CHINA EVERGRANDE GROUP
中 國 恒 大 集 團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

1. Revenue increased by 17.5% to RMB266.63 billion for the six months ended 30 June 2020 (the "**Reporting Period**") as compared with the corresponding period of 2019.

2. Gross profit was RMB66.68 billion for the Reporting Period. Gross profit margin was 25.0%.

3. Net profit was RMB14.76 billion for the Reporting Period. Net profit margin was 5.5%.

4. Core business profit[1] was RMB19.25 billion for the Reporting Period. Core business profit margin was 7.2%.

5. Profit attributable to shareholders was RMB6.54 billion.

6. Contracted sales during the Reporting Period amounted to RMB348.84 billion, representing an increase of 23.8% as compared with the corresponding period of 2019. The gross floor area of contracted sales was 38.632 million square meters, representing an increase of 47.5% as compared with the corresponding period of 2019.

[1] Core business profit represents net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, donations and certain non-property development businesses losses.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2020 (Unaudited)** *RMB million*	2019 (Unaudited) *RMB million*
Revenue	*4*	**266,631**	226,976
Cost of sales		**(199,949)**	(149,720)
Gross profit		**66,682**	77,256
Fair value gains on investment properties, net		**1,026**	1,004
Other income	*6*	**5,436**	3,408
Other gains/(losses), net	*8*	**1,192**	(399)
Selling and marketing costs		**(13,704)**	(10,145)
Administrative expenses		**(9,050)**	(8,907)
Impairment losses on financial assets		**(249)**	(23)
Other operating expenses		**(3,954)**	(1,574)
Operating profit		**47,379**	60,620
Share of profits/(losses) of investments accounted for using the equity method		**83**	(297)
Fair value gains/(losses) on financial assets at fair value through profit or loss	*9*	**107**	(557)
Fair value gains on derivative financial liabilities		**28**	145
Finance costs, net	*7*	**(10,772)**	(8,955)
Profit before income tax		**36,825**	50,956
Income tax expenses	*10*	**(22,064)**	(23,899)
Profit for the period		**14,761**	27,057

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Six months ended 30 June 2020 (Unaudited) RMB million	2019 (Unaudited) RMB million
Other comprehensive income			
(Item that may be reclassified to profit or loss)			
Share of other comprehensive income of investments accounted for using the equity method		**52**	(71)
Currency translation differences		**193**	33
(Item that may not be reclassified to profit or loss)			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**(72)**	78
Other comprehensive income for the period, net of tax		**173**	40
Total comprehensive income for the period		**14,934**	27,097
Profit attributable to:			
Shareholders of the Company		**6,540**	14,915
Non-controlling interests		**8,221**	12,142
		14,761	27,057
Total comprehensive income attributable to:			
Shareholders of the Company		**6,713**	14,945
Non-controlling interests		**8,221**	12,152
		14,934	27,097
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	*11*	**0.495**	1.136
— Diluted earnings per share	*11*	**0.494**	1.125
Dividends		**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2020 (Unaudited)** *RMB million*	31 December 2019 (Audited) *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**59,038**	55,798
Right-of-use assets		**13,928**	13,553
Investment properties		**163,434**	162,556
Goodwill		**7,788**	7,788
Intangible assets		**8,589**	7,960
Trade and other receivables	*13*	**8,868**	6,332
Prepayments	*14*	**4,160**	2,697
Investments accounted for using the equity method		**88,411**	87,811
Financial assets at fair value through other comprehensive income		**1,492**	1,587
Financial assets at fair value through profit or loss	*9*	**8,550**	8,005
Deferred income tax assets		**6,796**	5,676
		371,054	359,763
Current assets			
Inventories		**473**	574
Properties under development		**1,252,217**	1,198,388
Completed properties held for sale		**139,693**	129,073
Trade and other receivables	*13*	**155,175**	143,706
Contract acquisition costs		**3,132**	2,757
Prepayments	*14*	**156,662**	130,461
Income tax recoverable		**14,349**	12,167
Financial assets at fair value through profit or loss	*9*	**1,703**	921
Restricted cash		**63,892**	78,711
Cash and cash equivalents		**140,747**	150,056
		1,928,043	1,846,814
Total assets		**2,299,097**	2,206,577

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	**30 June 2020 (Unaudited)** *RMB million*	31 December 2019 (Audited) *RMB million*
EQUITY			
Equity attributable to shareholders of the Company			
Share capital and premium		**920**	1,575
Other reserves		**65,715**	66,133
Retained earnings		**63,650**	77,992
		130,285	145,700
Non-controlling interests		**186,170**	212,837
Total equity		**316,455**	358,537
LIABILITIES			
Non-current liabilities			
Borrowings		**439,784**	427,726
Derivative financial liabilities		**4,638**	4,666
Deferred income tax liabilities		**55,678**	60,766
Other payables	*15*	**5,901**	4,847
		506,001	498,005
Current liabilities			
Borrowings		**395,687**	372,169
Trade and other payables	*15*	**788,295**	717,618
Contract liabilities		**148,630**	129,705
Current income tax liabilities		**144,029**	130,543
		1,476,641	1,350,035
Total liabilities		**1,982,642**	1,848,040
Total equity and liabilities		**2,299,097**	2,206,577

