



恒大地產集團®

EVERGRANDE REAL ESTATE GROUP

Evergrande Real Estate Group Limited

恒大地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3333



Interim Report 2012





CONTENTS

Board of Directors and Committees	02
Corporate and Shareholder Information	03
Chairman's Statement	04
Management Discussion and Analysis	08
Corporate Governance and Other Information	17
Condensed Consolidated Balance Sheet	23
Condensed Consolidated Statement of Comprehensive Income	25
Condensed Consolidated Statement of Changes in Equity	26
Condensed Consolidated Statement of Cash Flows	27
Notes to the Condensed Consolidated Interim Financial Information	28





BOARD OF DIRECTORS AND COMMITTEES



CHAIRMAN OF THE BOARD OF DIRECTORS

Hui Ka Yan

EXECUTIVE DIRECTORS

Xia Haijun (*Vice Chairman and Chief Executive Officer*)

Li Gang (*Vice Chairman and Executive Vice President*)

Tse Wai Wah

Xu Wen

Lai Lixin

Xu Xiangwu (resigned on 23 June 2012)

He Miaoling (resigned on 23 June 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chau Shing Yim, David

He Qi

Yu Kam Kee, Lawrence (resigned on 23 June 2012)

Xie Hongxi (appointed on 23 June 2012)

AUDIT COMMITTEE

Chau Shing Yim, David (*Chairman*)

Yu Kam Kee, Lawrence (resigned on 23 June 2012)

He Qi

Xie Hongxi (appointed on 23 June 2012)

REMUNERATION COMMITTEE

He Qi (*Chairman*)

Hui Ka Yan

Yu Kam Kee, Lawrence (resigned on 23 June 2012)

Xie Hongxi (appointed on 23 June 2012)

NOMINATION COMMITTEE

Hui Ka Yan (*Chairman*)

He Qi

Chau Shing Yim, David

AUTHORISED REPRESENTATIVES

Hui Ka Yan

Fong Kar Chun, Jimmy



CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

23rd Floor, Talent Center
45 Tianhe Road
Guangzhou
Guangdong Province
The PRC
Postal code: 510075

PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

www.evergrande.com

COMPANY SECRETARY

Fong Kar Chun, Jimmy, Solicitor of the Hong Kong SAR

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

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

SHAREHOLDER INFORMATION

Listing Information

The shares of the Company are listed in The Stock Exchange of Hong Kong Limited (“Stock Exchange”)

The bonds of the Company are quoted in the Singapore Exchange Securities Trading Limited (“Singapore Stock Exchange”)

SECURITY CODE

Stock

HKEX: 3333

Bonds

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

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

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

INVESTOR RELATIONS

For enquiries, please contact:
Investor Relation department
Email: evergrandelR@evergrande.com
Telephone: (852)2287 9208/2287 9218/2287 9207

FINANCIAL CALENDAR

Announcement of interim results: 28 August 2012

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In the first half of 2012, the austerity measure of the Central Government (the "Central Government") intensified, the policies of the macroeconomic regulation and control changed from "Encouraging Containing Property" oriented to "Cooling Property Price" oriented. As a result of the austerity measures, the China property market continued its trend in 2011 where the area of residential properties sold nationwide and sales amount fell by 11.2% and 6.5% respectively as compared to the corresponding period of last year¹. Industry development entered into a new phase of structural adjustments and resources integration, coupled with increasing levels of industry concentration. The sales of China's top ten real estate developers accounted for 16.17% of sales of property in China, representing an increase of 2.66 percentage points over that in the corresponding period of last year; whereas area sold accounted for 9.33%, representing an increase of 2.19 percentage points over that in the corresponding period of last year².

During the reporting period, the property market initially declined and gradually picked up, showing moderate recovery momentum, which was in line with the fundamental judgments made by the Group since the end of 2011. At the same time, the Group directed its businesses in an orderly manner throughout the year based on such judgements. During the first half of the year, the Group achieved an aggregate contracted sales revenue of RMB35.04 billion, accomplishing 43.8% of the sales target for the entire year. As at 30 June 2012, the area of contracted sales of the Group amounted to an aggregate of 5.768 million square metres. Revenue amounted to RMB37.04 billion, of which the revenue from the property development segment was RMB36.49 billion, representing a period-on-period growth of 15.1%. Total cash (including cash and cash equivalents and restricted cash) amounted to RMB24.74 billion. The GFA of land reserve was approximately 142 million square metres and the average cost of land reserve was RMB648 per square metre. The land premium payable during the second half of 2012 is expected to be approximately RMB8.0 billion. Area under construction was approximately 34.853 million square metres and there were 166 projects under construction.

We focused on maintaining the profitability, acquiring quality land plots and increasing the gross profit of our products. During the period, the Group adopted a general strategy to strike a balance between consumption and replenishment of land reserve. In view of the completed area for the entire year and the opportunities arising from the land market in the first half of the year, the Group had moderately acquired some quality land plots. At the end of the period, the Group had a total GFA of land reserve of 142 million square metres, representing an increase of 5.44 million square metres or approximately 4.0% as compared to the end of 2011. The Group acquired 34 new projects and further land reserve for 2 existing projects, mainly covering second-tier cities such as Changsha, Jinan, Shenyang and Guiyang and third-tier cities with growth potentials such as Ningbo, Wuxi, Ma'anshan and Qiqihar, and the cost of newly acquired land plots was approximately RMB967 per square metre. As at 30 June 2012, the Group held a GFA of land reserve of 142 million square metres across 121 cities in China, with a total number of 218 projects. The average cost of land reserve was approximately RMB648 per square metre, which was relatively low as compared with industry peers.

In the first half of 2012, the Group's GFA of land reserve grew by 4.0%. However, such growth was far lower than the corresponding period growth of 41.0% and 31.7% in 2011 and 2010 respectively. In the current year, the Group acquired quality land plots and emphasised on maintaining a balanced development in second-tier and third-tier cities. In maintaining the Group's steady cashflow, the Board believes that the Group's newly acquired land plots are at favourable locations with great appreciation potential, which is in line with the Group's high quality and steady growth strategy of its sixth "Three-Year Plan" and helps enhance the gross profit in product and the overall profitability of the Group.

¹ Source: "National Real Estate Development and Sales for January to June 2012" issued by National Bureau of Statistics of China (國家統計局)

² Source: Top 50 PRC Real Estate Enterprises for 1H2012 in terms of Sales jointly issued by China Real Estate Information Corporation and China Real Estate Appraisal

CHAIRMAN'S STATEMENT

(CONTINUED)

Contracted sales achieved a satisfactory proportion of the annual contracted sales target. During the reporting period, the Group achieved contracted sales revenue of RMB35.04 billion, accomplishing 43.8% of the contracted sales target for the entire year. GFA of contracted sales amounting to 5.768 million square metres. Given the extremely sluggish market environment in the first quarter, the Group launched relatively fewer projects. Since the second quarter, the Group has stepped up its efforts on the launch of sales of the existing projects and new projects. Riding on its high value for money products, the Group achieved contracted sales revenue of RMB26.77 billion for that quarter, accounting for 33.5% of the annual contracted sales and representing a quarter-on-quarter growth of 18.9% as compared to RMB22.52 billion in the corresponding period of 2011.

During the reporting period, the Group launched 33 new projects, covering 32 second-tier and third-tier cities such as Hefei, Nanchang, Chongqing, Shijiazhuang, Haikou, Nanjing, Hohhot, Dongguan, Datong and Qinhuangdao. Accumulated number of projects for sale was 154, scattered across 95 cities in China.

In the first half of the year, the Group achieved contracted sales revenue of RMB35.04 billion, of which RMB0.41 billion was contributed by projects based in first-tier cities (representing 1.2%), RMB16.36 billion was contributed by projects based in second-tier cities (representing 46.7%) and RMB18.27 billion was contributed by projects based in third-tier cities (representing 52.1%). Based on the above figures, the Group's sales proportion in the second-tier and third-tier cities remained balanced.

Area under construction was 34.853 million square metres and area of properties delivered was 6.078 million square metres, leading its industry peers in terms of construction size and speed. During the period, the Group continued to devote its efforts consistently to standardise its operations and implemented the rapid development model. The Group also adjusted the construction size of new projects according to the construction progress and the number of properties available for sale. In the first half of the year, area under construction of new projects was 7.475 million square metres, down by 48.1% as compared to 14.39 million square metres in the corresponding period of 2011.

