CHINA EVERGRANDE GROUP

中 國 恒 大 集 團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

SUMMARY OF KEY INFORMATION

1. As at 31 December 2022, the Group's total liabilities amounted to RMB 2,437.41 billion, net of contract liabilities of RMB721.02 billion, amounted to RMB1,716.39 billion, of which: borrowings amounted to RMB612.39 billion, trade and other payables amounted to RMB1,002.26 billion (included construction material payables of RMB596.16 billion) and other liabilities amounted to RMB101.74 billion.

2. The Group's revenue for the year ended 31 December 2022 (the Year) amounted to RMB230.07 billion and gross profit was RMB24.99 billion.

   Operating losses for the Year was RMB43.39 billion. Losses related to return of lands, impairment losses on financial assets and other non-operating losses amounted to RMB69.37 billion. Income tax expense was RMB13.05 billion. The net loss was RMB125.81 billion in aggregate.

3. As at 31 December 2022, the Group owns land reserves of 210 million square meters.

   In addition, the Group was also involved in 79 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 24 in other cities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2022** *RMB million*	31 December 2021 *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**56,421**	73,893
Right-of-use assets		**14,465**	16,227
Investment properties		**63,062**	69,328
Goodwill		**1,146**	1,161
Intangible assets		**6,076**	8,102
Trade and other receivables	*3*	**1,327**	2,825
Prepayments		**456**	1,668
Investments accounted for using equity method		**25,893**	33,261
Financial assets at fair value through other comprehensive income		**1,275**	1,573
Financial assets at fair value through profit or loss		**2,962**	5,089
Deferred income tax assets		**66**	148
		173,149	213,275
Current assets			
Inventories		**532**	203
Properties under development		**1,136,084**	1,263,410
Completed properties held for sale		**102,894**	190,303
Trade and other receivables	*3*	**228,911**	204,809
Contract acquisition costs		**3,025**	4,577
Prepayments		**131,443**	153,330
Income tax recoverable		**29,864**	30,015
Financial assets at fair value through profit or loss		**18,131**	18,398
Restricted cash		**9,971**	23,341
Cash and cash equivalents		**4,334**	5,435
		1,665,189	1,893,821
Total asset		**1,838,338**	2,107,096

	Note	**31 December 2022** *RMB million*	31 December 2021 *RMB million*
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**4,226**	4,226
Reserves		**(503,696)**	(395,560)
		(499,470)	(391,334)
Non-controlling interests		**(99,604)**	(81,720)
Deficiency in equity		**(599,074)**	(473,054)
LIABILITIES			
Non-current liabilities			
Borrowings		**25,268**	4,724
Contingent consideration payables		**51**	58
Deferred income tax liabilities		**47,869**	43,800
Other payables		**11,301**	10,432
		84,489	59,014
Current liabilities			
Borrowings		**587,123**	602,653
Trade and other payables	*4*	**1,002,264**	893,341
Contract liabilities		**721,021**	974,347
Current income tax liabilities		**42,515**	50,795
		2,352,923	2,521,136
Total liabilities		**2,437,412**	2,580,150
Net current liabilities		**(687,734)**	(627,315)
Total equity and liabilities		**1,838,338**	2,107,096

