



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3333



2020

INTERIM REPORT







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BOARD OF DIRECTORS AND COMMITTEES

CHAIRMAN OF THE BOARD OF DIRECTORS

Professor Hui Ka Yan

EXECUTIVE DIRECTORS

Professor Hui Ka Yan
Dr. Xia Haijun
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui
Mr. Lai Lixin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. He Qi (*Chairman*)
Professor Hui Ka Yan
Ms. Xie Hongxi

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Professor Hui Ka Yan
Mr. Fong Kar Chun, Jimmy

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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38 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.evergrande.com

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
Agricultural Bank of China Limited
China Everbright Bank Company Limited
China Zheshang Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
China CITIC Bank Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Agricultural Development Bank of China
Industrial Bank Co., Ltd.
Nanyang Commercial Bank (China)
Bank of Jiujiang Co., Ltd.
Bank of Shanghai Co., Ltd.
Bank of Jilin Co., Ltd.
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
China Bohai Bank Co., Ltd.
Hankou Bank Co., Ltd.
Bank of Luoyang Co., Ltd.
Longjiang Bank Corporation
Bank of Jinzhou Co., Ltd.

SHAREHOLDER INFORMATION

Listing Information

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

SECURITIES CODES

Stock

HKEX: 3333

Bonds

11.00% Senior Notes due 2020
Common Code: 190367169
ISIN: XS1903671698

6.25% Senior Notes due 2021
Common Code: 162759914
ISIN: XS1627599142

9.00% Senior Notes due 2021
Common Code: 195832170
ISIN: XS1958321702

8.25% Senior Notes due 2022
Common Code: 158043114
ISIN: XS1580431143

9.5% Senior Notes due 2022
Common Code: 198203696
ISIN: XS1982036961

11.5% Senior Notes due 2022
Common Code: 210919198
ISIN: XS2109191986

13.0% Senior Notes due 2022
Common Code: 190367185
ISIN: XS1903671854

CORPORATE AND SHAREHOLDER INFORMATION

4.25% Convertible Bonds due 2023

Common Code: 176780096

ISIN: XS1767800961

7.50% Senior Notes due 2023

Common Code: 162759949

ISIN: XS1627599498

10.0% Senior Notes due 2023

Common Code: 198203777

ISIN: XS1982037779

12.0% Senior Notes due 2023

Common Code: 210919210

ISIN: XS2109192109

11.5% Senior Notes due 2023

Common Code: 210683429

ISIN: XS2106834299

13.75% Senior Notes due 2023

Common Code: 190367193

ISIN: XS1903671938

9.50% Senior Notes due 2024

Common Code: 158786753

ISIN: XS1587867539

10.5% Senior Notes due 2024

Common Code: 198204064

ISIN: XS1982040641

12.0% Senior Notes due 2024

Common Code: 210683437

ISIN: XS2106834372

8.75% Senior Notes due 2025

Common Code: 162759965

ISIN: XS1627599654

INVESTOR RELATIONS

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Investor Relations Department

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CHAIRMAN'S STATEMENT



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 points¹.

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

CHAIRMAN'S STATEMENT

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 (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.

CHAIRMAN'S STATEMENT

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 a 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 ofhofer, 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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 August 2020, the accumulated contracted sales amount of the Group was approximately RMB450.62 billion which fulfilled 69.3% of the contracted sales target of the year of RMB650 billion; and the contracted sales area was 49.343 million square meters.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES

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

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

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

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

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

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

Other details of the 2009 Share Option Scheme are set out in appendix VIII — Statutory and General Information of the prospectus published by the Company on 22 October 2009.

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The Company refreshed the scheme mandate limit at the extraordinary general meeting held on 3 October 2017 and on 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

The details of movement in the options granted under the 2009 Share Option Scheme and the Share Option Scheme of the Company for the six months ended 30 June 2020 are as follows:

Grantees	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled and Lapsed during the period	Outstanding as at 30 June 2020
Xia Haijun	9 October 2014	3.05	Note 1	4,391,000	N/A	N/A	N/A	4,391,000
	6 October 2017	30.20	Note 2	600,000	N/A	N/A	N/A	600,000
	24 April 2020	13.112	Note 3		30,000,000	N/A	N/A	30,000,000
He Miaoling	9 October 2014	3.05	Note 1	6,000,000	N/A	N/A	N/A	6,000,000
	6 October 2017	30.20	Note 2	600,000	N/A	N/A	N/A	600,000
	24 April 2020	13.112	Note 3		6,000,000	N/A	N/A	6,000,000
Shi Junping	9 October 2014	3.05	Note 1	3,600,000	N/A	N/A	N/A	3,600,000
	6 October 2017	30.20	Note 2	500,000	N/A	N/A	N/A	500,000
	24 April 2020	13.112	Note 3		6,000,000	N/A	N/A	6,000,000
Huang Xiangui	9 October 2014	3.05	Note 1	3,000,000	N/A	N/A	N/A	3,000,000
	6 October 2017	30.20	Note 2	300,000	N/A	N/A	N/A	300,000
	24 April 2020	13.112	Note 3		2,000,000	N/A	N/A	2,000,000
Pan Darong	6 October 2017	30.20	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
	24 April 2020	13.112	Note 3		5,000,000	N/A	N/A	5,000,000
Chau Shing Yim, David	9 October 2014	3.05	Note 1	200,000	N/A	200,000	N/A	0
He Qi	9 October 2014	3.05	Note 1	400,000	N/A	400,000	N/A	0
Xie Hongxi	9 October 2014	3.05	Note 1	600,000	N/A	600,000	N/A	0
Other employees of the Group (in aggregate)	9 October 2014	3.05	Note 1	45,503,000	N/A	15,877,000	N/A	28,426,000
	6 October 2017	30.20	Note 2	541,430,000	N/A	N/A	37,501,000	503,929,000
	24 April 2020	13.112	Note 3		574,000,000	N/A	N/A	574,000,000

Notes:

1. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
 - (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
 - (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
 - (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
 - (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK\$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK\$30.75. The options will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
 - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
 - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
 - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
 - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.

3. On 24 April 2020, an aggregate of 623,000,000 options were granted to 5 Directors and 198 employees. The exercise price of the options is HK\$13.112. The options will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2021 and ending 23 April 2026;
 - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2022 and ending on 23 April 2027;
 - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2023 and ending 23 April 2028;
 - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2024 and ending on 23 April 2029; and
 - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2025 and ending on 23 April 2030.

SUBSIDIARIES' SHARE OPTION SCHEMES

China Evergrande New Energy Vehicle Group Limited

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Hengten Networks Group Limited

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

As at 30 June 2020, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interest in the Shares of the Company

Names of Director	Nature of interest	Number of Shares	Approximate Percentage of shareholding
Hui Kai Yan (<i>Note 1</i>)	Interest of controlled corporation	10,162,119,735(L)	77.84%
Chau Shing Yim, David	Beneficial Owner	1,000,000(L)	0.00%
He Qi	Beneficial Owner	530,000(L)	0.00%
Xie Hongxi	Beneficial Owner	600,000(L)	0.00%

Note:

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

(ii) Interest in the underlying shares of the Company

Name of Director	Nature of interest	Number of Shares outstanding involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	Beneficial owner	34,991,000	0.27%
He Miaoling (Resigned on 7 July 2020)	Beneficial owner	12,600,000	0.09%
Shi Junping	Beneficial owner	10,100,000	0.07%
Huang Xiangui	Beneficial owner	5,300,000	0.04%
Pan Darong	Beneficial owner	8,000,000	0.06%

CORPORATE GOVERNANCE AND OTHER INFORMATION

(iii) Interest in associated corporation of the Company

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

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

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture held	Amount of debentures in same class in issue
Hui Ka Yan	US\$	50,000,000	1,000,000,000
Xia Haijun	US\$	38,000,000	2,300,000,000
	US\$	47,250,000	1,565,000,000
	US\$	50,000,000	1,000,000,000

Save as disclosed above, as at 30 June 2020, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 30 June 2020, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled corporation	10,162,119,735(L) (Note 1)	77.84%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	71.78%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	6.06%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	6.06%
Chan Hoi Wan	Interest in controlled corporation, beneficial owner and trustee	1,173,383,000 (Note 4)	8.99%
Lau Luen Hung	Interest of spouse and interest of children under 18 years of age	1,173,383,000 (Note 5)	8.99%
Chinese Estates Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.57%
Sino Omen Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.57%
Solar Bright Ltd.	Interest in controlled corporation	857,541,000 (Note 6)	6.57%

Notes:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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).

MATERIAL ACQUISITIONS AND DISPOSALS

The Company has not carried out any material acquisitions or disposals during the six months ended 30 June 2020.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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	7	59,038	55,798
Right-of-use assets	7	13,928	13,553
Investment properties	7	163,434	162,556
Goodwill	7	7,788	7,788
Intangible assets	7	8,589	7,960
Trade and other receivables	10	8,868	6,332
Prepayments	11	4,160	2,697
Investments accounted for using the equity method	12	88,411	87,811
Financial assets at fair value through other comprehensive income	13	1,492	1,587
Financial assets at fair value through profit or loss	14	8,550	8,005
Deferred income tax assets		6,796	5,676
		371,054	359,763
Current assets			
Inventories		473	574
Properties under development	8	1,252,217	1,198,388
Completed properties held for sale	9	139,693	129,073
Trade and other receivables	10	155,175	143,706
Contract acquisition costs		3,132	2,757
Prepayments	11	156,662	130,461
Income tax recoverable		14,349	12,167
Financial assets at fair value through profit or loss	14	1,703	921
Restricted cash	15	63,892	78,711
Cash and cash equivalents	16	140,747	150,056
		1,928,043	1,846,814
Total assets		2,299,097	2,206,577