Notes:

1. GENERAL INFORMATION

China Evergrande Group (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The Company is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

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

The condensed consolidated interim financial information is presented in millions of Renminbi Yuan ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 31 August 2020.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

(i) New standards and amendments to standards adopted by the Group as at 1 January 2020

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2020:

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related Rent Concessions
Revised Conceptual Framework for Financial Reporting	Improvements to HKFRS

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

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

HKFRS 17	Insurance Contracts[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds Before Intended Use[2]
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract[2]
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle[2]
HKAS 3 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture[3]

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

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

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

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

4. SEGMENT INFORMATION

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

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains/(losses) on FVPL, gains on derivative financial liabilities, dividend income of FVOCI and finance cost and income are not included in the result for each operating segment.

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

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 are as follows:

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

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 are as follows:

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

Segment assets as at 30 June 2020 are as follows:

	Property development *RMB million*	**Property investment** *RMB million*	**Property management services** *RMB million*	**Other businesses** *RMB million*	**Group** *RMB million*
Segment assets	**1,904,112**	**163,434**	**3,267**	**195,394**	**2,266,207**
Unallocated assets					**32,890**
Total assets					**2,299,097**
Segment assets include:					
Interest in associates	**5,163**	**—**	**—**	**48,600**	**53,763**
Interest in joint ventures	**13,850**	**—**	**—**	**20,798**	**34,648**

Segment assets as at 31 December 2019 are as follows:

	Property development *RMB million*	Property investment *RMB million*	Property management services *RMB million*	Other businesses *RMB million*	Group *RMB million*
Segment assets	1,843,001	162,556	3,277	169,387	2,178,221
Unallocated assets					28,356
Total assets					2,206,577
Segment assets include:					
Interest in associates	5,139	—	—	47,263	52,402
Interest in joint ventures	14,624	—	—	20,785	35,409

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

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

5. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Cost of properties sold	**194,572**	143,299
Employee benefit expenses	**9,614**	8,122
Employee benefit expenditure — including directors' emoluments	**13,559**	11,508
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(3,945)**	(3,386)
Tax and other levies	**1,112**	1,373
Advertising and promotion expenses	**5,339**	4,134
Contract acquisition costs	**4,678**	2,514
Depreciation of property, plant and equipment	**1,394**	1,273
Amortisation of right-of-use assets and intangible assets	**1,016**	635
Donations	**2,370**	901

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Interest income	**2,579**	2,112
Forfeited customer deposits	**526**	355
Management and consulting service income	**1,482**	593
Others	**849**	348
	5,436	3,408

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Finance costs		
Interest expenses from borrowings	**41,838**	31,712
Less: interest capitalised	**(34,255)**	(24,320)
	7,583	7,392
Exchange losses	**3,012**	1,243
Other finance costs	**177**	320
	10,772	8,955

8. OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Net gains on disposal of subsidiaries	**29**	66
Gains on disposal of associates and joint ventures	**296**	2
Net foreign exchange gains/(losses)	**867**	(467)
	1,192	(399)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Balance as at 1 January	**8,926**	10,138
Additions	**4,363**	3,737
Business combination	**—**	65
Fair value gains/(losses)	**107**	(557)
Disposals	**(3,143)**	(4,269)
Balance as at 30 June	**10,253**	9,114
Less: non-current portion	**(8,550)**	(8,596)
	1,703	518

As at 30 June 2020 and 31 December 2019, the balances of FVPL include the following:

	30 June 2020	31 December 2019
	RMB million	*RMB million*
Listed equity securities	**242**	265
Unlisted equity investments	**10,011**	8,661
	10,253	8,926
Less: non-current portion	**(8,550)**	(8,005)
	1,703	921

As at 30 June 2020 and 31 December 2019, the listed equity securities represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange Limited and the Stock Exchange, which are quoted in an active market.

As at 30 June 2020 and 31 December 2019, the unlisted equity investments represented the Group's equity investment in certain high technology and media companies, and the fair value of these investments has been determined by reference to the valuation carried out by independent and professionally qualified valuers.

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

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Current income tax		
— Hong Kong profits tax	**21**	16
— PRC corporate income tax	**17,926**	15,205
— PRC land appreciation tax	**9,773**	10,861
	27,720	26,082
Deferred income tax		
— PRC corporate income tax	**(4,031)**	(842)
— PRC land appreciation tax	**(1,625)**	(1,341)
	22,064	23,899

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

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

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

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

PRC land appreciation tax

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

11. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options granted on 18 May 2010 and 9 October 2014.