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	***RMB million***	*RMB million*
Revenue	5	**230,067**	250,013
Cost of sales		**(205,080)**	(268,461)
Gross profit/(loss)		**24,987**	(18,448)
Fair value gains/(losses) on investment properties, net		**1,807**	(31,267)
Write-down of properties under development and completed properties held for sale		**(1,685)**	(373,681)
Impairment losses on financial assets		**(12,384)**	(50,376)
Other losses, net		**(38,230)**	(45,985)
Other income		**1,987**	2,286
Selling and marketing costs		**(6,068)**	(31,945)
Administrative expenses		**(6,678)**	(16,527)
Impairment loss on investments accounted for using equity method		**(18,006)**	(8,097)
Other operating expenses		**(10,138)**	(7,489)
Operating loss		**(64,408)**	(581,529)
Share of profit/(losses) of investments accounted for using equity method		**39**	(19,722)
Fair value losses on financial assets at fair value through profit or loss		**(2,041)**	(1,936)
Fair value losses on contingent consideration payables		**—**	(2,555)
Fair value gain/(losses) on financial guarantee contracts		**1,129**	(51,530)
Finance costs, net		**(47,482)**	(41,623)
Losses before income tax		**(112,763)**	(698,895)
Income tax (expenses)/credit	6	**(13,051)**	12,676
Losses for the year		**(125,814)**	(686,219)

	Notes	Year ended 31 December **2022** ***RMB million***	 2021 *RMB million*
Other comprehensive income/(expenses)			
(Item that may be reclassified to profit or loss)			
Share of other comprehensive income of investments accounted for using the equity method		**—**	31
Exchange difference arising on translation of financial statements of foreign operations		**63**	536
(Item that may not be reclassified to profit or loss)			
Fair value gains/(losses)of financial assets at fair value through other comprehensive income, net of tax		**380**	(982)
Other comprehensive income/(expenses) for the year, net of tax		**443**	(415)
Total comprehensive expenses for the year		**(125,371)**	(686,634)
Loss attributable to:			
Shareholders of the Company		**(105,914)**	(476,035)
Non-controlling interests		**(19,900)**	(210,184)
		(125,814)	(686,219)
Total comprehensive loss attributable to:			
Shareholders of the Company		**(105,116)**	(476,095)
Non-controlling interests		**(20,255)**	(210,539)
		(125,371)	(686,634)
Loss per share for loss attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic loss per share	*7*	**(8.021)**	(36.006)
— Diluted loss per share	*7*	**(8.021)**	(36.006)

Notes:

1 GENERAL INFORMATION

China Evergrande Group (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the "Group") are engaged in the property development, property investment, property management, new energy vehicle business, cultural tourism business and health industry business principally 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 had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 17 July 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties and contingent consideration payables, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) *Going concern assessment*

The Group incurred a net loss of approximately RMB125,814 million for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net liabilities and net current liabilities of approximately RMB599,074 million and RMB687,734 million respectively. As at 31 December 2022, the Group's current and non-current borrowings amounted to approximately RMB587,123 million and RMB25,268 million respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB14,305 million. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In light of the above, the Board has carefully considered the Group's expected cash flow projections not less than 12 months from the date of reporting period and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure. The Group has continued to implement the following plans and measures:

— The Group has been actively negotiating with other onshore lenders on the extension of borrowings. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans with individual lenders case-by-case. Having considered the successful extension of loans during the year 2022, the Group's credit history and longstanding relationships with the relevant lenders, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the remaining borrowings progressively;

— The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from asset management companies or financial institutions, special borrowings and supporting borrowings for guaranteed home delivery, business cooperation with business partners, and assets disposals. Up to the date of approval of these financial statements, the Group has achieved certain business cooperation, and has obtained new financing or additional capital for certain projects through the above channels. The Group will also continue to seek new financing or additional capital;

— The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of these financial statements, the Group has completed the settlement arrangements with certain creditors. The Group is positive that it can continue to reach an amicable solution to the litigations which have not yet reached a definite outcome at the current stage;

— In response to the local Government's call to ensure delivery, the Group will continue to focus on the completion and delivery of property projects to ensure the stability and sustainable operation of the Group's business.

At the same time, the Group will continue to follow up on the proposed restructuring of offshore debts ("Proposed Offshore Debts Restructuring") that has not yet been completed. As of the date of approval of these consolidated financial statements, the progress is as follows:

— The Company has been working closely with its legal and financial advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the "AHG"), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring of the Company's offshore indebtedness;

— On 3 April 2023, the Company and the AHG entered into the restructuring support agreement (the "RSA") in relation to the terms of the Restructuring. The contemplated Restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The respective restructuring effective date is anticipated to be 1 October 2023 and the longstop date is 15 December 2023 (as may be extended in accordance with the terms of respective term sheets).