As at 30 June 2012, the Group had 166 projects under construction, of which 154 projects have obtained the relevant pre-sale permit. Area under construction was approximately 34.853 million square meters. The Group had 64 projects yet to be launched for sale. The Board considers that its industry leading construction size and saleable area allow it to be well prepared for generating revenue from the delivery of properties and contracted sales in the next phase.





CHAIRMAN'S STATEMENT (CONTINUED)

During the reporting period, in face of the intensifying austerity measures, tightening monetary policies, escalating inflation and rising prices of raw materials for construction, the Group continued to optimise intensive corporate management and scientific arrangement regarding the construction progress. The GFA of properties completed as scheduled was 9.142 million square metres. The Group delivered properties for an accumulated total of 100 projects with a transaction value of RMB36.49 billion and area of properties delivered of 6.078 million square metres.

The Group's premium and standardised industry chain was increasingly comprehensive, displaying its strong competence in cost control. During such period, the Group achieved a win-win situation with its strategic partners and effectively coped with the pressure on rising costs of construction materials through entering into a premium strategic alliance for the entire process of property development and leveraging its extensive area under construction and vertically integrated purchase model.

During the reporting period, the Group had more than 300 domestic and international renowned brands in its strategic purchase alliance, of which 79 brands had entered into the supply strategic agreement in 2012 for the first time. With respect to renovation materials, according to the Group's statistical analysis on 20 materials accounting for 90% of the total supply, during 2008 to 2012 when prices of materials rose drastically and inflation was most severe, the Group was given discounts of 1% to 49% on the purchase price in respect of its purchases of renovation materials such as exterior wall tiles, ceramic chips, paints and entrance doors. The accumulated discount for the above materials was 18% on average. It is estimated that the costs of renovation and construction materials will further decrease in 2012 in light of the slight increase in the scale of the purchases.

The Board strongly believes that, the Group has adopted appropriate measures to tackle the problems of soaring construction costs. In particular, the decrease in prices of renovation materials each year signifies the Group's achievements in pursuing premium strategic alliance. This will, to the largest extent, reduce the impacts of rising costs on gross profit margin, generating returns for general shareholders.

Prudent financial policy of "Cash is king" was adopted. Abundant cash flow was maintained in a prudent strategic manner to ensure security of funds. As at 30 June 2012, following several years of economic downturn, the Group's total cash remained at a satisfactory level of RMB24.74 billion. During the reporting period, despite facing the tight overall funding, the Group adhered to adopt the forward-looking strategy, leveraged on the sound cooperation relationship with sizable commercial banks in China and raised new borrowings (net) amounted to RMB7.85 billion. At the end of the period, the unutilised banking facilities amounted to RMB36.12 billion, whereas available funds totalled RMB60.86 billion.

At the end of the reporting period, as a result of RMB7.85 billion new borrowings raised (net) during the reporting period, the Group's net gearing position increased as compared to the end of 2011, mainly attributable to the market downcycle of real estate industry, relative low contracted sales for the first quarter and slow recovery of sales proceeds. It is believed that the Group's net gearing position for the entire year will be improved with the gradual increase in contracted sales since the second quarter, accelerating recovery of sales proceeds and reasonable control of capital expenditure on land and construction.

BUSINESS OUTLOOK

The Board considers that, despite the continuing implementation of the government's austerity measures on the real estate industry, given such measures are fully implemented, housing prices are resuming back to a reasonable level and the accumulated inventory gradually goes down, the industry integration is accelerating and market concentration is intensifying, and this will, to a large extent, determine the long-term prospects of the real estate industry in China.



CHAIRMAN'S STATEMENT
(CONTINUED)

Taking into account of the above fundamental judgments and the Group's sixth "Three-Year Plan", the Board will continue to implement its management strategy of "consolidation, adjustment and enhancement" during the year, allowing the Group to shift from business expansion to steady operation as well as from regional expansion to intensified management and to focus more on maintaining profitability and achieving high quality coordinated development.

LAND RESERVE

Given the completion of the nationwide strategic layout, the Group will, in accordance with the principle of "replenishment based on consumption", keep the overall total land reserve stable and will attach more importance to the balanced project development in second-tier and third-tier cities in the future, focusing more on resource sharing of each project. With respect to land acquisition, the Group will adopt a more prudent approach and implement stricter requirements on the cities where the projects are located, land plot locations, the conditions for land utilisation plan and payment terms with an aim to increase the profit margin of the projects and the overall profitability of the Group. The Group has settled land premium of RMB75.5 billion for the existing land reserve and RMB36.9 billion remains outstanding, of which land premium of RMB8.0 billion is expected to be settled in the second half of the year; land premium of RMB13.4 billion is expected to be settled in 2013; land premium of RMB9.4 billion is expected to be settled in 2014; and land premium of RMB6.1 billion is expected to be settled within 2015 and beyond.

CONTRACTED SALES

In the second half of the year, the Group will reasonably adjust the timing of the launch of sales while striking a balance between growth and sales in order to achieve and exceed the annual contracted sales target for the year. Capitalising on the advantages of high value for money fully-refurbished products and flexible sales strategies, the Group endeavours to maintain selling prices at a reasonable level and relatively stable monthly sales performance.

In the second half of the year, it is expected that 30 to 40 new projects will be launched, mainly covering second-tier and third-tier cities. The number of projects available for sale is expected to reach around 180 by the end of the year, whereas the number of properties available for sale will remain dynamically balanced and kept at a level that can satisfy the sales needs in the forthcoming 5 to 6 months. Given the remarkable sales performance in the second quarter, alongside with the strong execution ability of the Group and the market recovery, the Board is optimistic about achieving the aggregate contracted sales target of RMB80.0 billion for the entire year.

ACKNOWLEDGEMENT

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

Hui Ka Yan
Chairman

Hong Kong, 28 August 2012



MANAGEMENT DISCUSSION AND ANALYSIS



OVERALL PERFORMANCE

The Group recorded a revenue of RMB37.04 billion in the reporting period (corresponding period of 2011: RMB32.06 billion), representing a period-on-period growth of 15.5%. Gross profit amounted to RMB10.60 billion (corresponding period of 2011: RMB11.24 billion), representing a decrease of 5.7% over the corresponding period last year. Net profit attributable to shareholders was RMB5.66 billion (corresponding period of 2011: RMB5.60 billion), representing an increase of 1.1% compared with corresponding period last year. Basic earnings per share amounted to RMB0.38 (corresponding period of 2011: RMB0.37), representing a period-on-period increase of 2.7%. Diluted earnings per share amounted to RMB0.37 (corresponding period of 2011: RMB0.36).

Equity attributable to shareholders of the Group as at 30 June 2012 was RMB34.61 billion (31 December 2011: RMB31.96 billion), representing an increase of 8.3% from the end of last year.

REVENUE

Revenue of the Group for the reporting period amounted to RMB37.04 billion, a growth of 15.5% when compared with the corresponding period of last year, of which revenue generated from the property development segment amounted to RMB36.49 billion, representing a period-on-period growth of 15.1%. Revenue generated from property management services in the reporting period was RMB0.16 billion, representing an increase of 30.8% when compared with the corresponding period last year. Revenue generated from investment properties amounted to RMB52.30 million, representing a growth of 14.7% when compared with the corresponding period last year. Revenue generated from construction, hotel operation and other property development related business in the reporting period amounted to RMB0.34 billion, an increase of 75.4% from the corresponding period last year.

GROSS PROFIT

Gross profit of the Group for the reporting period amounted to RMB10.60 billion, representing a decrease of 5.7% when compared with the corresponding period of last year. Gross profit margin was 28.6%, down by approximately 6.5% when compared with the corresponding period last year. The decrease in gross profit and gross profit margin was mainly attributable to the decline in the delivery price of our projects, which was affected by the market downcycle, in particular, since second half of 2011. Meanwhile, we still keep our stringent cost control advantage, the unit cost of delivered properties was maintained at a stable level when compared with that in 2011.