12. DIVIDENDS

The Board of Directors has resolved not to pay an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

13. TRADE AND OTHER RECEIVABLES

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Trade receivables (a)	**58,810**	51,303
Other receivables (b)	**105,233**	98,735
	164,043	150,038
Less: non-current portion of trade receivables and other receivables	**(8,868)**	(6,332)
Current portion	**155,175**	143,706

(a) Trade receivables

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Trade receivables	**59,039**	51,467
Less: allowance provision for impairment	**(229)**	(164)
Trade receivables — net	**58,810**	51,303
Less: non-current portion	**(8,040)**	(6,039)
Current portion	**50,770**	45,264

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

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

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Within 90 days	**49,077**	41,656
Over 90 days and within 180 days	**3,887**	4,928
Over 180 days and within 365 days	**5,110**	3,818
Over 365 days	**965**	1,065
	59,039	51,467

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

(b) Other receivables

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Other receivables	**107,159**	100,477
Less: allowance provision for impairment	**(1,926)**	(1,742)
Other receivables — net	**105,233**	98,735
Less: non-current portion	**(828)**	(293)
Current portion	**104,405**	98,442

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

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

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

As at 30 June 2020 and 31 December 2019, the fair value of trade and other receivables approximated their carrying amounts.

14. PREPAYMENTS

	30 June 2020 RMB million	31 December 2019 RMB million
Prepaid value added taxes and other taxes	**21,840**	16,208
Prepayments and advances to third parties	**138,982**	116,950
— for acquisition of land use rights	**128,612**	103,123
— for acquisition of subsidiaries	**1,970**	8,989
— others	**8,400**	4,838
	160,822	133,158
Less: non-current portion		
— prepayment for acquisition of intangible assets and property, plant and equipment	**(4,160)**	(2,697)
	156,662	130,461

15. TRADE AND OTHER PAYABLES

	30 June 2020 RMB million	31 December 2019 RMB million
Trade payables — third parties	**613,853**	544,653
Other payables	**135,401**	139,918
Payroll payable	**1,988**	3,374
Accrued expenses	**9,965**	7,643
Deferred income from grants	**2,772**	1,551
Lease liabilities	**1,695**	1,542
Other taxes payable	**28,522**	23,784
	794,196	722,465
Less: non-current portion of other payables and deferred income from grants	**(5,901)**	(4,847)
Current portion	**788,295**	717,618

The aging analysis of trade payables is as follows:

	30 June 2020 RMB million	31 December 2019 RMB million
Within one year	**550,168**	485,475
Over one year	**63,685**	59,178
	613,853	544,653

BUSINESS REVIEW

During the first half of 2020, due to the impact of the COVID-19 pandemic across the world, the global economy suffered a severe recession. The trade flows between industry chains has been disrupted. International trade and investment have shrunk. The commodity market faced immense volatilities. The OECD believed that the global economy was facing the most severe challenges since the 2008 financial crisis and predicted that the global economy would shrink by at least 6% in 2020. In its latest outlook, the International Monetary Fund believed that the global economic growth rate was expected to be –4.9% in 2020, and that major western developed economies would all experience deep recessions. While also paying a heavy price in terms of economy and society, China has managed to contain the pandemic in a relatively short period of time, and promoted the resumption of work and production quickly. Its economic activities demonstrated strong resilience and great potential.

In the first half of the year, adhering to its stance of "housing is for living, not for speculation", the Chinese Central Government insisted on strict financial regulation in the real estate sector. In response to the impact of the COVID-19 pandemic, local governments became more flexible in adjusting policies based on different markets while sticking to the principles of "restricting purchases" and "restricting loans" to promote the smooth operation of the real estate market. As the pandemic gradually came under control across the country in the second quarter, the markets in the first-tier and second-tier cities embraced rapid recovery, with increases in both volume and price in certain popular cities. Some leading third-tier and fourth-tier cities followed in the recovery, but with a smaller cumulative increase. As affected by the pandemic, in the first half of the year, national contracted sales volume of commodity housing decreased by 5.4% year-on-year to RMB6.6895 trillion with contracted sales volume of residential housing reaching RMB5.9633 trillion, with year-on-year decline of 2.8%. Inventory levels recorded slight increase, with 511 million square meters of properties available for sale at the end of the period, up by 1.8% year-on-year, and residential housing inventory increased to 239 million square meters, up by 2.7% year-on-year. The market share among the top 10 real estate companies was 29.8%, a year-on-year increase of 2.9 percentage points[1].

Faced with the impact of the pandemic and the general decline in industry sales, the Board persisted in the development strategy of "growing sales, controlled scale and reduced leverage" proposed at the beginning of the year. Taking the lead in resuming work and production under proper pandemic prevention and control, the Group quickly seized the market with its high-quality and affordable products, achieving rapid growth in sales and cash collection. It also replenished high-quality land reserves by seizing opportunities during the pandemic. There had been growing sales revenue in the cultural tourism and health wellbeing management segments. In the new energy vehicle industry, 14 car models were being simultaneously developed. Six models under the Hengchi brand were released, covering all segments from A to D, as well as a full range of vehicle types, including sedan, SUV and MPV. The Shanghai production base and the Guangzhou production base were officially unveiled and had entered the equipment installation and commissioning stage, continuously promoting the steady and long-term development of the Group. At the same time, Jinbi Property Management Company Limited

1 Data source: National Bureau of Statistics and announcements of various listing companies

(金碧物業有限公司, "**Jinbi Property**"), a property management group under the Group, expected that its rapid growth would be maintained in the future. It also successfully introduced a number of renowned strategic investors in August to invest HK$23.5 billion to support its future development.