CONDENSED CONSOLIDATED BALANCE SHEET

	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	17	920	1,575
Other reserves	18	65,715	66,133
Retained earnings		63,650	77,992
		130,285	145,700
Non-controlling interests	32	186,170	212,837
Total equity		316,455	358,537
LIABILITIES			
Non-current liabilities			
Borrowings	19	439,784	427,726
Derivative financial liabilities	20	4,638	4,666
Deferred income tax liabilities		55,678	60,766
Other payables	21	5,901	4,847
		506,001	498,005
Current liabilities			
Borrowings	19	395,687	372,169
Trade and other payables	21	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

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

Xia Haijun
Director

Pan Da Rong
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB million	2019 (Unaudited) RMB million
Revenue	6	266,631	226,976
Cost of sales	24	(199,949)	(149,720)
Gross profit		66,682	77,256
Fair value gains on investment properties, net	7	1,026	1,004
Other income	22	5,436	3,408
Other gains/(losses), net	23	1,192	(399)
Selling and marketing costs	24	(13,704)	(10,145)
Administrative expenses	24	(9,050)	(8,907)
Impairment losses on financial assets		(249)	(23)
Other operating expenses	24	(3,954)	(1,574)
Operating profit		47,379	60,620
Share of profits/(losses) of investments accounted for using the equity method	12	83	(297)
Fair value gains/(losses) on financial assets at fair value through profit or loss	14	107	(557)
Fair value gains on derivative financial liabilities	20	28	145
Finance costs, net	25	(10,772)	(8,955)
Profit before income tax		36,825	50,956
Income tax expenses	26	(22,064)	(23,899)
Profit for the period		14,761	27,057
Other comprehensive income <i>(Item that may be reclassified to profit or loss)</i>			
Share of other comprehensive income of investments accounted for using the equity method		52	(71)
Currency translation differences		193	33
<i>(Item that may not be reclassified to profit or loss)</i>			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(72)	78
Other comprehensive income for the period, net of tax		173	40
Total comprehensive income for the period		14,934	27,097

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB million	2019 (Unaudited) RMB million
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	27	0.495	1.136
— Diluted earnings per share	27	0.494	1.125

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Sub-total RMB million		
Unaudited:							
Balance as at 1 January 2020	932	643	66,133	77,992	145,700	212,837	358,537
Comprehensive income							
Profit for the period	—	—	—	6,540	6,540	8,221	14,761
Other comprehensive losses							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(50)	—	(50)	(22)	(72)
Share of other comprehensive income of investments accounted for using the equity method	—	—	52	—	52	—	52
Currency translation differences	—	—	171	—	171	22	193
Total comprehensive income	—	—	173	6,540	6,713	8,221	14,934
Transactions with owners:							
Transfer to statutory reserves	—	—	3	(3)	—	—	—
Issuance of ordinary shares pursuant to share option scheme	1	57	(12)	—	46	—	46
Employee share option schemes	—	—	210	—	210	58	268
Repurchase of shares of the Company	(13)	(700)	13	(2,250)	(2,950)	—	(2,950)
Dividends	—	—	—	(18,629)	(18,629)	(16,341)	(34,970)
Capital injection from non-controlling interests (note 32(i))	—	—	—	—	—	14,258	14,258
Changes in ownership interest in subsidiaries without change of control (note 32(iii))	—	—	(805)	—	(805)	(33,108)	(33,913)
Acquisition of subsidiaries (note 32(ii))	—	—	—	—	—	390	390
Disposal of subsidiaries (note 32)	—	—	—	—	—	(145)	(145)
Total transactions with owners	(12)	(643)	(591)	(20,882)	(22,128)	(34,888)	(57,016)
Balance as at 30 June 2020	920	—	65,715	63,650	130,285	186,170	316,455