— The restructuring plan includes (i) China Evergrande Group ("CEG") schemes ("CEG Schemes"); (ii) Scenery Journey Limited ("SJ") scheme ("SJ Scheme") and (iii) Tianji Holding Limited ("TJ") scheme ("TJ Scheme"):

CEG Schemes

The Company plans to implement a restructuring through, *inter alia*, schemes of arrangement in the Cayman Islands, Hong Kong and/or other applicable jurisdictions ("CEG Schemes"). There would be two classes of debts under the CEG Schemes, namely:

i. **Class A:** Class A debts consist of ten series of US dollar denominated senior secured notes, one series of HK dollar denominated convertible bonds and one private loan; and

ii. **Class C:** Class C debts consist of debts including private loans, repurchase obligations and guarantees provided by the Company in relation to certain offshore and onshore debts.

Both Class A creditors and Class C creditors can elect from two options of scheme consideration under CEG Schemes, namely "Option 1" and "Option 2".

Under Option 1, creditors would receive new notes to be issued by the Company with a tenor of 10–12 years ("A1/C1 Notes").

Under Option 2, creditors can elect to convert their entitlements into the following (subject to adjustments and re-allocations):

i. new notes to be issued by the Company with a tenor of 5–9 years ("A2/C2 Notes");

ii. a package of rights and instruments consisting of mandatory exchangeable bonds to be issued by the Company exchangeable into shares in Evergrande Property Services Group Limited, mandatory exchangeable bonds to be issued by the Company exchangeable into shares of China Evergrande New Energy Vehicle Group Limited, mandatory convertible bonds to be issued by the Company and security linked notes to be issued by the Company (collectively, "A2/C2 Package"); or

iii. a combination of the A2/C2 Notes and A2/C2 Package.

Class A creditors' entitlement to distribution will be on a full accrued claim basis, while Class C creditors' entitlement to distribution will be on a deficiency claim basis which means, in respect of a debt instrument, (x) the full accrued claims minus (y) the assessed value (determined pursuant to adjudication principles and procedures to be set out in the relevant scheme documents) of any related rights (whether principal, guarantee or collateral support) which are against any party who is not CEG. A similar approach will be taken to determine any net claim in respect of a put option.

SJ Scheme

SJ plans to implement a restructuring through, *inter alia*, a scheme of arrangement in the British Virgin Islands ("BVI"). Creditors under the SJ Scheme are referred to as "SJ creditors" and consist of holders of 4 series of US dollar denominated senior notes issued by SJ ("Existing SJ Notes").

SJ creditors' entitlement to distribution of scheme consideration will be on the deficiency claim basis (i.e. the full accrued claims minus the assessed value of any related rights (whether principal, guarantee or collateral support) which are (i) against any party who is not SJ or SJ subsidiary guarantors or keepwell provider but is an obligor or provides credit support; and (ii) in connection with the Existing SJ Notes.

Under the proposed SJ Scheme, each SJ creditor will be allocated a pro rata portion of the new notes to be issued by SJ in an aggregate principal amount equal to US$6,500 million ("SJ New Notes") based on such SJ creditor's entitlement.

TJ Scheme

TJ plans to implement a debt restructuring through, *inter alia*, a scheme of arrangement in Hong Kong.

Creditors under the TJ Scheme are referred to as "TJ creditors". Debts included in the TJ Scheme (the "TJ Existing Debt Instruments") consist of TJ's guarantee obligations under the SJ existing notes and certain other financial indebtedness as set out in the TJ Term Sheet.