Continuously maintaining huge high-quality land reserves, thus consolidating the foundation for high-quality development

During the Reporting Period, the real estate segment continued to reaffirm its foundational status within the Group's structure. The Group maintained abundant land reserves and further optimized its structure, thereby laying a solid foundation for its further high growth.

In the first half of the year, the Group seized the opportunities arising during the pandemic and acquired an aggregate of 111 pieces of land as reserves for residential purposes, as well as further acquiring the land surrounding 19 existing projects. The newly acquired residential land reserves had a total gross floor area ("**GFA**") of 54.59 million square meters at an average cost of RMB2,455 per square meter. New projects were mainly distributed among first-tier, second-tier cities and third-tier cities such as Beijing, Guangzhou, Shenzhen, Chengdu, Chongqing, Haikou, Kunming, Lanzhou, Guiyang, Harbin, Yantai, Wuxi and Wenzhou.

As at 30 June 2020, the Group's residential land reserves covered 817 projects located in 229 cities across China, covering almost all first-tier cities, municipalities and provincial capitals, as well as a majority of economically developed prefecture-level cities with high growth potential. The land reserves of the Group had a total planned GFA of 240 million square meters with an original value of RMB509.4 billion. In particular, the original value of land reserves in first-tier cities amounted to RMB49.2 billion, representing 10% of the total value with an average land cost of RMB3,711 per square meter. The original value of land reserves in second-tier cities amounted to RMB287.1 billion, representing 56% of the total value with an average cost of RMB2,572 per square meter. The original value of land reserves in third-tier cities amounted to RMB173.1 billion, representing 34% of the total value with an average cost of RMB1,501 per square meter.

The Group had 104 urban redevelopment projects, including 55 in Shenzhen, 12 in the Greater Bay Area (excluding Shenzhen), 11 in Taiyuan, 4 in Shijiazhuang, 3 in Kunming, 3 in Guiyang and 2 in Zhengzhou.

Strong growth in contracted sales and cash collection and tremendous results from the high growth strategy

During the Reporting Period, the Group achieved contracted sales of RMB348.84 billion, a year-on-year increase of 23.8% from RMB281.8 billion for the first half of 2019, which fulfilled 54% of the contracted sales target of the year of RMB650 billion; and GFA of contracted sales of 38.632 million square meters, a year-on-year increase of 47.5% from 26.2 million square meters for the first half of 2019. Cumulative cash collection for the first half of the year amounted to RMB312.0 billion, a year-on-year increase of 66.5% from RMB187.4 billion for the first half of 2019. Cash collection ratio was 89.4% in the first half of 2020, up by nearly 23 percentage points from 66.5% in the first half of 2019. The above amounts of contracted sales and cash collection both represent new records for the corresponding period in the Group's history.

In the first half of the year, the Group launched 63 new projects in several dozens of cities including Shenzhen, Guangzhou, Tianjin, Chongqing, Chengdu, Hefei, Wuhan, Kunming, Guiyang, Shijiazhuang, Shenyang, Xiamen and Foshan. There were a total of 1,085 projects for sale which were at different stages ranging from being completed to under construction.

Faced with the impact of the pandemic and the general decline in industry sales, the Group met market demand by creating high-quality and affordable products. In particular, its pioneering online sales since February 2020 facilitated strong growth in sales, demonstrating strong execution and risk resilience. The Group is confident in meeting all annual operation targets of 2020.

Taking the lead in resuming work and production under pandemic prevention and control, with careful and scientific planning of new construction start and completion

During the Reporting Period, the Group actively committed to the prevention and control of the pandemic, and took the lead in resuming work and production after the outbreak came under control. By the end of March 2020, the work resumption rate reached 95%, ensuring normal project development and sales and sufficient supply in the first half of the year.

With the Group's careful and scientific planning of new construction start and completion, new construction start GFA was 37.67 million square meters for the first half of the year, an increase of approximately 7.3% year on year. As at 30 June 2020, the Group had GFA of 123 million square meters. Completed GFA was 37.34 million square meters during the Reporting Period.

During the Reporting Period, the Group had a total of 841 delivered projects with total revenue of RMB260.84 billion. The Board believes that, with its strong execution ability, the Group will be able to further seize the market with high-quality and affordable products and respond to any possible changes in the market.

New industry landscape gradually taking shape with multi-point synergy and support

In respect of new energy vehicle industry, the Group's development goal is to become the largest and most powerful new energy automobile group in the world in 3–5 years. Our strategic positioning is to ensure that our core technology must be world-leading, the product quality must be world-class, and the cost must be significantly reduced. Through in-depth research in global vehicle industry, Evergrande gathers the world-leading talent, technology and equipment for its operation, and creates an unique road to vehicle manufacturing.

Achieving world-leading core technology: Through a series of international acquisition and strategic cooperation, Evergrande possessed the intellectual property in world-leading 3.0 chassis architecture for new energy vehicle, the world-class 3-in-1 integrated electric powertrain system of hofer, Germany, the European R&D and talent team of SAAB, as well as the top new energy vehicle R&D and production technology of Koenigsegg Automotive AB. In addition, Evergrande has recruited Lee Jun-soo, the former director of SK Battery Research Institute in South Korea, and his team. It is expected the production of world-leading battery will commence in the second half of the year.