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Cash flows of operating activities		
Net cash generate from/(used in) operations	59,442	(4,386)
Tax paid	(16,944)	(10,256)
Interest paid	(38,885)	(30,980)
Net cash generate from/(used in) operating activities	3,613	(45,622)
Cash flows of investing activities		
Acquisition of subsidiaries, net of cash acquired	(2,694)	(10,062)
Purchases of property, plant and equipment, investment properties, right-of-use assets and intangible assets	(6,031)	(4,422)
Proceeds from disposal of property, plant and equipment and investment properties	1,652	2,275
Proceeds from governments grant for construction	904	1,325
Investments in associates	(161)	(3)
Proceeds from disposal of joint ventures and associates	—	3
Investments in joint ventures	(2,866)	(2,525)
Net proceeds from disposal of subsidiaries	99	92
Dividend received	53	102
Purchase of financial assets at fair value through profit or loss	(4,363)	(3,737)
Proceeds from disposal of financial assets at fair value through profit or loss	3,143	4,269
Cash advances to joint ventures	(7,725)	(9,656)
Repayments from joint ventures	5,632	9,651
Repayment from associates	11	—
Cash advance to associates	(1)	—
Cash advance to non-controlling interests	(6,416)	(4,585)
Repayment from non-controlling interests	3,990	3,518
Prepayments for acquisition of subsidiaries	—	(45)
Interest received	2,095	2,112
Net cash used in investing activities	(12,678)	(11,688)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 (Unaudited) RMB million	2019 (Unaudited) RMB million
Cash flows from financing activities		
Proceeds from bank and other borrowings	208,411	226,706
Repayments of bank and other borrowings	(211,055)	(160,616)
Proceeds from senior notes	43,586	47,049
Repayment of senior notes	(13,027)	—
Proceeds from PRC corporate bonds	10,938	19,937
Repayments from PRC corporate bonds	(6,542)	—
Repayment to unit holders of consolidated investment entities	—	(697)
Repurchase of shares	(2,950)	—
Issuance of ordinary shares pursuant to share option scheme	46	26
Dividend paid	(34,970)	(441)
Acquisition of equity interest in subsidiaries from non-controlling interests	(33,913)	(16,332)
Capital injection from non-controlling interests	14,258	22,621
Cash advances from joint ventures	31,616	16,155
Cash advance from associates	193	585
Repayments to joint ventures	(31,605)	(4,029)
Repayments to associates	(10)	—
Cash advances from non-controlling interests	2,464	2,516
Repayments to non-controlling interests	(3,490)	(2,528)
Changes of restricted cash pledged for bank and other borrowings	25,780	(16,028)
Principal elements of lease payments	(363)	(207)
Net cash (used in)/generated from financing activities	(633)	134,717
Net (decrease)/increase in cash and cash equivalents	(9,698)	77,407
Cash and cash equivalents at beginning of period	150,056	129,364
Exchange gain on cash and cash equivalents	389	62
Cash and cash equivalents at end of period	140,747	206,833

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

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”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(b) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 30 June 2020, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	30 June 2020	31 December 2019
	RMB million	RMB million
Monetary assets		
– HK\$	9,042	19,714
– US\$	16,053	13,709
– EUR\$	938	973
– Others	625	632
	26,658	35,028
Monetary liabilities		
– HK\$	27,927	37,971
– US\$	172,908	162,706
	200,835	200,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign exchange risk (Continued)

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

	30 June 2020 RMB million	31 December 2019 RMB million
2% appreciation in RMB against HK\$	283	274
2% depreciation in RMB against HK\$	(283)	(274)
2% appreciation in RMB against US\$	2,353	2,235
2% depreciation in RMB against US\$	(2,353)	(2,235)
2% appreciation in RMB against EUR\$	(14)	(15)
2% depreciation in RMB against EUR\$	14	15

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2019.

(c) Liquidity risk

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

The Group raised significant amounts of borrowings to cope with the rapid expansion of the Group's businesses. As at 30 June 2020, the Group's total borrowings stood at RMB835,471 million which increased by RMB35,576 million during the period.

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

The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 30 June 2020 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
At 30 June 2020				
Current Assets				
Financial assets at fair value through other comprehensive income("FVOCI")	656	—	836	1,492
Financial assets at fair value through profit or loss ("FVPL")	242	—	10,011	10,253
Total assets	898	—	10,847	11,745
Liabilities				
Financial derivative liabilities	—	2,183	2,455	4,638
At 31 December 2019				
Assets				
FVOCI	734	—	853	1,587
FVPL	265	—	8,661	8,926
Total assets	999	—	9,514	10,513
Liabilities				
Financial derivative liabilities	—	2,183	2,483	4,666

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

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

	30 June 2020	31 December 2019
	RMB million	RMB million
Senior notes — public traded	158,263	131,088
PRC bonds — public traded	38,744	47,735
Convertible bonds — public traded	12,869	12,537
	209,876	191,360

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

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

6. SEGMENT INFORMATION

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

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains/(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Property, plant and equipment	Right-of-use assets	Land use rights	Investment properties	Goodwill	Intangible assets	Total
	RMB million	RMB million	RMB million	RMB million (note (i))	RMB million	RMB million	RMB million
Six months ended 30 June 2020							
Opening net book amount as at 1 January 2020	55,798	13,553	—	162,556	7,788	7,960	247,655
Additions	4,639	1,090	—	940	—	1,031	7,700
Disposals	(10)	(108)	—	(1,372)	—	(4)	(1,494)
Fair value gains on investment properties	—	—	—	1,026	—	—	1,026
Depreciation and amortisation charge	(1,394)	(607)	—	—	—	(409)	(2,410)
Exchange difference	5	—	—	284	—	11	300
Closing net book amount as at 30 June 2020	59,038	13,928	—	163,434	7,788	8,589	252,777
Six months ended 30 June 2019							
Opening net book amount as at 1 January 2019	40,794	—	9,466	162,322	1,595	424	214,601
Adjustment for change in accounting policy	—	11,277	(9,466)	—	—	—	1,811
Additions	7,244	408	—	341	—	139	8,132
Business combination	5,301	781	—	—	6,176	7,035	19,293
Disposals	(17)	(22)	—	(2,124)	—	(93)	(2,256)
Fair value gains on investment properties	—	—	—	1,004	—	—	1,004
Depreciation and amortisation charge	(1,273)	(478)	—	—	—	(157)	(1,908)
Exchange difference	60	—	—	59	—	(55)	64
Closing net book amount as at 30 June 2019	52,109	11,966	—	161,602	7,771	7,293	240,741