TJ creditors' entitlement to distribution scheme consideration will be on the deficiency claim basis (i.e. the full accrued claims minus the assessed value of any related rights (whether principal, guarantee or collateral support) which are (i) against any party who is not TJ but is an obligor or provides credit support; and (ii) in connection with the TJ Existing Debt Instruments).

Under the proposed TJ Scheme, each TJ creditor will be allocated a pro rata portion of the new notes to be issued by TJ in an aggregate principal amount equal to US$800 million ("TJ New Notes") based on such TJ creditor's entitlement.

On 3 April 2023, the Company and members of the AHG (representing over 20% and 35% of the aggregate outstanding principal amount of the Existing CEG Notes and the Existing SJ Notes respectively), among others, entered into three restructuring support agreements, namely the Class A restructuring support agreements ("Class A RSA"), SJ restructuring support agreements ("SJ RSA") and TJ restructuring support agreements ("TJ RSA"), under which the parties agreed to co-operate in order to facilitate the implementation of the Proposed Offshore Debts Restructuring.

Under the Class A RSA, the SJ RSA and the TJ RSA, each participating creditor undertakes that it shall use its beneficial interest in its debts to approve and support the Proposed Offshore Debts Restructuring on the terms and conditions of the respective restructuring support agreements.

On 3 April 2023, the Company has also launched a restructuring support agreement in relation to Class C (the "Class C RSA", together with the Class A RSA, the SJ RSA and the TJ RSA, the "RSAs"). The Class C RSA also provides that each participating creditor confirms that it shall use its beneficial interest in its debts to approve and support the Proposed Offshore Debts Restructuring on the terms and conditions of the Class C RSA.

Together with the financial adviser, the Group has always maintained active communication with offshore creditors, and strived to obtain support from a sufficient number of relevant creditors to join and sign the restructuring support agreement as soon as possible, so as to complete the relevant legal procedures for implementing the Proposed Offshore Debts Restructuring as soon as possible.

The Board has reviewed the cash flow projections of the Group prepared by the management covering a period of not less than 12 months from 31 December 2022. In their opinion, in view of the above plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 12 months from 31 December 2022. Accordingly, the Board considers that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the Proposed Offshore Debts Restructuring and (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings.

If the Group is unable to complete the Proposed Offshore Debt Restructuring and unable to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(ii) ***New amendments to standards adopted by the Group as at 1 January 2022***

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2022 for the Group:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Examples accompanying HKFRS 16, HKAS 41

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

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contacts and related Amendments[1]
Amendments to HKFRS 16	Lease liability in a Sales and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for periods beginning on or after 1 January 2023.
[2] Effective for periods beginning on or after 1 January 2024.
[3] Effective for annual period beginning on or after a date to be determined

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

3 TRADE AND OTHER RECEIVABLES

The following is an ageing analysis of trade receivables based on revenue recognition date at the end of the reporting period:

	31 December	
	2022	2021
	RMB million	*RMB million*
Within 90 days	**10,881**	1,932
Over 90 days and within 180 days	**1,479**	4,675
Over 180 days and within 365 days	**1,184**	7,144
Over 365 days	**8,141**	5,647
	21,685	19,398

4 TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	31 December 2022	2021
	RMB million	*RMB million*
Within one year	**103,145**	177,610
Over one year	**500,179**	436,598
	603,324	614,208

5 REVENUE

Revenue for the year ended 31 December 2022 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December 2022	2021
	RMB million	*RMB million*
Sales of properties	**223,910**	226,149
Rental income	**549**	782
Property management services	**2,000**	13,193
Other businesses	**3,608**	9,889
	230,067	250,013

6 INCOME TAX EXPENSES/(CREDIT)

	Year ended 31 December 2022	2021
	RMB million	*RMB million*
Current income tax		
— Hong Kong profits tax	**3**	66
— PRC corporate income tax	**3,871**	6,995
— PRC land appreciation tax	**2,650**	(11,035)
	6,524	(3,974)
Deferred income tax		
— PRC corporate income tax	**4,148**	(3,547)
— PRC land appreciation tax	**2,379**	(5,155)
	13,051	(12,676)

7 LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2022	2021
Loss attributable to shareholders of the Company *(RMB million)*	**(105,914)**	(476,035)
Weighted average number of ordinary shares in issue *(millions)*	**13,204**	13,221
Basic loss per share *(RMB)*	**(8.02)**	(36.006)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the years ended 31 December 2022 and 2021, as the share options had anti-dilutive effect on ordinary shares for the year.