SELLING AND MARKETING COSTS

During the reporting period, selling and marketing costs of the Group rose from RMB1.27 billion for the corresponding period in 2011 to RMB1.32 billion, which was principally due to an increase in the number of projects launched, significant expansion in scale and the corresponding increase in nationwide marketing and brand publicity activities during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ADMINISTRATIVE EXPENSES

During the reporting period, administrative expenses of the Group increased by RMB0.11 billion to RMB1.05 billion from RMB0.94 billion for the corresponding period in 2011, which was mainly due to the increase in the number of employees and their remuneration during the reporting period.

FINANCIAL REVIEW

Borrowings

As of 30 June 2012, the borrowings of the Group amounted to RMB59.66 billion with the following maturity periods:

	30 June 2012 (RMB billion)	As a percentage of total borrowings	31 December 2011 (RMB billion)	As a percentage of total borrowings
Less than 1 year	19.90	33.3%	10.23	19.8%
1–2 years	19.80	33.2%	13.41	25.9%
2–5 years	19.21	32.2%	27.24	52.7%
More than 5 years	0.75	1.3%	0.85	1.6%
	59.66	100%	51.73	100%

As at 30 June 2012, RMB28.55 billion borrowings carried floating rate interests, the remaining RMB31.11 billion borrowings carried fixed rate interests. Of which, RMB51.26 billion borrowings were denominated by RMB, the remaining RMB8.4 billion borrowings were denominated by US dollar.

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

Foreign exchange exposure

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

Available Funds

As at 30 June 2012, the total amount of cash and cash equivalents and restricted cash was RMB24.74 billion, together with the unutilised banking facilities of RMB36.12 billion. The abundant working capital provided great financial support for the Group's quest for the best business opportunities and healthy development.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Financial Leverage

At the end of the reporting period, as a result of RMB7.85 billion new borrowings raised (net) during the reporting period, the Group's net gearing ratio (net borrowings¹ to total equity) increased to 96.1% from 68.9% at the end of 2011, mainly attributable to the market downcycle of real estate industry, relatively low contracted sales for the first quarter and slow recovery of sales proceeds. It is believed that the Group's net gearing position for the entire year will be improved with the gradual increase in contracted sales since the second quarter, accelerating recovery of sales proceeds and reasonable control of capital expenditure in land and construction.

Contingency

As at 30 June 2012, the Group arranged bank financing for some property buyers and provided a buy-back guarantee in relation to the repayment obligations of approximately RMB45.04 billion for those buyers. The Group had not suffered from any significant loss resulting from the above guarantee in the past, which was mainly because the guarantee concerned was only a transitional arrangement for property buyers prior to the completion of their mortgage registration. The guarantee was secured against the property rights of the property buyer and will be removed once the mortgage registration is completed. Considering the above factors, the Board is of the view that buyers' defaults are unlikely and thus no provision will be required.

Land Reserve

During the reporting period, the Group acquired 34 new projects and further land reserve for 2 existing projects. The GFA of the new land reserve was 17.443 million square metres, covering 26 second-tier and third-tier cities with growth potentials such as Changsha, Jinan, Shenyang and Guiyang as well as Ningbo, Wuxi, Ma'anshan and Qiqihar. During the reporting period, the total cost of the newly acquired land plots was RMB16.86 billion and the average cost was approximately RMB967 per square metre.

Distribution of newly acquired land reserve of the Group as at 30 June 2012

No.	Project name	City	Site area (Square metre)	Planned GFA (Square metre)	Land reserve GFA (Square metre)	Proportionate interest in GFA
Guangdong Province						
1	Evergrande Spring City Enping	Jiangmen	1,707,983	1,907,900	1,907,900	100%
2	Guangzhou Zhujiang New Town Project	Guangzhou	8,101	40,100	40,100	100%
3	Chaozhou Hotel Project	Chaozhou	28,963	57,700	57,700	100%
4	Evergrande City Chaozhou	Chaozhou	547,001	1,657,197	1,657,197	100%
Hubei Province						
	Evergrande Oasis Yichang (Phase 2) [*]	Yichang	111,926	331,882	331,882	100%
Sichuan Province						
5	Evergrande Metropolis Zigong	Zigong	95,594	238,628	238,628	100%
Liaoning Province						
6	Evergrande Atrium Shenyang	Shenyang	239,188	605,938	605,938	100%
7	Evergrande Emerald Court Shenyang	Shenyang	50,476	121,142	121,142	100%
Jiangsu Province						
8	Evergrande City Wuxi	Wuxi	92,452	203,395	203,395	100%
Inner Mongolia Autonomous Region						
9	Evergrande Oasis Wuhai	Wuhai	66,242	197,902	197,902	100%
Guizhou Province						

* additional land reserve for existing projects

¹ Net borrowings equal to total borrowings after deducting cash and cash equivalents and restricted cash.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

No.	Project name	City	Site area (Square metre)	Planned GFA (Square metre)	Land reserve GFA (Square metre)	Proportionate interest in GFA
10	Evergrande Atrium Guiyang	Guiyang	64,290	290,325	290,325	100%
Anhui Province						
11	Evergrande Royal Scenic Bay Bangbu	Bangbu	126,821	367,825	367,825	100%
12	Evergrande Royal Scenic Bay Ma'anshan	Ma'anshan	144,145	288,652	173,191	60%
Hunan Province						
13	Evergrande Emerald Court Changsha	Changsha	135,514	474,299	474,299	100%
14	Evergrande Royal Scenic Bay Changsha	Changsha	49,696	198,785	198,785	100%
Henan Province						
15	Evergrande Oasis Xuchang	Xuchang	185,052	727,535	727,535	100%
16	Evergrande Splendor Xinxiang	Xinxiang	513,169	179,345	179,345	100%
Hebei Province						
17	Evergrande International Hot Spring Tourism City Baoding	Baoding	3,427,962	3,427,962	3,427,962	100%
18	Evergrande City Xingtai	Xingtai	106,353	380,873	274,229	72%
19	Evergrande Emperor Scenic Xingtai	Xingtai	27,376	82,128	59,132	72%
20	Evergrande Metropolis Handan	Handan	168,006	655,800	655,800	100%
Shandong Province						
	Evergrande Splendor Laiwu (Phase)*	Laiwu	221,041	221,041	221,041	100%
21	Evergrande Atrium Jinan	Jinan	202,511	656,449	393,870	60%
22	Jinan CBD Project	Jinan	108,572	760,004	760,004	100%
23	Evergrande Emperor Scenic Jinan	Jinan	116,421	374,797	374,797	100%
Jilin Province						
24	Evergrande Royal Scenic Bay Songyuan	Songyuan	222,933	445,867	445,867	100%
Gansu Province						
25	Evergrande Oasis Wuwei	Wuwei	139,835	391,809	391,809	100%
Zhejiang Province						
26	Evergrande Scenic City Haiyan	Jiaxing	98,560	246,400	246,400	100%
27	Ningbo Eastern New City Project	Ningbo	126,985	728,975	371,777	51%
28	Evergrande Scenic Garden Ningbo	Ningbo	187,252	319,120	162,751	51%
29	Evergrande Metropolis Pinghu	Jiaxing	92,191	205,299	205,299	100%
Heilongjiang Province						
30	Evergrande Oasis Mudanjiang	Mudanjiang	106,452	256,916	256,916	100%
31	Evergrande Emerald Court Qiqihar	Qiqihar	99,537	249,292	249,292	100%
32	Evergrande Metropolis Qiqihar	Qiqihar	182,052	455,250	455,250	100%
Xinjiang Uyghur Autonomous Region						
33	Evergrande Atrium Yining	Yining	123,575	307,937	307,937	100%
34	Evergrande Oasis Yining	Yining	170,262	409,570	409,570	100%
Total			10,094,489	18,464,039	17,442,792	

* additional land reserve for existing projects

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

For the Group's land reserve, the GFA stated in the certificates or approval documents newly issued by the government shall prevail. It mainly includes the following categories: for projects which have obtained completed construction works certificate, the GFA stated in the Completed Construction Works Certified Report shall prevail. For project which have not obtained completed construction works certificate, the GFA stated in the Commencement Permit for Construction Works shall prevail. For projects which have not obtained commencement permit for construction works, the GFA in Planning Permit for Construction Projects shall prevail. For projects which have not obtained planning permit for construction works, the GFA approved for general planning shall prevail. For projects which have not obtained approval for general planning, the GFA in the proposal prepared by the Group according to the government's land use planning shall prevail. For projects where no proposal is prepared, the GFA shall be estimated based on the government's land use index and floor area ratio.