Achieving world-class product quality: Evergrande entered into strategic cooperation with numerous leading vehicle engineering companies, and 15 world's top designers to develop 14 car models simultaneously. By entering into cooperative agreement with top 110 vehicle spare part companies in the world, Evergrande has established a huge, world-class supply chain system, with all production procedures to be conducted in China.

Realizing significant cost reduction: Evergrande aims to achieve annual production of 1 million vehicles, enhance general utilization rate, and significant reduction in administrative expense, selling expense and price of spare parts in 3–5 years. In addition, we own the world class smart vehicle production base in the world. Our production bases in Shanghai and Guangzhou have been equipped with 2,545 intelligent robots with a view to significantly improving production efficiency, product qualification rate and product quality, and significantly reducing production cost.

On 3 August 2020, the first six models offered under the Hengchi brand were released worldwide, covering all segments from A to D, as well as a full range of vehicle types, including sedan, SUV and MPV. On 7 August 2020, the Shanghai production base and Guangzhou production base were officially unveiled. At present, the two major bases have been constructed in accordance with Industry 4.0 Standard, and have adopted the most advanced equipment and technologies across the world, thus achieving world leading smart manufacturing. The planned production capacity for the first phase would be 200,000 vehicles. At present, the bases have entered the equipment installation and commissioning stage, and will be capable for trial production in September 2020.

In terms of smart charging, we established a 50-50 joint venture, namely State Grid-Evergrande, with State Grid. The joint venture focused on smart charging service for car park spaces in communities. Currently, the smart charging service is being operated in more than 700 out of Evergrande's over 1,000 communities across the nation, with coverage of over 2 million property owners that could enjoy our easy-to-install, convenient and low-priced charging service.

In respect of the establishment of vehicle sales network, Evergrande invested in Guanghui Group, the largest automotive distributor in the world, which operated more than 800 business outlets. It is building a vast network of vehicle sales channels and aftersales service outlets by rapidly developing three types of Hengchi centers, respectively focusing on vehicle exhibition and experience, sales and maintenance aftersales services, including 36 Hengchi exhibition & experience centers, 1,600 Hengchi sales centers and 3,000 self-operated and authorized maintenance & warranty aftersales centers.

In respect of cultural tourism industry, after years of research and exploration, the Group focuses on the construction of our two key products, namely Evergrande Fairyland and Evergrande Water Park, that meet with global demands for amusement parks. Evergrande Fairyland is designed for children and teenager aged 2–15. It is the only large-scale fairyland that is completely indoor and offers entertainment facilities under all weather conditions throughout the year. Every Evergrande Fairyland can cover area with radius of 500km, serving 80 million population in surrounding area. At present, the distribution for 15 fairyland projects had completed. It is expected that these projects will gradually be put into operations from 2022 onwards.

Evergrande Water Park offers more than 120 most popular water park facilities selected by Evergrande from more than 170 existing water park facilities worldwide. Evergrande Water Park is expected to become the world's largest hot spring water park that is completely indoor and offers facilities under all weather conditions throughout the year. In the next three years, it is expected that 20–30 Evergrande Water Parks will be constructed across China.

Ocean Flower Island has currently completed all façade construction works. Interior decoration and equipment installation works are in full swing. At present, there are approximately 136 contracted restaurants and 65 international retail brands. Grand opening of Ocean Flower Island is expected to be held in 2021.

Focusing on healthcare industry, the Group successfully constructed our key elderly care and wellness living product, Evergrande Elderly Care Valley, that meets with demands for elderly care and wellness living in China. Evergrande Elderly Care Valley integrates top class medical, healthcare, wellness living, elderly care, insurance, tourism and other resources, establishes membership platform and pioneers the "four major gardens". Through the "five major constructions" and the "four major services", Evergrande Elderly Care Valley offers its members with all-aged, high-quality and multi-dimensional healthcare services. At present, 29 healthcare industry projects have been constructed. In the next three years, it is planned to construct over 70 Evergrande Elderly Care Valley projects. Boao Evergrande International Hospital is the first international hospital of Evergrande. It is the only overseas affiliated hospital of Brigham and Women's Hospital (being one of the main teaching hospitals of Harvard Medical School).

The new energy vehicle industry and health care industry are planned and operated by China Evergrande New Energy Vehicle Group Limited (00708.HK), a subsidiary of the Group.

BUSINESS OUTLOOK

Looking forward, the Board believes that the unprecedented pandemic has become a major historical event that will reshape the political, economic and social landscape across the world. The global economy may not recover in the short term, but will more likely slowly regain its vitality after an arduous process. With the pandemic prevention and control in China achieving periodic success, the Chinese government made specific emphasis on promoting the "six guarantees" and the "six stabilities" by implementing various policies and measures, in order to overcome these difficult times with the enterprises. In the second quarter, China's GDP increased by 3.2%, spearheading to growth in spite of the pandemic-ridden environment. The International Monetary Fund further predicts that China will emerge as the only major economy to achieve positive growth in 2020, and China's contribution to world economic growth will reach 51.2% this year and next.