- (i) The Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 30 June 2020 has been determined on the basis of valuation carried out by an independent and professionally qualified valuer.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, LAND USE RIGHTS, INVESTMENT PROPERTIES GOODWILL AND INTANGIBLE ASSETS (Continued)

Valuation techniques

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

There were no changes to the valuation techniques during the six months ended 30 June 2020.

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

- Terminal yield, reversionary yield, expected vacancy rate, market rental and market price

For completed investment properties, increase in terminal yield, reversionary yield and expected vacancy rate may result in decrease of fair value. Decrease in market rent and market price may result in decrease of fair value.

- Market price, budgeted construction costs to be incurred, estimated percentage to completion and developer's profit margin.

For investment properties under construction, decrease in market price may result in decrease in fair value. Increase in budgeted construction costs to be incurred, estimated outstanding percentage to completion and developer's profit margin may result in decrease in fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. PROPERTIES UNDER DEVELOPMENT

	30 June 2020	31 December 2019
	RMB million	RMB million
Properties under development expected to be completed within normal operating cycle included under current assets	1,252,217	1,198,388
Properties under development comprise:		
– Construction costs and capitalised expenditures	493,609	538,799
– Interest capitalised	148,760	132,323
– Land use rights	609,848	527,266
	1,252,217	1,198,388

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

The capitalisation rate of borrowing costs for the six months ended 30 June 2020 is 9.51% (for the six months ended 30 June 2019: 8.49%).

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

10. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	RMB million	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	31 December 2019
	RMB million	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	31 December 2019
	RMB million	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

	30 June 2020	31 December 2019
	RMB million	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.

11. PREPAYMENTS

	30 June 2020	31 December 2019
	RMB million	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2020	31 December 2019
	RMB million	RMB million
Associates	53,763	52,402
Joint ventures	34,648	35,409
	88,411	87,811

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

	Six months ended 30 June 2020	2019
	RMB million	RMB million
Share of profits of associates	1,243	590
Share of losses of joint ventures	(1,160)	(887)
	83	(297)

Interests in associates

The movements of the interests in associates are as follows:

	Six months ended 30 June 2020	2019
	RMB million	RMB million
Balance as at 1 January	52,402	31,703
Additions	161	34
Dividend declared	(53)	(163)
Share of post-tax profits of associates	1,243	590
Other comprehensive income	10	—
Balance as at 30 June	53,763	32,164

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Interests in joint ventures

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

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Balance as at 1 January	35,409	35,343
Additions	3,116	2,572
Disposals	(2,759)	(795)
Dividend declared	—	(59)
Share of post-tax losses of joint ventures	(1,160)	(887)
Other comprehensive income/(loss)	42	(71)
Balance as at 30 June	34,648	36,103

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

As at 30 June 2020, the Group provided financial guarantees for certain borrowings of joint ventures and an associate amounting to RMB16,508 million (31 December 2019: RMB24,898 million).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
Balance as at 1 January	1,587	1,570
Net (losses)/gains recognised in equity	(95)	105
Balance as at 30 June	1,492	1,675

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

	30 June 2020 RMB million	31 December 2019 RMB million
	Listed equity securities	656
Unlisted equity investments	836	853
	1,492	1,587

As at 30 June 2020, FVOCI are denominated in US\$ and RMB.

There were no impairment provisions on FVOCI made during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. 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	31 December
	2020	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. RESTRICTED CASH

	30 June 2020	31 December 2019
	RMB million	RMB million
Denominated in RMB	63,380	78,330
Denominated in other currencies	512	381
	63,892	78,711

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

As at 30 June 2020, the Group's restricted cash comprised mainly guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

16. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
	RMB million	RMB million
Cash at bank and in hand:		
– Denominated in RMB	133,540	128,832
– Denominated in other currencies	7,207	21,224
	140,747	150,056