After fair and equitable negotiation, the Group cancelled the purchase of Nanhai Hongji Project and Evergrande Splendor Shijiazhuang Project and all monies paid were also fully recovered. At the same time, after repositioning and planning, the Group split Evergrande Plaza Fushun from Evergrande Palace Fushun.

During the reporting period, the Group has, in accordance with the principle of "replenishment based on consumption", kept the overall total land reserve stable. With respect to land acquisition, the Group has attached more importance to the project quality and selected land plots in the core areas in second-tier and third-tier cities with high accessibility and favourable geographical location. Accordingly, the land price is expected to appreciate over time. Accordingly, the Group believes that there is room for price appreciation of such projects, which helps increase the integrated profit margin of the projects and the overall profitability of the Group.

Contracted Sales

During the reporting period, the Group achieved aggregate contracted sales revenue of approximately RMB35.04 billion, accomplishing 43.8% of the annual contracted sales target for the entire year. GFA of the contracted sales of the Group amounting to approximately 5.768 million square metres. During the first half of 2012, the Group launched 33 new projects. As at 30 June 2012, the accumulated number of projects for sale was 154, scattered across 27 regions and 95 cities in China.

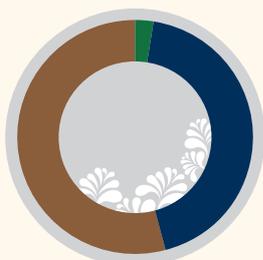
Regional distribution of contracted sales during the Period

No.	Region	Amount (RMB million)	Proportion
1	Guangdong Province	4,047.02	11.5%
2	Hebei Province	3,226.14	9.1%
3	Jiangsu Province	2,484.23	7.1%
4	Anhui Province	2,469.35	7.0%
5	Chongqing Province	2,275.64	6.5%
6	Shanxi Province	2,262.91	6.5%
7	Liaoning Province	2,102.58	6.0%
8	Jiangxi Province	2,079.72	5.9%
9	Hunan Province	2,060.26	5.9%
10	Hubei Province	1,778.03	5.1%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

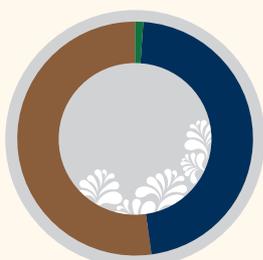
No.	Region	Amount (RMB million)	Proportion
11	Shandong Province	1,738.66	5.0%
12	Jilin Province	1,286.78	3.7%
13	Henan Province	1,266.03	3.6%
14	Sichuan Province	1,219.92	3.5%
15	Guizhou Province	773.05	2.2%
16	Shaanxi Province	694.90	2.0%
17	Tianjin Province	629.88	1.8%
18	Inner Mongolia Autonomous Region	441.32	1.3%
19	Guangxi Zhuang Autonomous Region	409.68	1.2%
20	Hainan Province	400.27	1.1%
21	Zhejiang Province	306.12	0.9%
22	Ningxia Hui Autonomous Region	286.44	0.8%
23	Yunnan Province	205.53	0.6%
24	Heilongjiang Province	203.51	0.6%
25	Gansu Province	148.31	0.4%
26	Qinghai Province	134.84	0.4%
27	Xinjiang Uyghur Autonomous Region	105.26	0.3%
Total		35,036.38	100.0%

Regional distribution of 218 projects



■ Projects in first-tier cities	6	2.8%
■ Projects in second-tier cities	92	42.2%
■ Projects in third-tier cities	120	55.0%
Total	218	100%

Regional distribution of contracted sales



	Amount (RMB million)	Proportion
■ Contracted sales of projects in first-tier cities	410	1.2%
■ Contracted sales of projects in second-tier cities	16,360	46.7%
■ Contracted sales of projects in third-tier cities	18,270	52.1%
Total	35,040	100%

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

As at the end of August 2012, the Group's accumulated contracted sales totalled RMB50.46 billion, accounting for 63.1% of the sales target for the entire year. Area of contracted sales was 8.276 million square metres.


**MANAGEMENT
DISCUSSION AND ANALYSIS**

 (CONTINUED)

Property Development

During the Period, the Group had a total of 94 projects completed which were situated in 23 major provinces in China with a completed GFA of 9.142 million square meters. The status of the completed projects is set out in the following table:

Breakdown of GFA completed by region during the Period

No.	Project name	GFA completed	Proportion
1	Liaoning Province	1,484,730	16.1%
2	Chongqing City	701,380	7.7%
3	Hunan Province	683,509	7.5%
4	Guangdong Province	603,535	6.6%
5	Shanxi Province	574,423	6.3%
6	Henan Province	557,890	6.1%
7	Hebei Province	487,490	5.3%
8	Jilin Province	465,988	5.1%
9	Anhui Province	458,165	5.0%
10	Shandong Province	431,404	4.7%
11	Jiangxi Province	430,356	4.7%
12	Sichuan Province	380,010	4.2%
13	Guizhou Province	340,717	3.7%
14	Hubei Province	318,245	3.5%
15	Jiangsu Province	219,704	2.4%
16	Guangxi Zhuang Autonomous Region	217,052	2.4%
17	Inner Mongolia Autonomous Region	201,903	2.2%
18	Shaanxi Province	200,526	2.2%
19	Hainan Province	198,868	2.1%
20	Zhejiang Province	59,760	0.7%
21	Tianjin City	49,716	0.5%
22	Yunnan Province	42,084	0.5%
23	Ningxia Hui Autonomous Region	34,720	0.4%
Total		9,142,175	100.0%

During the Period, the Group delivered a total of 100 projects with a transaction value of RMB36.49 billion, representing a period-on-period increase of 15.1%.

As at 30 June 2012, the Group had 166 projects under construction with a GFA of approximately 34.853 million square meters; 154 projects launched for sale; and 64 projects yet to be launched for sale.



 **MANAGEMENT
DISCUSSION AND ANALYSIS** 
(CONTINUED)

INVESTMENT PROPERTIES

During the Period, the Group appropriately improved its investment properties portfolio including retail shops and car parks, with an aim to benefit from the long term and stable growth of cash flow to supplement the property development operation. As at 30 June 2012, the Group possessed approximately 757,853 square metres of retail and composite building floor area and 93,879 car park spaces, which spread across 86 projects in the PRC nationwide. Given the large number of investment properties in the portfolio, no individual property held for investment purposes was considered to be material with reference to the value of the total assets of the Group. During the Period, we achieved a total rental income of RMB52.30 million, a period-on-period increase of 14.7%; segmental profit was RMB2.55 billion, of which fair value gain of the investment properties amounted to RMB2.50 billion (net profit after tax was approximately RMB1.82 billion).

PROPERTY MANAGEMENT

During the Period, the Group recorded revenue from property management of RMB0.16 billion, representing a period-on-period growth of 30.8%. Such an increase was mainly attributable to the rise of property management fees as a result of the increase in the GFA of properties completed and delivered during the Period.

OTHER BUSINESS

During the Period, the Group recorded a total of RMB0.34 billion of revenue mainly generated from property construction and hotel operation, an increase of 75.4% from the corresponding period last year, which was mainly due to the increase in construction work and improved hotel income.

INVESTOR RELATIONS

The Group further strengthens the establishment of a two-way interactive relationship with investors. During the Period, the Group has arranged 292 institutional investors, 322 visitors to visit our property development projects in different locations across China. Our management attended 78 teleconferences and face to face conferences, communicated with 222 investors. The Group has participated in numerous activities held by Citi, Deutsche Bank, Credit Suisse, UBS, J.P. Morgan, Morgan Stanley, Macquarie, Nomura Securities, Barclays, CLSA and Mirae Asset, meeting with 570 investors from 519 investment institutions. The Group has also arranged a number of results briefings and roadshow presentations, particularly targeting to explain the accusations of entities with false statements and malicious conduct against the Group. The Group quickly responded to the investors, publishing clarification announcements and organising emergency meetings with investors within the shortest time to clarify various untrue accusations.

