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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

1. Revenue was RMB222.69 billion for the six months ended 30 June 2021 (the “**Reporting Period**”).
2. Gross profit was RMB28.84 billion for the Reporting Period.
3. Net profit was RMB10.50 billion for the Reporting Period.
4. Contracted sales during the Reporting Period amounted to RMB356.79 billion, representing an increase of 2.3% as compared with the corresponding period of 2020. The gross floor area of contracted sales was 43.014 million square meters, representing an increase of 11.3% as compared with the corresponding period of 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
<i>Note</i>		RMB million	RMB million
Other comprehensive (loss)/income			
<i>(Item that may be reclassified to profit or loss)</i>			
Share of other comprehensive income of investments accounted for using the equity method		75	52
Currency translation differences		(1,262)	193
 <i>(Item that may not be reclassified to profit or loss)</i>			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		<u>(34)</u>	<u>(72)</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(1,221)</u>	<u>173</u>
Total comprehensive income for the period		<u><u>9,278</u></u>	<u><u>14,934</u></u>
 Profit/(loss) attributable to:			
Shareholders of the Company		14,383	6,540
Non-controlling interests		<u>(3,884)</u>	<u>8,221</u>
		<u><u>10,499</u></u>	<u><u>14,761</u></u>
 Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		13,423	6,713
Non-controlling interests		<u>(4,145)</u>	<u>8,221</u>
		<u><u>9,278</u></u>	<u><u>14,934</u></u>
 Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic earnings per share	<i>11</i>	<u>1.085</u>	<u>0.495</u>
— Diluted earnings per share	<i>11</i>	<u><u>1.084</u></u>	<u><u>0.494</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

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

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

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

Notes:

1. GENERAL INFORMATION

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

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

The condensed consolidated interim financial information is presented in millions of Renminbi Yuan (“RMB”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 31 August 2021.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

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

Liquidity and going concern

In the first half of 2021, the Group has a net profit of approximately RMB10,499 million, of which, the property business of Hengda Real Estate Group Company Limited and Evergrande Fairyland Group Limited had a net loss of RMB4,100 million, and the new energy vehicle business had a net loss of RMB4,900 million.

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

2. BASIS OF PREPARATION (Continued)

Liquidity and going concern (Continued)

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

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

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

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

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

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

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

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

3. ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

4. SEGMENT INFORMATION

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

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains on financial assets at fair value through profit or loss (“FVPL”), (losses)/gains on derivative financial liabilities, dividend income of financial assets at fair value through other comprehensive income (“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.

4. 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 2021 are as follows:

	Property development <i>RMB million</i>	Property investment <i>RMB million</i>	Property management services <i>RMB million</i>	Other businesses <i>RMB million</i>	Group <i>RMB million</i>																								
Gross segment revenue	211,952	642	7,873	15,433	235,900																								
Inter-segment revenue	<u>—</u>	<u>(178)</u>	<u>(2,642)</u>	<u>(10,390)</u>	<u>(13,210)</u>																								
Revenue	<u>211,952</u>	<u>464</u>	<u>5,231</u>	<u>5,043</u>	<u>222,690</u>																								
<table border="0" style="width: 100%;"> <tr> <td>Revenue from contracts with customers</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>— Recognised at a point in time</td> <td style="text-align: right;">211,952</td> <td style="text-align: right;">—</td> <td style="text-align: right;">16</td> <td style="text-align: right;">1,614</td> <td style="text-align: right;">213,582</td> </tr> <tr> <td>— Recognised over time</td> <td style="text-align: right;">—</td> <td style="text-align: right;">—</td> <td style="text-align: right;">5,215</td> <td style="text-align: right;">3,429</td> <td style="text-align: right;">8,644</td> </tr> <tr> <td>Revenue from other sources: rental income</td> <td style="text-align: right;">—</td> <td style="text-align: right;">464</td> <td style="text-align: right;">—</td> <td style="text-align: right;">—</td> <td style="text-align: right;">464</td> </tr> </table>						Revenue from contracts with customers						— Recognised at a point in time	211,952	—	16	1,614	213,582	— Recognised over time	—	—	5,215	3,429	8,644	Revenue from other sources: rental income	—	464	—	—	464
Revenue from contracts with customers																													
— Recognised at a point in time	211,952	—	16	1,614	213,582																								
— Recognised over time	—	—	5,215	3,429	8,644																								
Revenue from other sources: rental income	—	464	—	—	464																								
Share of post-tax profits of associates	126	—	1	927	1,054																								
Share of post-tax losses of joint ventures	(347)	—	—	(2,165)	(2,512)																								
Segment results	4,856	110	2,392	17,365	24,723																								
Impairment losses on financial assets					(491)																								
Gain on FVPL					620																								
Loss on derivative financial liabilities					(2,856)																								
Finance costs, net					<u>(4,082)</u>																								
Profit before income tax					17,914																								
Income tax expenses					<u>(7,415)</u>																								
Profit for the period					<u><u>10,499</u></u>																								
Depreciation and amortisation	1,137	—	18	1,795	2,950																								
Fair value losses on investment properties	<u>—</u>	<u>(284)</u>	<u>—</u>	<u>—</u>	<u>(284)</u>																								