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million
Six months ended 30 June 2020					
Balance as at 1 January 2020	13,226,187,900	132,261,879	932	643	1,575
Issuance of ordinary shares pursuant to share option scheme	17,077,000	170,770	1	57	58
Repurchase of shares (note (a))	(188,155,000)	(1,881,550)	(13)	(700)	(713)
Balance as at 30 June 2020	13,055,109,900	130,551,099	920	—	920
Six months ended 30 June 2019					
Balance as at 1 January 2019	13,118,063,900	131,180,639	924	281	1,205
Issuance of ordinary shares pursuant to share option scheme	9,871,000	98,710	1	32	33
Balance as at 30 June 2019	13,127,934,900	131,279,349	925	313	1,238

Note (a):

During the six months ended 30 June 2020, the Company repurchased an aggregate of 188,155,000 own shares through the Stock Exchange, at a total consideration of HK\$3,204 million (equivalent to approximately RMB2,950 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. RESERVES

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserve RMB million	Total RMB million
Six months ended							
30 June 2020							
Balance at 1 January 2020	(986)	36,754	26,738	2,916	304	407	66,133
Change in fair value of FVOCI	—	(50)	—	—	—	—	(50)
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(12)	—	—	(12)
Share of other comprehensive income of investments accounted for using the equity method	—	52	—	—	—	—	52
Currency translation differences	—	—	—	—	—	171	171
Transfer to statutory reserves	—	—	3	—	—	—	3
Employee share option schemes (note (c))	—	—	—	210	—	—	210
Repurchase of shares of the Company	—	—	—	—	13	—	13
Changes in ownership interest in subsidiaries without change of control	—	(805)	—	—	—	—	(805)
Balance at 30 June 2020	(986)	35,951	26,741	3,114	317	578	65,715
Six months ended							
30 June 2019							
Balance as at 1 January 2019	(986)	41,921	21,658	2,502	304	599	65,998
Change in fair value of FVOCI	—	28	—	—	—	—	28
Issuance of ordinary shares pursuant to share option scheme	—	—	—	(7)	—	—	(7)
Share of other comprehensive income of investments accounted for using the equity method	—	(71)	—	—	—	—	(71)
Currency translation differences	—	—	—	—	—	73	73
Transfer to statutory reserves	—	—	2,414	—	—	—	2,414
Employee share option schemes	—	—	—	256	—	—	256
Changes in ownership interest in subsidiaries without change of control	—	(2,054)	—	—	—	—	(2,054)
Balance at 30 June 2019	(986)	39,824	24,072	2,751	304	672	66,637

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. RESERVES (Continued)

(a) Merger reserve

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

(b) Statutory reserves

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

(c) Employee share option reserve

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

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

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

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK\$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

On 24 April 2020, 623,000,000 share options (the “2020 Option”) were granted to directors and employees with an exercise price of HK\$13.1 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 2020	
Balance at 1 January 2020	586,933,000
Granted during the period	623,000,000
Exercised during the period	(17,077,000)
Cancelled during the period	(37,501,000)
Balance at 30 June 2020	1,155,355,000
Six months ended 30 June 2019	
Balance at 1 January 2019	792,974,000
Exercised during the period	(9,871,000)
Cancelled during the period	(63,179,000)
Lapsed during the period	(1,200,000)
Balance at 30 June 2019	718,724,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. BORROWINGS

	30 June 2020 RMB million	31 December 2019 RMB million
Borrowings included in non-current liabilities:		
Senior notes (note (a))	171,106	136,601
PRC corporate bonds (note (b))	49,636	45,195
Convertible bonds (note (c))	14,071	13,427
Bank borrowings and other borrowings (note (d))	476,412	458,027
	711,225	653,250
Less: current portion of non-current borrowings	(271,441)	(225,524)
	439,784	427,726
Borrowings included in current liabilities:		
Bank borrowings and other borrowings (note (d))	124,246	146,645
Current portion of non-current borrowings	271,441	225,524
	395,687	372,169
Total borrowings	835,471	799,895
The total borrowings are denominated in the following currencies:		
RMB	636,954	603,225
US\$	171,932	160,802
HK\$	26,585	35,868
	835,471	799,895

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. BORROWINGS (Continued)

(a) Senior notes

	31 December 2019 US\$ million	New issuance US\$ million	Redemption or Repayment US\$ million	30 June 2020 US\$ million
Par value				
2017 issued 2021 Notes	598	—	—	598
2017 issued 2023 Notes	1,345	—	(13)	1,332
2017 issued 2025 Notes	4,681	—	(31)	4,650
2017 issued 2020 Notes	500	—	(500)	—
2017 issued 2022 Notes	1,000	—	(3)	997
2017 issued 2024 Notes	1,000	—	(49)	951
2018 issued 2020 Notes	1,565	—	—	1,565
2018 issued 2022 Notes	645	—	(1)	644
2018 issued 2023 Notes	590	—	(1)	589
2019 issued 2020 Notes I	1,100	—	(1,100)	—
2019 issued 2021 Notes I	875	—	—	875
2019 issued 2022 Notes I	1,025	—	—	1,025
2019 issued 2020 Notes II	100	—	(100)	—
2019 issued 2021 Notes II	600	—	—	600
2019 issued 2022 Notes II	1,450	—	—	1,450
2019 issued 2023 Notes	850	—	(16)	834
2019 issued 2024 Notes	700	—	(9)	691
2019 issued 2022 Notes III	300	—	—	300
2019 issued 2021 Notes III	1,050	—	—	1,050
2020 issued 2022 Notes	—	2,000	(1)	1,999
2020 issued 2023 Notes I	—	2,000	(6)	1,994
2020 issued 2023 Notes II	—	1,000	(1)	999
2020 issued 2024 Notes	—	1,000	(5)	995
2020 issued 2021 Notes	—	400	—	400
Total	19,974	6,400	(1,836)	24,538
Unrecognised financing charges	(393)			(369)
Amortised cost — US\$	19,581			24,169
Amortised cost — RMB	136,601			171,106