In respect of industry policy, the central government will continue to adhere to its stance of "housing is for living, not for speculation" and adjust policies based on different markets, in order to promote the stable and healthy development of the real estate market. It will implement strategies to expand domestic demand, reduce tax burden and support the recovery and development of cultural, tourism and other industries to the extent of regular pandemic prevention and control, in order to effectively combine the promotion of consumption and investment into a reciprocal relationship. In addition, the central government will promote new energy vehicles and the construction of new infrastructures by adding charging piles, battery swapping stations and other facilities, stimulating new consumer demand and facilitating industry upgrade.

Based on its systematic analysis of the global economy and domestic industry policies, the Board will unswervingly continue to implement the development strategy of "growing sales, controlled scale and reduced leverage", further consolidate the real estate foundation, further expand the profitability of the Tourism Group, expedite the product R&D, production and sales of the New Energy Automobile Group and the Neoenergy Technology Group, and strive to become the largest and strongest new energy vehicle group in the world within 3 to 5 years. The Group will continuously consolidate an industry pattern with property development for the people as its foundation, cultural tourism and healthcare and wellness-living services as complementary pillars, and new energy vehicles as the leading growth driver, thus achieving its sustainable steady development.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the Reporting Period, the revenue was RMB266.63 billion (same period in 2019: RMB226.98 billion), representing year-on-year growth of 17.5%. Gross profit was RMB66.68 billion (same period in 2019: RMB77.26 billion), representing a year-on-year decrease of 13.7%.

Core business profit for the Reporting Period was RMB19.25 billion, representing net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, donations and certain non-property development business losses. Core business profit margin for the Reporting Period was 7.2%.

Revenue

Revenue of the Group for the Reporting Period was RMB266.63 billion, representing an increase of 17.5% as compared with RMB226.98 billion in the same period in 2019. Revenue generated from the property development segment increased by 18.0% from RMB221.14 billion in the same period in 2019 to RMB261.04 billion. The increase was mainly due to the 30.2% increase in delivered area during the year as compared to the same period in 2019, while the average selling price of delivered properties decreased by 9.4% as compared to the same period in 2019. Revenue generated from property management increased by 28.0% to RMB2.97 billion from RMB2.32 billion in the same period in 2019 mainly due to the increase in area under the Group's management service for the Reporting Period. Revenue generated from investment properties amounted to RMB0.45 billion, down by 45.1% as compared to RMB0.82 billion in the same period in 2019, mainly due to the preferential measures for rent reduction and exemption provided by the Group from January to March in order to help tenants tide over the crisis which caused rental income to decrease during the Reporting Period.

Gross Profit

Gross profit of the Group was RMB66.68 billion for the Reporting Period, representing a decrease of 13.7% as compared with RMB77.26 billion in the same period in 2019. The decrease in gross profit for the Reporting Period was mainly attributable to the impact of the outbreak of COVID-19, nationwide sales promotion activities and sales price concessions of the Group which caused decreased sales price. Therefore, although the revenue increased during the Reporting Period, the profit decreased and the gross profit margin fell to 25.0%.

Fair Value Gains on Investment Properties

Fair value gains on investment properties of the Group for the Reporting Period was RMB1.03 billion, which was approximately the same as compared with RMB1.0 billion in the same period in 2019. Investment properties of the Group mainly included commercial podiums in living communities, office buildings with GFA of about 8.97 million square meters and approximately 359,000 car parking spaces.

Other Income

Other income of the Group for the Reporting Period was RMB5.44 billion, representing an increase of 59.5% as compared with RMB3.41 billion in the same period in 2019, mainly attributable to the interest income, forfeited customer deposits and management and consulting service income from joint ventures.

Other Gains/(Losses), Net

Other net gains for the Reporting Period were RMB1.19 billion, mainly attributable to gains from disposal of associates and joint ventures and foreign exchange gains. Other net losses for the same period in 2019 amounted to RMB0.4 billion mainly attributable to foreign exchange losses.

Selling and Marketing Costs

During the Reporting Period, selling and marketing costs of the Group increased by 35.0% to RMB13.7 billion from RMB10.15 billion in the same period in 2019. The 3.9% ratio of selling and marketing expenses to contracted sales was mainly due to the higher sales commissions and investment in advertisements and marketing campaigns by the Group to promote sales in response to the market environment.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group slightly increased to RMB9.05 billion from RMB8.91 billion in the same period in 2019, mainly because the Group controlled various administrative expenses during the Reporting Period.

Borrowings

As at 30 June 2020, the borrowings of the Group amounted to RMB835.5 billion, with the following maturities:

	30 June 2020 *(RMB billion)*	As percentage of total borrowings	31 December 2019 *(RMB billion)*	As percentage of total borrowings
Less than 1 year	395.7	47.4%	372.1	46.5%
1-2 years	195.4	23.4%	206.5	25.8%
2–5 years	233.3	27.9%	183.5	23.0%
More than 5 years	11.1	1.3%	37.8	4.7%
	835.5	100.0%	799.9	100.0%

A portion of the borrowings was secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. As at 30 June 2020, the average interest rate of borrowings was 9.14% per annum (31 December 2019: 8.99%).

Foreign Exchange Exposure

The Group's business was principally conducted in Renminbi. A significant portion of residential and investment properties were located in Mainland China. However, 23.8% of the borrowings were denominated in US dollar and HK dollar.