4. 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 <i>RMB million</i>	Property investment <i>RMB million</i>	Property management services <i>RMB million</i>	Other businesses <i>RMB million</i>	Group <i>RMB million</i>
Gross segment revenue	261,044	639	4,564	16,618	282,865
Inter-segment revenue	—	(185)	(1,597)	(14,452)	(16,234)
Revenue	<u>261,044</u>	<u>454</u>	<u>2,967</u>	<u>2,166</u>	<u>266,631</u>
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					<u>(10,772)</u>
Profit before income tax					36,825
Income tax expenses					<u>(22,064)</u>
Profit for the period					<u><u>14,761</u></u>
Depreciation and amortisation	822	—	18	1,570	2,410
Fair value gains on investment properties	<u>—</u>	<u>1,026</u>	<u>—</u>	<u>—</u>	<u>1,026</u>

4. SEGMENT INFORMATION (Continued)

Segment assets as at 30 June 2021 are as follows:

	Property development <i>RMB million</i>	Property investment <i>RMB million</i>	Property management services <i>RMB million</i>	Other businesses <i>RMB million</i>	Group <i>RMB million</i>
Segment assets	1,940,294	155,407	20,011	217,356	2,333,068
Unallocated assets					<u>44,507</u>
Total assets					<u><u>2,377,575</u></u>

Segment assets include:

Interest in associates	6,590	—	9	69,181	75,780
Interest in joint ventures	20,945	—	—	19,011	39,956

Segment assets as at 31 December 2020 are as follows:

	Property development <i>RMB million</i>	Property investment <i>RMB million</i>	Property management services <i>RMB million</i>	Other businesses <i>RMB million</i>	Group <i>RMB million</i>
Segment assets	1,845,903	165,850	14,631	239,661	2,266,045
Unallocated assets					<u>35,114</u>
Total assets					<u><u>2,301,159</u></u>

Segment assets include:

Interest in associates	6,636	—	—	49,821	56,457
Interest in joint ventures	14,860	—	—	20,953	35,813

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

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

5. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Cost of properties sold	184,904	194,572
Employee benefit expenses	10,293	9,614
Employee benefit expenditure — including directors' emoluments	14,217	13,559
Less: capitalised in properties under development, investment properties under construction and construction in progress	(3,924)	(3,945)
Tax and other levies	1,038	1,112
Advertising and promotion expenses	8,319	5,339
Sales commissions	5,195	4,678
Depreciation of property, plant and equipment	1,539	1,394
Amortisation of right-of-use assets and intangible assets	1,411	1,016
Write-down of properties held for sale and properties under development	2,991	250
Impairment losses on financial assets	491	249
Donations	456	2,370

6. OTHER INCOME

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

7. FINANCE COSTS, NET

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

8. OTHER GAINS

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

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

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

10. INCOME TAX EXPENSES

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

Overseas income tax

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

Hong Kong profits tax

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

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2020: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

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

PRC land appreciation tax

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

11. EARNINGS PER SHARE

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

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

12. DIVIDENDS

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

13. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

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

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

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

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

(b) Other receivables

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

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

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

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

As at 30 June 2021 and 31 December 2020, the fair value of trade and other receivables approximated their carrying amounts.

14. PREPAYMENTS

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

15. TRADE AND OTHER PAYABLES

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

The aging analysis of trade payables is as follows:

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

BUSINESS REVIEW

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

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

Land reserves

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

As at 30 June 2021, the Group’s total land reserves covered 778 projects located in 233 cities across China. The land reserves of the Group had a total planned GFA of 214 million square meters with an original value of RMB 456.8 billion.

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

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

¹ Data source: National Bureau of Statistics and public data

Contracted sales

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

Revenue

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

Gross Profit

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

Fair Value Losses on Investment Properties

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

Other Income

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

Other Gains, Net

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

Selling and Marketing Costs

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

Administrative Expenses

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

Borrowings

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

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

A portion of the borrowings was secured by a pledge of the Group's properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. As at 30 June 2021, the average interest rate of borrowings was 9.02% per annum (31 December 2020: 9.49%).

Foreign Exchange Exposure

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. There are 23.7% of borrowings denominated in US dollar and HK dollar.

We estimate the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. The Group recorded exchange gains of RMB1.39 billion during the period due to the slight appreciation of RMB to US dollar and HK dollar in the year. However, there is still uncertainty on the actual exchange losses or gains relating to the above borrowings in foreign currencies, when they were repaid on due dates.

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

Liquidity

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

Contracted Sales

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

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

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

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

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

HUMAN RESOURCES

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

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

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

INTERIM DIVIDEND

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

SUBSEQUENT EVENTS

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

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

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

- Actively resolve payments to suppliers and contractors:
 - the Group sold property units to suppliers and contractors to set off some of the outstanding payments, with a total amount of approximately RMB25.17 billion;

— Disposal of interests in assets:

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

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

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

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

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

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

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

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

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. Mr. Chau Shing Yim, David, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee.

The Audit Committee of the Board has reviewed the Group's interim results for the six months ended 30 June 2021, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

ACKNOWLEDGEMENT

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

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

Hong Kong, 31 August 2021

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