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. BORROWINGS (Continued)

(a) Senior notes (Continued)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. BORROWINGS (Continued)

(a) Senior notes (Continued)

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

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

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

On 24 January 2020, a subsidiary of the Company issued 11.5%, 2-year senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2022 Notes"), and 12.0%, 3-year senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2023 Notes I").

On 10 and 22 February 2020 and 16 March 2020, the Company issued 8.90%, 12-month senior notes with principal amounts of US\$50 million (equivalent to approximately RMB345 million), US\$50 million (equivalent to approximately RMB348 million), and US\$300 million (equivalent to approximately RMB2,032 million) at 100% of the face value, respectively ("2020 issued 2021 Notes").

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

(b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value. The Group has repaid this PRC corporate bonds in June 2020.

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

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

On 11 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC corporate bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value. The Group has repaid this PRC corporate bonds in January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. BORROWINGS (Continued)

(b) PRC corporate bonds (Continued)

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

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

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

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

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

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 30 June 2020 and 31 December 2019.

(c) Convertible bonds

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

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

(d) Bank and other borrowings

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. DERIVATIVE FINANCIAL LIABILITIES

	30 June 2020	31 December 2019
	RMB million	RMB million
Embedded financial derivatives of share compensation arrangement (note (a))	2,455	2,483
Embedded financial derivatives of convertible bonds	2,183	2,183
	4,638	4,666

(a) Embedded financial derivatives of share compensation arrangement

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

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategy investors (the “First Round SIs”), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017. On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategy investors (the “Second Round SIs”), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. DERIVATIVE FINANCIAL LIABILITIES (Continued)

(a) Embedded financial derivatives of share compensation arrangement (Continued)

Kailong Real Estate, Hengda Real Estate, Prof. Hui and the First round SIs and the Second Round SIs have further entered into an amendment agreement (the "Amendment Agreement") on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements, the Amendment Agreement, the Third Round Investment Agreements and the supplemental investment agreements to First Round SIs and Second Round SIs on 13 January 2020, if the Proposed Reorganisation cannot be completed by 31 January 2021, the SIs have right to:

- (i) request Kailong Real Estate to repurchase the SIs' equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Prof. Hui should repurchase SIs' equity interest at its original investment cost; or
- (ii) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

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

A fair value gain of RMB28 million was recognised in profit and loss accounts for the six months ended 30 June 2020.

Pursuant to the Investment Agreements entered by Kailong Real Estate, Hengda Real Estate and Prof. Hui with the SIs, the net profit after deducting the non-recurring gains or losses attributable to the shareholders of Hengda Real Estate (the "Net Profit") for the year ended 31 December 2019 should not be less than RMB55,000 million (the "Performance Undertaking Net Profit").

The shareholders of Hengda Real Estate will make a resolution to distribute at least 68% of actual Net Profit (the "Proposed Dividend") on conditions that subjected dividend payment will not adversely affect the ability of Hengda Real Estate to continue to operate and reorganisation agreement of the Proposed Reorganisation was not entered before 5 July 2020 (the "Conditions").

The actual Net Profit for the year ended 31 December 2019 was about RMB40,400 million, which was less than the Performance Undertaking Net Profit. Kailong Real Estate need to indemnify the SIs through adjusting upward the percentage ratio of the proportional dividend payable to SIs and adjusting downward the percentage ratio of the proportional dividend payable to itself if the dividend resolution was made before 5 July 2020, and the indemnity amount will be about RMB3,600 million.

As at 30 June 2020 and 31 December 2019, the directors consider that there is no obligations for the Proposed Dividend as the dividend resolution has not been made which will be depend on the Conditions meet or not, and no indemnity to SIs should be reflected in the consolidated financial statements.

Due to the Conditions was not meet before 5 July 2020, a dividend resolution was made by the Shareholders of Hengda Real Estate, and the indemnity to SIs with an amount of RMB3,600 million will be reflected in the consolidated financial statements for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. TRADE AND OTHER PAYABLES

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

22. 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2020 RMB million	2019 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)

24. 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 RMB million	2019 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25. FINANCE COSTS, NET

	Six months ended 30 June	
	2020 RMB million	2019 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

26. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 RMB million	2019 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26. INCOME TAX EXPENSES (Continued)

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.