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

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

Liquidity

As at 30 June 2020, the total balance of cash and cash equivalents and restricted cash of the Group was RMB204.64 billion. The abundant working capital ensured normal operation of the Group, while providing adequate support for the Group as it explored best business opportunities.

Contracted Sales

During the Reporting Period, the Group's contracted sales increased by 23.8% year on year to RMB348.84 billion; contracted sales GFA reached 38.632 million square meters, representing a year-on-year increase of 47.5%. During the first half of the year, accumulated cash collection increased by 66.5% year on year to RMB312.0 billion. The above amounts of contracted sales and accumulated cash collection both represent new records for the corresponding period in the Group's history.

During the first half of the year, the Group launched 63 new projects for sale in several dozens of cities including Shenzhen, Guangzhou, Tianjin, Chongqing, Chengdu, Hefei, Wuhan, Kunming, Guiyang, Shijiazhuang, Shenyang, Xiamen and Foshan. There were a total of 1,085 projects for sale which were at different stages ranging from being completed to under construction distributed in 31 provinces, districts and cities in China.

The following table sets out the geographical distribution of contracted sales amount of the Group in the first half of 2020.

Province	Contracted sales amount *(RMB million)*	Percentage
Guangdong Province	36,625.2	10.4%
Jiangsu Province	30,468.9	8.7%
Zhejiang Province	24,384.0	7.0%
Sichuan Province	22,586.6	6.5%
Henan Province	17,897.3	5.1%
Liaoning Province	17,299.5	5.0%
Shandong Province	16,619.8	4.8%
Anhui Province	16,366.9	4.7%
Hunan Province	15,662.3	4.5%
Chongqing	14,718.0	4.2%
Hebei Province	12,681.1	3.6%
Shanxi Province	12,231.0	3.5%
Guizhou Province	11,570.3	3.3%
Hubei Province	10,545.3	3.0%
Jiangxi Province	9,563.8	2.7%
Hainan Province	9,345.7	2.7%
Inner Mongolia Autonomous Region	8,624.0	2.5%
Fujian Province	8,010.6	2.3%
Shaanxi Province	7,983.4	2.3%
Yunnan Province	7,753.3	2.2%
Guangxi Zhuang Autonomous Region	6,816.1	2.0%
Shanghai	6,129.7	1.8%
Heilongjiang Province	5,162.9	1.5%
Jilin Province	5,097.2	1.5%
Xinjiang Uygur Autonomous Region	2,804.1	0.8%
Tianjin	2,771.8	0.8%
Beijing	2,681.5	0.8%
Gansu Province	2,480.5	0.7%
Hong Kong Special Administrative Region	2,163.2	0.6%
Ningxia Hui Autonomous Region	1,795.9	0.5%
Qinghai Province	1.4	—
Total	348,841.3	100.0%

As at the end of July 2020, the accumulated contracted sales amount of the Group was RMB391.14 billion which fulfilled 61.4% of the contracted sales target of the year of RMB650 billion; and the contracted sales area was 44.019 million square meters.

PROPERTY DEVELOPMENT

As at 30 June 2020, the area under construction of the Group was 123 million square meters.

The following table sets out the geographical distribution of completed GFA of the Group in the first half of 2020.

Province	Completed GFA of the first half of 2020 *(Unit: thousand square meters)*	Percentage
Guangdong Province	3,295.18	8.83%
Sichuan Province	2,841.50	7.61%
Jiangsu Province	2,533.83	6.77%
Zhejiang Province	2,490.98	6.67%
Chongqing	2,335.86	6.26%
Anhui Province	2,245.23	6.01%
Liaoning Province	2,116.88	5.67%
Shanxi Province	1,941.73	5.20%
Yunnan Province	1,789.04	4.79%
Hunan Province	1,779.24	4.77%
Guizhou Province	1,645.65	4.41%
Hubei Province	1,625.51	4.35%
Henan Province	1,483.32	3.97%
Inner Mongolia Autonomous Region	1,448.50	3.88%
Shaanxi Province	1,311.50	3.51%
Hebei Province	1,174.81	3.15%
Guangxi Zhuang Autonomous Region	876.46	2.35%
Fujian Province	871.95	2.34%
Jilin Province	836.29	2.24%
Jiangxi Province	789.29	2.11%
Gansu Province	740.89	1.98%
Heilongjiang Province	356.87	0.96%
Tianjin	332.49	0.89%
Xinjiang Uygur Autonomous Region	248.58	0.67%
Shanghai	84.63	0.23%
Hainan Province	68.79	0.18%
Ningxia Hui Autonomous Region	56.76	0.15%
Qinghai Province	9.98	0.03%
Beijing	6.84	0.02%
Total	37,338.58	100.00%

During the Reporting Period, the Group had a total of 510 projects completed or partially completed, with a completed GFA of 37.34 million square meters.

During the Reporting Period, the Group achieved total delivery of 841 projects, with a delivery amount of RMB260.84 billion, up 18.0% year-on-year.