The Group firmly believes that a clear and transparent communication channel coupled with positive interactive relationship with investors will help us formulate business strategies for the benefit of shareholders, safeguard investors' interests and contribute value to shareholders.



**MANAGEMENT
DISCUSSION AND ANALYSIS**
(CONTINUED)

CORPORATE SOCIAL RESPONSIBILITIES

Under the new social and market environment, the Group continued to take a proactive approach in undertaking its social responsibilities towards the country, society, customers, staff, business partners and the environment in an effort to drive the urban development and regional prosperity in China, and supported the livelihood, sports and environment more intensively and to a larger extent.

At the poverty alleviation event held in Guangdong in 2012, the Group agreed to donate RMB350 million for supporting certain poverty alleviation programmes, in addition to its previous donations of RMB120 million and RMB318 million in 2010 and 2011 respectively. The payments will be made in accordance with certain progress in ten years.

Moreover, the Group has also actively contributed to sports development in China. In addition to attaining remarkable sports results, its football club and volleyball club both injected advanced concepts to China's sports sector through introducing world's renowned coaches and players. The Group also founded Evergrande-Real Madrid Football School with a view to nurturing sports talents for the country.

As to social welfare, to drive urban development and protect urban ecology, the Group donated RMB6 million to construct the South Mountain Botanical Garden in Chenzhou. In driving employment and nurturing human resources, the Group targeted at various colleges and schools nationwide, providing a job and career platform for more than 800 fresh graduates. In the meantime, leverage on its extensive development size of residential housing, the Group also offered job opportunities to over 300,000 peasants and protection in terms of payroll and other labour benefits to peasants were carried out through its designated departments.

AWARDS

During the reporting period, the Group again won a number of awards. According to the assessment report on the top 500 property developers in China, the Group was listed as one of the top 10 property developers in China for 9 consecutive years and was ranked second in terms of overall strength for 3 consecutive years. At the assessment for "top 10 property developers in China in terms of overall strength in 2011", which was jointly organised by the Research Institute under the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy, the Group was ranked second in terms of overall strength, and was ranked first amongst the top 10 PRC-based property developers listed in Hong Kong in terms of overall strength, wealth creation and investment value respectively.

Moreover, the Group was also awarded the "Golden Cup of Cotton Tree Cup for Helping the Poor and Needy in Guangdong" by the Leading Group Office of Poverty Alleviation and Development and was also presented with the highest award from the Chinese government for the charity sector, the "China Charity Award" for five consecutive years. These awards are evidence of the community's high recognition of the Group's operating results, corporate responsibilities and brand influence.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 32,144 employees where approximately 90% of which are graduates with a property development university degree or above, forming a team of young, highly educated and high quality personnel.

The Group firmly believes that people is the most important resources, and has been adhering to a people-oriented human resources development strategy. This has helped us create a harmonious working environment and positive interaction between the Group and its staff. During the six months ended 30 June 2012, total staff cost (including directors' fees) of the Group was approximately RMB2,171.7 million (corresponding period in 2011: approximately RMB1,349.2 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

INFORMATION ON SHARE OPTIONS OF THE COMPANY

(i) Share Option Scheme

On 14 October 2009, the Company adopted a share option scheme (“Share Option Scheme”) whereby the Board of Directors can grant options (the “Options”) for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board of Directors considers that they will contribute or have contributed to the Group (the “Participants”) as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The details of the principal terms and conditions of the Share Option Scheme were provided in the prospectus (the “Prospectus”) of the Company dated 22 October 2009.

On 18 May 2010, the Company granted an aggregate of 713,000,000 Options to 137 Participants to subscribe for an aggregate of 713,000,000 shares in the Company, which is equivalent to approximately 4.75% of the shares (the “Shares”) issued by the Company as at the date of grant. The details of the Options granted are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price HK\$	Number of share options held as at 1 January 2012	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled/lapsed during the period	Number of share options held as at 30 June 2012
7 Directors	18 May 2010	Note 1	2.40	179,000,000	—	20,000,000	—	159,000,000
130 Other employees	18 May 2010	Note 1	2.40	505,347,000	—	41,337,000	11,200,000 [†]	452,510,000
Total				684,347,000	—	61,337,000	11,200,000	611,510,000

Notes:

- The Options with respect to a Participant will be exercisable in 5 tranches in the following manners:
 - the first tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 31 December 2010 and ending on 31 December 2015;
 - the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 31 December 2011 and ending on 31 December 2016;
 - the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 31 December 2012 and ending on 31 December 2017;
 - the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 31 December 2013 and ending on 31 December 2018;
 - the fifth tranche comprising the remaining number of Shares that are subject to the Options granted will be exercisable at any time during the period commencing from 31 December 2014 and ending on 13 October 2019.
- The closing price of the Shares on the date of grant of the Options was HK\$2.27 per Share.
- 13 October 2019 is the last date of the Share Option Scheme being not more than 10 years pursuant to 17.03(11) of the Listing Rules.
- These options were lapsed due to the resignation of one grantee during the period.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

5. Valuation of the options granted

The valuation of options granted during the six months ended 30 June 2010 was conducted based on the Binomial Model with the following assumptions:

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

The fair value per share of option:

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

(ii) Pre-IPO Share Option Scheme

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

- (a) The subscription price per Share shall be equal to the initial offer price of the Shares under the global offering, that means HK\$3.50 per share;
- (b) As of 30 June 2012, the total number of Shares involved in the Pre-IPO Share Option Scheme was 185,079,000 shares, which is equivalent to approximately 1.24% of the Shares issued by of the Company; and
- (c) No further options shall be offered or granted starting from the date the Shares are traded on the Stock Exchange.

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

Grantee	Date of grant of options	Exercise period of share options	Number of options held as at 1 January 2012	Number of share options exercised during the period	Number of options cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2012
Directors	14 October 2009	Note 1	70,000,000	6,920,000	—	63,080,000
Other employees	14 October 2009	Note 1	129,999,000	5,600,000	2,400,000	121,999,000
Total			199,999,000		2,400,000	185,079,000

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Note:

- Those grantees to whom options have been granted are entitled to exercise the options according to the following manner:
 - a maximum of 30% of the Shares (rounded to the nearest integer) involved in the options granted can be exercised any time from the anniversary of 5 November 2009 ("Listing Date") to 36 months after the anniversary of the Listing Date;
 - a maximum of 60% of the shares (rounded to the nearest integer) involved in the options granted minus the number of shares in respect of those options exercised can be exercised any time from the second anniversary of the Listing Date to 36 months after the second anniversary of the Listing Date; and
 - the number of shares involved in the options granted minus the number of shares in respect of those options exercised can be exercised any time from the third anniversary of the Listing Date to 36 months after the third anniversary of the Listing Date;

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

DEBENTURE

During the six months ended 30 June 2012, none of the Company, its holding company or its subsidiaries were the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2012, the interest and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interest in the shares of the Company

Name of director	Nature of interest	Number of securities	Approximate percentage of shareholding
Hui Ka Yan (Note 1)	Interest of controlled company	10,162,119,735 (L)	67.89%

Note:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(ii) Interest in the underlying shares of the Company

(a) Pre-IPO Share Option Scheme

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

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

(b) Share Option Scheme

Name of director	Nature of interest	Number of shares involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	beneficiary owner	80,000,000	0.53%
Li Gang	beneficiary owner	30,000,000	0.20%
Tse Wai Wah	beneficiary owner	9,000,000	0.06%
Xu Wen	beneficiary owner	11,000,000	0.07%
Lai Lixin	beneficiary owner	9,000,000	0.06%

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

(iii) Interest in associated corporations of the Company

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(iv) Interest in debentures of the Company

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

Note: These debentures were bought off exchange.

Save as disclosed above, as at 30 June 2012, none of the Directors, or chief executives of the Company had any other interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporation required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, other than the Directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which will have to be recorded in the register to be kept or to be notified to the Company and the Stock Exchange pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled company	10,162,119,735 (L) (Note 1)	67.89%
Xin Xin (BVI) Limited	Beneficiary owner	9,370,871,497 (L) (Note 2)	62.61%
Even Honour Holdings Limited	Beneficiary owner	791,248,238 (L) (Note 3)	5.29%

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 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 Dr. Hui Ka Yan.
- Even Honour Holdings Limited is wholly owned by Mrs Hui.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2012, the Group had an aggregate of 32,144 employees (30 June 2011: 26,948 employees). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and prevailing market salary scale.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend.

