Dr. Hui Ka Yan	The ultimate controlling shareholder and also the director of the Company
Xin Xin (BVI) Limited	The controlling shareholder of the Company

Notes to the Condensed Consolidated Interim Financial Information (Continued)

29 Related party transactions (Continued)

(b) 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	
	2013	2012
	RMB'000	RMB'000
Salaries and other employee benefits	**46,661**	72,068
Retirement scheme contributions	**406**	377
	47,067	72,445

30 Change in ownership interests in subsidiaries without change of control

During the six months ended 30 June 2013, the Group has acquired certain equity interests of the subsidiaries from non-controlling shareholders at total considerations of RMB274,900,000. The excess of considerations paid over the carrying amounts of equity interests acquired, which amounting to RMB225,352,000, was recognised as a reduction of equity attributable to owners of the Company.

31 Acquisition of subsidiaries

During the six months ended 30 June 2013, the Group has acquired controlling interests of certain property development companies in the PRC at considerations totalling approximately RMB2,512,567,000. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in increases in the non-controlling interests of the Group totalling RMB233,558,000.