CORPORATE SOCIAL RESPONSIBILITY

While maintaining focus on its steady and rapid growth, the Group proactively fulfilled corporate social responsibility and continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, education, environmental protection and others, thus making contributions to the harmony and improvement of the society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people and provided high quality and affordable homes to the public. The Group pioneered in "online sales" in the industry, while continuing to implement "return with no reason required", "delivery of fully decorated properties" to protect homebuyers' interests. As a real estate company that always delivers fully decorated properties, the Group had established strategic cooperation with over 860 domestic and international renowned enterprises, thus realizing strong and powerful industry chain integration and supporting the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its comprehensive poverty alleviation plan for 畢節市 (Bijie City), Guizhou Province since December 2015 under the support and encouragement of the National Committee of CPPCC, having made investment of RMB11 billion and completed donation of RMB7.5 billion, and assisted the party committees and governments at Bijie City to help 905,000 people get rid of poverty. Among which, Dafang County, Qianxi County, Qixingguan District and Zhijin County were out of poverty. In addition, the Group donated RMB750 million to the "2020 Guangdong Poverty Alleviation Day".

With regard to combating COVID-19, the Group cumulatively donated over RMB1.2 billion to the fight against the pandemic, including donating RMB200 million in cash and 5,000 tonnes of fresh vegetables to Wuhan right away, as well as donating RMB100 million to the Chinese Academy of Medical Sciences to support the development of innovative drug. The Group collaborated with the research team led by Zhong Nanshan and Harvard University, providing RMB800 million to support scientific research. In addition, the Group donated RMB100 million to Red Cross Society of China in support of international anti-epidemic humanitarian aid, contributing to the battle against the pandemic with real action.

AWARDS

During the Reporting Period, the Group ranked 80th among the top 500 most valuable brands of the world. The Group ranked first among the Top 500 China Real Estate Developers, the Top 100 China Real Estate Developers and "Comprehensive Strengths of China Listed Real Estate Companies" for the fourth consecutive year. It also won 28 awards including Outstanding Contribution Award of China Foundation for Poverty Alleviation, Annual Model Chinese Real Estate Company on Poverty Alleviation, Caring Enterprise with Outstanding Contribution for the 10th anniversary of "Guangdong Poverty Alleviation Day" and Gold Cup in the Guangdong Poverty Alleviation Red Cotton Cup.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 131,615 employees, of which approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high-quality personnel. During the first half of the year, there were 17,992 experts recruited who reported duty.

During the first half of 2020, the Group provided approximately 48,606 training sessions and professional seminars and trained approximately 1,061,609 staff in aggregate. The total training hours amounted to approximately 76,863 hours with approximately 1.58 hours per session.

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. As at 30 June 2020, total staff costs (including directors' emoluments) of the Group were approximately RMB13.56 billion (for the corresponding period of 2019: approximately RMB11.51 billion).

SHARE OPTION SCHEME

On 24 April 2020, the Board resolved to grant an aggregate of 623,000,000 share options under the share option scheme of the Company adopted on 6 June 2019 to 5 Directors and 198 employees of the Group. The share options will enable the grantees to subscribe for 623,000,000 shares of the Company at the subscription price of HK$13.112 per share. The option shares represent approximately 4.7% of the issued share capital of the Company as at the date of the grant of the share options.

DEBENTURE

On 22 January 2020, the Company issued (1) US$1,000 million 11.5% senior notes due 2023, and (2) US$1,000 million 12.0% senior notes due 2024.

On 24 January 2020, Scenery Journey Limited, a subsidiary of the Company, issued (1) US$2,000 million 11.5% senior notes due 2022, and (2) US$2,000 million 12.0% senior notes due 2023.

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

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

Between 4 May 2020 and 19 June 2020, the Company repurchased on the market an aggregate of 188,155,000 shares for a total consideration of HK$3,203,549,470 Such repurchased shares were subsequently cancelled.

During the Reporting Period, the Company repurchased the following notes issued by the Company and Scenery Journey Limited ("**Scenery Journey**"), an indirect wholly owned subsidiary of the Company, on the open market:

Issuer	Description of notes	Principal amount repurchased *US$ 'million*
The Company	8.25% senior notes due 2022	3.0
The Company	10.0% senior notes due 2023	15.8
The Company	7.5% senior notes due 2023	13.4
The Company	11.5% senior notes due 2023	1.2
The Company	9.5% senior notes due 2024	49.0
The Company	10.5% senior notes due 2024	9.2
The Company	12.0% senior notes due 2024	5.0
The Company	8.75% senior notes due 2025	31.3
Scenery Journey	13.0% senior notes due 2022	1.0
Scenery Journey	13.75% senior notes due 2023	1.0
Scenery Journey	11.5% senior notes due 2022	1.0
Scenery Journey	12.0% senior notes due 2023	6.0
Total		136.9

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the six months ended 30 June 2020, all directors have abided by the Model Code.

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. Mr. Chau Shing Yim, David, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee.

The Audit Committee of the Board has reviewed the Group's interim results for the six months ended 30 June 2020, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

ACKNOWLEDGEMENT

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

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

Hong Kong, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Mr. Shi Junping, Mr. Pan Darong, Mr. Huang Xiangui and Mr. Lai Lixin, and the independent non- executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.