27. 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.

28. 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

29. FINANCIAL GUARANTEES

	30 June 2020	31 December 2019
	RMB million	RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	518,641	456,982
Guarantees for borrowings of cooperation parties (note (b))	23,308	64,479
Guarantees for borrowings of joint ventures and an associate (note 31(c))	16,508	24,898
	558,457	546,359

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30. COMMITMENTS

(a) Commitments for property development and acquisition of subsidiaries

	30 June 2020	31 December 2019
	RMB million	RMB million
Contracted but not provided for		
— Property development activities	294,875	318,977
— Acquisition of land use rights	139,763	84,664
— Acquisition of subsidiaries	—	4,298
	434,638	407,939

(b) Lease Commitments

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

	30 June 2020	31 December 2019
	RMB million	RMB million
Not later than one year	159	102

As at 30 June 2020, the Group's lease commitments represented short-term and low value lease commitments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

During six months ended 30 June 2020 and 2019, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
Nature of transactions		
Associates		
Loan interest charged by an associate	96	76
Joint ventures		
Management and consulting service to joint ventures	1,088	593
Sales of goods to joint ventures	195	196
Provision of services to a joint venture	271	151
Rental income from joint ventures	12	33
Interest income from joint ventures	258	285
Advertisement service fees charged by joint ventures	—	213
Rental fee charged by joint ventures	75	27
Purchase of goods from a joint venture	8	22
Integrated insurance procurement	138	—
Interest charged by a joint venture	257	264
Shareholders of the Company and Key management		
Interest of senior notes charged by Prof. Hui (note 31(b)(iii))	396	—
Interest of senior notes charged by Mr. Xia Haijun ("Mr. Xia") (note 31(b)(iii))	33	—

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following significant non-trade balances with related parties:

	30 June 2020	31 December 2019
	RMB million	RMB million
Cash and cash equivalents:		
— An associate	13,486	48,598
Trade and other receivables (note (i))		
— An associate	20	30
— Joint ventures	30,321	27,744
	30,341	27,774
Prepayment for advertisement service fees		
— A joint venture	133	76
Trade and other payables (note (i)) equivalents:		
— Joint ventures	53,386	38,623
— Associates	640	457
— Prof. Hui	243	—
— Mr. Xia	36	—
	54,305	39,080
Borrowings (note (ii))		
— A joint venture	3,965	6,504
— An associate	2,955	1,300
— Prof. Hui (note (iii))	4,544	—
— Mr. Xia (note (iii))	701	—
	12,165	7,804

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

(ii) The balances are borrowings in nature, which are secured, interest bearing and repayable according to respective loan agreements.

(iii) The balances represented Prof. Hui subscribed for US\$20 million 2020 issued 2022 Notes, US\$580 million 2020 issued 2023 Notes I and US\$50 million 2020 issued 2024 Notes respectively.

The balances represented Mr. Xia subscribed for US\$50 million 2020 issued 2022 Notes and US\$50 million 2020 issued 2023 Notes II, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31. RELATED PARTY TRANSACTIONS (Continued)

(c) Financial guarantees to joint ventures and associates

	30 June 2020 RMB million	31 December 2019 RMB million
Financial guarantees:		
Guarantees for borrowings of joint ventures and an associate	16,508	24,898

(d) Key management compensation

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

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
Salaries and other employee benefits	511	324

32. NON-CONTROLLING INTERESTS

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
At 1 January	212,837	175,631
Profit for the year	8,221	12,142
Change in fair value of FVOCI, net of tax	(22)	50
Currency translation differences	22	(40)
Capital injection (note (i))	14,258	22,621
Acquisition of subsidiaries — acquisition of asset (note (ii))	390	76
Acquisition of subsidiaries — acquisition of business	—	3,306
Changes in ownership interests in subsidiaries without change of control (note (iii))	(33,108)	(14,278)
Dividends	(16,341)	(481)
Disposal of subsidiaries	(145)	(11)
Employee share option schemes	58	109
	186,170	199,125

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

32. NON-CONTROLLING INTERESTS (Continued)

(i) Capital injection

During the six months ended 30 June 2020, the Group has established certain new subsidiaries engaging in property development and property investment businesses and received capital injections from minority interests totaling RMB14,258 million.

(ii) Acquisition of subsidiaries

During the six months ended 30 June 2020, the Group acquired controlling interests in certain property development companies in the PRC at considerations totaling approximately RMB4,543 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB390 million.

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

During the six months ended 30 June 2020, the Group acquired certain minority interests in subsidiaries amounting to RMB33,108 million, the difference between consideration paid and the carrying amount of minority interests acquired amounting to RMB805 million was recognised as a decrease in reserves.