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

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board of Directors will abide by principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, fair disclosure and accountability to the shareholders of the Company.

During the six months ended 30 June 2012, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code on Corporate Governance Practices") during 1 January 2012 to 31 March 2012, and the revised Code on Corporate Governance Practices, which came into effect on 1 April 2012, respectively.

REVIEW OF INTERIM REPORT

The unaudited Condensed Consolidated Financial Information of the Group for the six months ended 30 June 2012 have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee of the Company has also reviewed the Group's interim results for the six months ended 30 June 2012, and discussed with the Company's management regarding review, internal control and other relevant matters.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions conducted by directors of the Company. All directors of the Company have confirmed their compliances with the Model Code during the period under review.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000 (Restated)
ASSETS			
Non-current assets			
Property and equipment	7	6,223,623	4,864,442
Land use rights	7	990,838	445,758
Investment properties	7	23,600,755	18,918,630
Other receivables		352,245	349,314
Intangible assets	7	431,989	275,517
Deferred income tax assets	17	632,994	648,559
		32,232,444	25,502,220
Current assets			
Properties under development	8	101,074,245	91,380,381
Completed properties held for sale	9	15,114,936	8,434,504
Trade and other receivables	10	5,805,945	5,766,224
Prepayments	11	18,302,103	19,296,237
Income tax recoverable		816,402	439,492
Restricted cash	12	6,234,949	8,122,405
Cash and cash equivalents	13	18,502,384	20,081,945
		165,850,964	153,521,188
Total assets		198,083,408	179,023,408
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	14	1,041,875	1,037,199
Share premium	14	2,787,902	5,423,466
Reserves	15	6,514,632	5,601,609
Retained earnings		24,263,907	19,897,438
		34,608,316	31,959,712
Non-controlling interests		1,720,838	2,171,041
Total equity		36,329,154	34,130,753

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000 (Restated)
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	16	39,758,294	41,498,720
Other payables		363,127	—
Deferred income tax liabilities	17	4,326,328	3,590,991
		44,447,749	45,089,711
Current liabilities			
Borrowings	16	19,899,608	10,227,990
Trade and other payables	18	63,745,545	49,196,123
Advances from customers		23,959,192	31,613,979
Current income tax liabilities	19	9,702,160	8,764,852
		117,306,505	99,802,944
Total liabilities		161,754,254	144,892,655
Total equity and liabilities		198,083,408	179,023,408
Net current assets		48,544,459	53,718,244
Total assets less current liabilities		80,776,903	79,220,464

The notes on pages 28 to 52 form an integral part of these interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000 (Restated)
Revenue	6	37,041,343	32,058,058
Cost of sales	21	(26,442,967)	(20,821,335)
Gross profit		10,598,376	11,236,723
Fair value gains on investment properties	6	2,500,618	1,344,349
Other income	20	228,739	151,600
Selling and marketing costs	21	(1,315,071)	(1,271,762)
Administrative expenses	21	(1,051,652)	(935,102)
Other operating expenses	21	(511,829)	(310,461)
Operating profit		10,449,181	10,215,347
Finance (costs)/income, net	22	(63,725)	198,892
Profit before income tax		10,385,456	10,414,239
Income tax expenses	23	(4,764,702)	(4,687,938)
Profit for the period		5,620,754	5,726,301
Other comprehensive income		—	—
Total comprehensive income for the period		5,620,754	5,726,301
Attributable to:			
Shareholders of the Company		5,662,819	5,602,961
Non-controlling interests		(42,065)	123,340
		5,620,754	5,726,301
Earnings per share attributable to shareholders of the Company for the period			
Basic earnings per share (RMB)	24	0.38	0.37
Diluted earnings per share (RMB)	24	0.37	0.36
Dividends	25	—	—

The notes on pages 28 to 52 form an integral part of these interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Unaudited:							
Balance as at 1 January 2011 as previously reported	1,044,079	7,853,022	1,544,576	10,193,349	20,635,026	731,199	21,366,225
Change in accounting policy – Adoption of HKAS 12 amendment	–	–	–	(668,818)	(668,818)	–	(668,818)
Balance as at 1 January 2011	1,044,079	7,853,022	1,544,576	9,524,531	19,966,208	731,199	20,697,407
Total comprehensive income	–	–	–	5,602,961	5,602,961	123,340	5,726,301
Transactions with owners:							
Transfer to statutory reserves	–	–	943,601	(943,601)	–	–	–
Employee share option schemes (note 15(c))	133	5,473	93,561	–	99,167	–	99,167
Dividends (note 25)	–	(1,902,000)	–	–	(1,902,000)	–	(1,902,000)
Acquisition of a subsidiary	–	–	–	–	–	661,856	661,856
Capital injection from non-controlling interests	–	–	–	–	–	288,957	288,957
Partial disposal of interest in a subsidiary	–	–	2,897,132	–	2,897,132	22,814	2,919,946
Total transactions with owners	133	(1,896,527)	3,934,294	(943,601)	1,094,299	973,627	2,067,926
Balance as at 30 June 2011	1,044,212	5,956,495	5,478,870	14,183,891	26,663,468	1,828,166	28,491,634
Unaudited:							
Balance as at 1 January 2012 as previously reported	1,037,199	5,423,466	5,601,609	20,624,290	32,686,564	2,171,041	34,857,605
Change in accounting policy – Adoption of HKAS 12 amendment (note 3(i))	–	–	–	(726,852)	(726,852)	–	(726,852)
Balance as at 1 January 2012	1,037,199	5,423,466	5,601,609	19,897,438	31,959,712	2,171,041	34,130,753
Total comprehensive income	–	–	–	5,662,819	5,662,819	(42,065)	5,620,754
Transactions with owners:							
Transfer to statutory reserves	–	–	1,296,350	(1,296,350)	–	–	–
Employee share option schemes (note 15(c))	4,676	206,540	9,976	–	221,192	–	221,192
Dividends (note 25)	–	(2,842,104)	–	–	(2,842,104)	–	(2,842,104)
Changes in ownership interests in subsidiaries without change of control (note 29)	–	–	(393,303)	–	(393,303)	(1,018,993)	(1,412,296)
Distribution to non-controlling interest	–	–	–	–	–	(561,840)	(561,840)
Capital injection from non-controlling interests	–	–	–	–	–	247,944	247,944
Acquisition of subsidiaries	–	–	–	–	–	924,751	924,751
Total transactions with owners	4,676	(2,635,564)	913,023	(1,296,350)	(3,014,215)	(408,138)	(3,422,353)
Balance as at 30 June 2012	1,041,875	2,787,902	6,514,632	24,263,907	34,608,316	1,720,838	36,329,154

The notes on pages 28 to 52 form an integral part of these interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Net cash used in operating activities		(4,969,938)	(13,751,826)
Net cash used in investing activities		(5,007,702)	(2,209,214)
Net cash generated from financing activities		8,383,974	20,493,348
Net (decrease)/increase in cash and cash equivalents		(1,593,666)	4,532,308
Cash and cash equivalents at beginning of period		20,081,945	12,356,263
Exchange gains/(losses)		14,105	(18,866)
Cash and cash equivalents as at the end of the period		18,502,384	16,869,705

The notes on pages 28 to 52 form an integral part of these interim consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Evergrande Real Estate Group Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, hotel and other property development related services 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, Cayman Islands.

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

This condensed consolidated interim financial information is presented in Renminbi Yuan (“RMB”) thousands, unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 28 August 2012.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(i) Change in accounting policy for deferred tax liabilities relating to investment properties

In December 2010, the HKICPA amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES (Continued)

(i) Change in accounting policy for deferred tax liabilities relating to investment properties (Continued)

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and the effects of adoption are disclosed as follows.

As disclosed in Note 7, the Group has investment properties measured at their fair values totalling RMB18,918,630,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to RMB4,519,274,000 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below.