8 DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2022 and 2021.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022, issued by Prism Hong Kong and Shanghai Limited ("Prism"), the Company's external auditor:

Independent Auditor's Report

To the shareholders of China Evergrande Group
(Incorporated in the Cayman Islands with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Evergrande Group (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. *Material uncertainties relating to going concern*

   As described in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB125,814 million for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net liabilities and net current liabilities of approximately RMB599,074 million and RMB687,734 million respectively. As at 31 December 2022, the Group's current and non-current borrowings amounted to approximately RMB587,123 million and RMB25,268 million respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB14,305 million. In addition, the Group was involved in various litigation and arbitration cases for various reasons. These conditions, along with other matters as described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have taken measures to improve the Group's liquidity and financial position as described in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. The consolidated financial statements do not include any such adjustments. However, material uncertainties exist in relation to the Group's ability to continue as a going concern in view of the Group's future cash flow. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation but we have not obtained sufficient appropriate audit evidence regarding the Group's ability to meet its financial obligations as and when they fall due and we consider the potential cumulative effect on the consolidated financial statements of this material uncertainty relating to going concern to be so significant that we have disclaimed our opinion.

2. *Opening balances and comparative information*

The consolidated financial statements for the year ended 31 December 2021 (the basis of the comparative amounts presented in the consolidated financial statements for the year ended 31 December 2022) expressed a disclaimer of opinion on the Group's results and cash flows due to staff departure of the Group and our inability to obtain sufficient appropriate audit evidence in respect of changes in accounting treatment which formed the basis for the disclaimer of opinion on the consolidated financial statements for the year ended 31 December 2021 but the scope limitations no longer affect the current year figures in the consolidated financial statements for the year ended 31 December 2022. However, the comparative figures presented in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows may contain material misstatements and therefore may not be comparable with the current year figures.

Due to the lack of sufficient financial information as aforementioned, we are unable to satisfy ourselves that proper books of accounts have been kept so as to give a true and fair view of the state of the Group's affairs and present the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Owing to the significance and pervasiveness of the matters, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we disclaim our opinion on the accompanying consolidated financial statements of the Group for the year ended 31 December 2021.

Directors' and Those Charged with Governance's Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

BUSINESS REVIEW

In 2022, China's real estate market continued its downward spiral. Thanks to the state's frequently launched various supporting policies and relief measures, the market seemed to bottom out which was in favour of the industry in resolving risks and the imbalance between supply and demand.

Prioritizing the stabilization of the operation and resolving of risks, the Company actively pushed forward with utmost efforts the work of ensuring the delivery of properties, and obtained the understanding and support from various parties, including local governments, upstream and downstream enterprises and property owners, etc. The Company resumed the construction of 732 projects in order to ensure the delivery of properties, and delivered a total of 301,000 units of properties in the Year. By virtue of the fact that Evergrande Auto achieved mass production and delivery of the "Hengchi 5" model and that Evergrande Property Services had a total contracted area of over 800 million square meters and an area under management of about 500 million square meters, the Group maintained a leading management scale in the industry. Ocean Flower Island, a cultural tourism project in Hainan, China, maintained steady operation and received a total of over 7.6 million visitors.

The Company set up an independent investigation committee to investigate the pledge of deposits of approximately RMB13.4 billion of Evergrande Property Services enforced by the relevant banks and accordingly further strengthened its internal control management. At the same time, the Company made adjustments to the composition of of the Board of Directors.

For the purpose of respecting the rules of international restructuring and treating the existing rights and claims of all creditors in a fair and equitable manner, the Company and its consultant team continued to conduct in-depth and detailed discussions with offshore creditors and initiated several rounds of communication on the detailed terms and conditions of the restructuring proposal in order to steadily advance the formulation of the restructuring proposal for the offshore debts. Thanks to the support of the offshore creditors, the Company obtained the approval of the High Court of Hong Kong to adjourn the hearing for the winding-up petition.

Land Reserves

As at 31 December 2022, the Group owns land reserves of 210 million square meters.

In addition, the Group was also involved in 79 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 24 in other cities.

The Group's large and quality land reserves provide solid support for the Group to ensure the delivery of properties, gradual settlement of its debts and resumption of normal operations.

Contracted Sales

The Company's sales were at a standstill after September 2021. With the gradual resumption of construction of projects in order to ensure the delivery of properties, the Group's sales has gradually bounced back since April 2022, and were steadily improving. Consumer confidence began to recover which was in favor of the further advancement of different tasks.

For the full year of 2022, the Group achieved contracted sales of RMB31.7 billion and contracted gross floor area of 3.904 million square meters, with an accumulated cash collection of RMB35.79 billion for the Year.

As at 31 December 2022, there were a total of 1,241 projects for sale which were at different stages ranging from being completed to under construction.

BUSINESS OUTLOOK

Looking forward, the Company is endeavored to ensure the steady and orderly advancement of key tasks such as "ensuring the delivery of properties", the continuous operation of new energy vehicles and property services, exploration of the efficient disposal and effective utilization of the Company's core assets, so as to steadily resolve the risks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. Debt Profile

Total liabilities in financial statement for 2022 amounted to RMB2,437.41 billion, of which liabilities, net of contract liabilities of RMB721.02 billion, amounted to RMB1,716.39 billion, representing an increase of RMB110.59 billion year-on-year as compared to liabilities, net of contract liabilities, of RMB1,605.80 billion in 2021.

(1) *Borrowings*

As at 31 December 2022, the Group's borrowings amounted to RMB612.39 billion, representing an increase of RMB5.01 billion as compared to borrowings of RMB607.38 billion in 2021.

A portion of the borrowings were secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash at bank of the Group, as well as the equity interests of certain subsidiaries of the Group. As at 31 December 2022, the average interest rate of borrowings was 8.12% per annum (31 December 2021: 8.38%).

(2) *Trade and Other Payables*

As at 31 December 2022, the Group's trade and other payables amounted to RMB1,002.26 billion, representing an increase of RMB108.92 billion as compared to the same period in 2021. These include construction material payables of RMB596.16 billion and other payables of RMB406.10 billion.

(3) *Other Liabilities*

As at 31 December 2022, the Group's other liabilities amounted to RMB101.74 billion.

II. Operating Loss for the Year

Revenue

The Group's revenue for the Year amounted to RMB230.07 billion. In particular, properties of 724 projects were delivered and the revenue from property development business amounted to RMB223.91 billion.

Gross Profit

The Group's gross profit for the Year was RMB24.99 billion. The gross profit margin for the Year was 10.86%.

Selling and Marketing Costs

During the Year, the Group's selling and marketing costs decreased by 81% to RMB6.07 billion from RMB31.95 billion in 2021, which was mainly due to the decrease in expenses arising from lower selling and marketing expenses as a result of the decrease in business volume during the Year.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 59.6% from RMB16.53 billion in 2021 to RMB6.68 billion for this Year. This was mainly due to the decrease in expenses as a result of the decrease in business volume during the Year.

Finance Costs

The Group's finance costs for the Year amounted to RMB47.48 billion.

Other Operating Expenses

The Group's other losses, net for the Year amounted to RMB10.14 billion.