Effect on consolidated balance Sheet

	30 June 2012 RMB'000	31 December 2011 RMB'000
Increase in deferred tax liabilities	782,398	726,852
Decrease in retained earnings	782,398	726,852

Effect on consolidated income statement

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Increase in income tax expense	55,546	92,636
Decrease in net profit attributable to owners of the Company	55,546	92,636
Decrease in basic EPS	RMB0.4 cent	RMB1 cent
Decrease in diluted EPS	RMB0.4 cent	RMB1 cent

For the other investment properties amounting to RMB14,399,356,000, they are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. For these investment properties, the presumption is rebutted and related deferred tax is not remeasured.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES (Continued)

(iii) New and amended standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

- HKFRS 9 “Financial instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group’s accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
- HKFRS 10 “Consolidated financial statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- HKFRS 12 “Disclosures of interests in other entities” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- HKFRS 13 “Fair value measurement” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS.
- HKAS 19 (Amendment) “Employee benefits” eliminate the corridor approach and calculate finance costs on a net funding basis.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

The management is in the process of making an assessment on the impact of these new standards, amendments to existing standards and is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, 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 2011.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factor

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

The interim condensed consolidated financial statements do 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 as at 31 December 2011.

There have been no changes in any risk management policies since year end.

5.2 Liquidity risk

During the six months ended 30 June 2012, the Group raised additional short term and long term bank and other borrowings. The Group's current borrowings increased by RMB9,672 million and non-current borrowings decreased by RMB1,741 million, respectively, during the period.

6 SEGMENT INFORMATION

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

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Finance costs or income are not included in the result for each operating segment.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (Continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Gross segment revenue	31,694,165	51,447	167,924	2,630,531	34,544,067
Inter-segment revenue	—	(5,886)	(44,414)	(2,435,709)	(2,486,009)
Revenue	31,694,165	45,561	123,510	194,822	32,058,058
Segment results	9,115,520	1,393,224	(46,588)	(246,809)	10,215,347
Finance income, net					198,892
Profit before income tax					10,414,239
Income tax expenses(restated)					(4,687,938)
Profit for the period(restated)					5,726,301
Depreciation and amortisation	48,138	—	2,061	22,939	73,138
Fair value gains on investment properties	—	1,344,349	—	—	1,344,349

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (Continued)

Segment assets as at 30 June 2012 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Segment assets	161,435,899	23,600,755	842,063	10,755,295	196,634,012
Unallocated					1,449,396
Total assets					198,083,408

Segment assets as at 31 December 2011 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other businesses RMB'000	Group RMB'000
Segment assets	149,722,594	18,918,630	712,518	8,581,615	177,935,357
Unallocated					1,088,051
Total assets					179,023,408

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

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

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION (CONTINUED)

7 PROPERTY AND EQUIPMENT, LAND USE RIGHTS, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

	Property and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Investment properties RMB'000
Six months ended 30 June 2011				
Opening net book amount as at 1 January 2011	1,277,297	306,058	37,218	10,116,643
Additions	2,503,949	95,887	102,648	1,054,763
Acquisition of a subsidiary	56,170	—	—	471,776
Disposals	(2,364)	—	—	—
Reclassification of investment properties to properties under development	—	—	—	(674,095)
Fair value gains on investment properties	—	—	—	1,344,349
Depreciation and amortisation charge	(73,138)	(2,414)	(15,759)	—
Closing net book amount as at 30 June 2011	3,761,914	399,531	124,107	12,313,436
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	4,864,442	445,758	275,517	18,918,630
Additions	1,524,837	548,017	232,236	2,196,225
Disposals	(3,905)	—	—	(14,718)
Fair value gains on investment properties	—	—	—	2,500,618
Depreciation and amortisation charge	(161,751)	(2,937)	(75,764)	—
Closing net book amount as at 30 June 2012	6,223,623	990,838	431,989	23,600,755

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 PROPERTIES UNDER DEVELOPMENT

	30 June 2012 RMB'000	31 December 2011 RMB'000
Properties under development expected to be completed:		
– Within the one operating cycle included under current assets	101,074,245	91,380,381
Properties under development comprise:		
– Construction costs and capitalised expenditures	37,971,981	40,493,391
– Interests capitalised	5,754,046	4,622,546
– Land use rights	57,348,218	46,264,444
	101,074,245	91,380,381

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

The capitalisation rate of borrowings for the six months ended 30 June 2012 is 9.66% (for the six months ended 30 June 2011: 8.56%).

9 COMPLETED PROPERTIES HELD FOR SALE

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

10 TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables (note (a))	3,423,496	2,753,483
Other receivables	2,382,449	3,012,741
	5,805,945	5,766,224

As at 30 June 2012 and 31 December 2011, the fair value of trade and other receivables approximated their carrying amounts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10 TRADE AND OTHER RECEIVABLES (Continued)

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

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	2,827,313	2,082,645
Over 90 days and within 180 days	101,023	156,763
Over 180 days and within 365 days	320,534	271,991
Over 365 days	174,626	242,084
	3,423,496	2,753,483

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 at each balance sheet date.

11 PREPAYMENTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Prepaid business taxes and other taxes	920,625	807,593
Prepayments and advances to third parties:	17,381,478	18,488,644
— for acquisition of land use rights	16,830,120	18,072,002
— others	551,358	416,642
	18,302,103	19,296,237

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12 RESTRICTED CASH

	30 June 2012 RMB'000	31 December 2011 RMB'000
Guarantee deposit for construction of projects (note (a))	3,277,476	4,204,426
Guarantee deposit for bank acceptance notes and loans (note (b))	2,057,633	2,188,602
Guarantee deposit for land acquisitions	823,971	1,320,791
Others	75,869	408,586
	6,234,949	8,122,405

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

Restricted cash as at 30 June 2012 and 31 December 2011 are denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Restricted cash earns interest at floating daily bank deposit rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 CASH AND CASH EQUIVALENTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	14,495,577	18,282,922
– Denominated in other currencies	4,006,807	1,799,023
	18,502,384	20,081,945

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

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

14 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares (Thousands)	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Total RMB'000
Six months ended 30 June 2011					
Balance as at 1 January 2011	15,000,000	150,000	1,044,079	7,853,022	8,897,101
Issue of shares pursuant to the option scheme	2,053	20	133	5,473	5,606
Dividends	—	—	—	(1,902,000)	(1,902,000)
Balance as at 30 June 2011	15,002,053	150,020	1,044,212	5,956,495	7,000,707
Six months ended 30 June 2012					
Balance as at 1 January 2012	14,893,628	148,936	1,037,199	5,423,466	6,460,665
Issue of shares pursuant to the option scheme	74,157	742	4,676	206,540	211,216
Dividends (note 25)	—	—	—	(2,842,104)	(2,842,104)
Balance as at 30 June 2012	14,967,785	149,678	1,041,875	2,787,902	3,829,777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 RESERVES

	Merger reserve RMB'000 (note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (note (b))	Employee share option reserve RMB'000 (note (c))	Capital redemption reserve RMB'000	Total RMB'000
Six months ended						
30 June 2011						
Balance at 1 January 2011	(986,474)	1,908,914	318,539	303,597	—	1,544,576
Retained earnings appropriated to statutory reserves	—	—	943,601	—	—	943,601
Partial disposed of interest in a subsidiary	—	2,897,132	—	—	—	2,897,132
Employee share option scheme	—	—	—	95,056	—	95,056
Issue of shares pursuant to the option scheme	—	—	—	(1,495)	—	(1,495)
Balance at 30 June 2011	(986,474)	4,806,046	1,262,140	397,158	—	5,478,870
Six months ended						
30 June 2012						
Balance at 1 January 2012	(986,474)	4,829,117	1,262,140	489,671	7,155	5,601,609
Retained earnings appropriated to statutory reserves	—	—	1,296,350	—	—	1,296,350
Changes in ownership interests in subsidiaries without change of control (note 29)	—	(393,303)	—	—	—	(393,303)
Employee share option scheme (note (c))	—	—	—	65,114	—	65,114
Issue of shares pursuant to the option scheme	—	—	—	(55,138)	—	(55,138)
Balance at 30 June 2012	(986,474)	4,435,814	2,558,490	499,647	7,155	6,514,632

(a) Merger reserve

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 RESERVES (Continued)

(b) Statutory reserves

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

The subsidiaries which are foreign investment enterprises are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund.

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

(c) Employee share option reserve

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

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

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

Movements of share options are as follows:

	Number of share options
Six months ended 30 June 2011	
Balance at 1 January 2011	904,000,000
Exercised during the period	(2,053,000)
Lapsed during the period	(5,000,000)
Balance at 30 June 2011	896,947,000
Six months ended 30 June 2012	
Balance at 1 January 2012	884,346,000
Exercised during the period	(74,157,000)
Lapsed during the period	(13,600,000)
Balance at 30 June 2012	796,589,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 RESERVES (Continued)

(c) Employee share option reserve (Continued)

Particulars of share options as at 30 June 2012 and 31 December 2011 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares	
				30 June 2012	31 December 2011
Pre-IPO Options:					
14 October 2009	1 year	5 November 2010 – 5 November 2013	HK\$3.5	46,059,000	59,599,000
14 October 2009	2 years	5 November 2011 – 5 November 2014	HK\$3.5	58,880,000	59,600,000
14 October 2009	3 years	5 November 2012 – 5 November 2015	HK\$3.5	79,840,000	80,800,000
2010 Options:					
18 May 2010	7 Months	31 December 2010 – 31 December 2015	HK\$2.4	69,890,000	133,467,000
18 May 2010	19 Months	31 December 2011 – 31 December 2016	HK\$2.4	135,480,000	137,720,000
18 May 2010	31 Months	31 December 2012 – 31 December 2017	HK\$2.4	135,480,000	137,720,000
18 May 2010	43 Months	31 December 2013 – 31 December 2018	HK\$2.4	135,480,000	137,720,000
18 May 2010	55 Months	31 December 2014 – 13 October 2019	HK\$2.4	135,480,000	137,720,000
				796,589,000	884,346,000

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	27,413,218	26,395,529
Senior notes	17,513,947	17,432,108
— Senior notes issued in 2010 (“2010 Senior Notes”) (note (a))	8,402,175	8,348,988
— Senior notes issued in 2011 (“2011 Senior Notes”) (note (b))	9,111,772	9,083,120
Other borrowings — secured (note (c))	11,313,081	6,681,561
	56,240,246	50,509,198
Less: current portion of non-current borrowings	(16,481,952)	(9,010,478)
	39,758,294	41,498,720
Borrowings included in current liabilities:		
Bank borrowings — secured	2,070,900	817,000
Current portion of non-current borrowings	16,481,952	9,010,478
Other borrowings — secured (note (c))	1,346,756	400,512
	19,899,608	10,227,990
Total borrowings	59,657,902	51,726,710
The total borrowings are denominated in the following currencies:		
RMB	51,255,727	43,377,722
US dollar	8,402,175	8,348,988
	59,657,902	51,726,710

(a) 2010 Senior Notes

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 BORROWINGS (Continued)

(b) 2011 Senior Notes

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

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

(c) Other borrowings

During the six months ended 30 June 2012, certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group company. All the funds bear fixed interest rates, have fixed repayment terms, and are secured by the properties under development of the group companies or the shares of certain group companies.

As at 30 June 2012, the Group's borrowings were secured by its property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, certain shares of the subsidiaries and cash in bank.

Movements of borrowings are analysed as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Opening amount as at 1 January	51,726,710	31,160,134
Acquisition of a subsidiary	—	660,000
Additions of borrowings	12,957,044	17,587,299
Issuance of senior notes of RMB9,250 million on 13 January 2011, net of issuance costs	—	9,031,098
Repayments of borrowings	(5,107,691)	(7,536,389)
Amortisation of issuance costs	49,980	41,675
Exchange losses/(gains)	31,859	(190,597)
Closing amount as at 30 June	59,657,902	50,753,220

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 DEFERRED INCOME TAX

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Opening balance at 1 January, as previously reported	2,215,580	1,156,085
Adoption of HKAS 12 amendment (note 3(i))	726,852	668,818
Opening balance at 1 January, as restated	2,942,432	1,824,903
Acquisition of a subsidiary	—	504,212
Withholding tax on partial disposal of interest in a subsidiary	—	321,904
Charged to profit or loss	750,902	541,670
Closing balance at 30 June	3,693,334	3,192,689

18 TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
	Trade payables	41,758,400
Other payables	19,809,116	14,743,793
Accrued expenses	1,363,154	1,139,754
Other taxes payable	814,875	1,022,692
	63,745,545	49,196,123

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
	Within one year	39,343,803
Over one year	2,414,597	2,208,686
	41,758,400	32,289,884

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Income tax payables		
– PRC corporate income tax	2,848,072	3,064,068
– PRC land appreciation tax	6,854,088	5,700,784
	9,702,160	8,764,852

20 OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest income from bank deposits	53,472	39,802
Forfeited customer deposits	32,522	23,980
Interest income from non-current receivables	2,942	10,887
Advertising revenue (note (a))	105,488	37,489
Fair value gain on financial assets at fair value through profit or loss	—	15,600
Others	34,315	23,842
	228,739	151,600

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Cost of properties sold	22,876,894	17,945,911
Business tax and other levies (note (a))	2,198,675	1,754,079
Staff costs — including directors' emoluments	2,171,737	1,349,235
Advertising costs	749,257	773,599
Sales commissions	190,959	187,705
Consultancy fee (note (b))	49,988	58,186
Depreciation	161,751	73,138
Amortisation	78,701	18,173
Donations to governmental charity	63,312	77,117

(a) Business tax

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

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%

(b) Consultancy fee

The consultancy fee for the six months ended 30 June 2012 and 2011 are mainly related to market promotion, planning and consultancy services provided by real estate consulting firms.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Exchange (losses)/gains	(34,211)	198,892
Interest expenses from borrowings	(2,644,207)	(1,763,990)
Less: interest capitalised	2,614,693	1,763,990
	(63,725)	198,892

23 INCOME TAX EXPENSES

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (Restated)
Current income tax		
– Hong Kong profits tax	—	—
– PRC corporate income tax	2,022,384	1,825,993
– PRC land appreciation tax	1,991,416	2,320,275
Deferred income tax		
– PRC corporate income tax	676,841	418,156
– PRC land appreciation tax	74,061	123,514
	4,764,702	4,687,938

The weighted average applicable tax rate for the six months ended 30 June 2012 and 2011 is 25%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 INCOME TAX EXPENSES (Continued)

Overseas income tax

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

Hong Kong profits tax

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax during the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2011: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the 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 all property development expenditures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2012	2011 (Restated)
Basic earnings per share (RMB)	0.38	0.37
Diluted earnings per share (RMB)	0.37	0.36

25 DIVIDENDS

The board of directors of the Company resolved not to declare any dividend in respect of the six month ended 30 June 2012 (six months ended 30 June 2011: nil).

A final dividend in respect of 2011 of RMB0.19 per share totalling RMB2,842,104,000 was declared at the Annual General Meeting of the Company on 31 May 2012.

26 FINANCIAL GUARANTEES

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	45,041,863	40,149,361

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 mortgage loan by the purchasers of properties.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

27 COMMITMENTS

(a) Operating leases commitments

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Property and equipment:		
Not later than one year	104,798	122,893
Later than one year and not later than five years	64,173	141,246
Later than five years	13,974	105,272
	182,945	369,411

(b) Commitments for property development expenditure

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contracted but not provided for		
— Property development activities	51,055,924	58,419,016
— Acquisition of land use rights	28,601,313	21,051,857
	79,657,237	79,470,873

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

28 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

(b) Key management compensation

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Salaries and other employee benefits	72,068	74,466
Retirement scheme contributions	377	257
	72,445	74,723

29 CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the period ended 30 June 2012, the Group purchased 40% of interest in Success Will Group Limited and 29% of interest in Shenzhen Construction (Group) Co., Ltd. from non-controlling shareholders and became the wholly-owner of these subsidiaries at total considerations of RMB1,412,296,000. After deduction of the non-controlling interests of these subsidiaries from the total considerations, the Group recognised a decrease in equity attributable to owners of the Company of RMB393,303,000.