Other Incomes

Other income for the Year amounted to RMB1.99 billion, which was mainly attributable to the interest income, forfeited customer deposits and management and consulting service income.

Operating Losses

In conclusion, operating losses for the Year was RMB43.39 billion.

III. Non-operating Losses for the Year

Impairment of Completed Properties Held for Sale and Properties under Development

Provision for impairment of inventories during the Year amounted to RMB1.69 billion, which was mainly due to the generally unfavorable market conditions. The Group will update its value of inventories on a regular basis and believes that the corresponding value may rebound if market conditions improve.

Fair Value Gain on Investment Properties, net

Fair value gain on the Group's investment properties during the Year amounted to RMB1.81 billion. The Group's investment properties mainly comprised commercial podiums and offices in living communities with a total gross floor area of approximately 4.53 million square meters and approximately 184,000 car parking spaces.

Impairment Losses on Financial Assets

During the Year, impairment of financial assets amounted to RMB12.38 billion, which was mainly due to the Group's provision for other receivables and prepayments to associates, joint ventures and third parties.

Other Losses

Other losses for the Year amounted to RMB57.11 billion, which was due to losses related to return of lands, losses on investments in associates and joint ventures and other losses.

IV. Foreign Exchange Exposure

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. There are 27.3% of borrowings denominated in US dollar and HK dollar.

The Group estimates the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. During the Year, the RMB depreciated against the US dollar and HK dollar. During the Year, the Group recorded an exchange loss of RMB9.59 billion. However, there is still uncertainty on the actual exchange losses or gains relating to the above borrowings in foreign currencies, when they were repaid on due dates.

The Group will closely monitor its exchange risk exposure and will adjust its debt portfolio when necessary according to market conditions. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

V. Liquidity and Financial Resources

As at 31 December 2022, the Group had total cash and cash equivalents and restricted cash of RMB14.31 billion. In addition, cash amounting to RMB36.43 billion has been placed under the centralised supervision of government designated accounts and included in other receivables.

SIGNIFICANT LITIGATION

As at 31 December 2022, the number of pending litigation cases of the Company with a subject amount of RMB30 million or more totalled 1,519 cases, and the total subject amount thereof amounted to approximately RMB395.396 billion.

Contingent Liability

Up to the date of this report, various parties have filed litigations against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The Directors have assessed the impact of the above litigations on the consolidated financial statements for the year ended 31 December 2022 and accrued provision on the consolidated financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage. As at 31 December 2022, the Group had material contingent liabilities of approximately RMB46.78 billion (year ended 31 December 2021: RMB9.24 billion).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Cooperation with Everbright Trust and Minmetals Trust

On 25 February 2022, the Group entered into a cooperation agreement with Everbright Trust and Minmetals in relation to the disposal of the Group's relevant equity interests in four projects to them, whereby the trust institutions will take over the operation and management of the project companies, make capital contribution to the project companies to ensure the subsequent development and construction of the projects and the delivery of properties, and the Group has the right to exercise the right to repurchase such equity interests. Through the cooperation with the trust institutions, the Group will be able to recover part of its initial capital contribution made to the projects of approximately RMB1.95 billion.

Disposal of the Crystal City Project

On 29 March 2022, the Group entered into an agreement with 浙江省浙建房地產集團有限公司 (Zhejiang Zhejian Real Estate Group Co., Ltd.*) ("Zhejian Real Estate") and 浙江省建工集團有限責任公司 (Zhejiang Construction Engineering Group Co., Ltd.) ("Construction Engineering Group") for the disposal of 100% interest in the Crystal City Project for a total consideration of RMB3,660,291,200.

Disposal of City Light Plaza Project

On 26 May 2022, the Group entered into an agreement with Zhejian Real Estate and Construction Engineering Group for the disposal of 100% interest in the City Light Plaza Project for a total consideration of RMB1,347,783,100.

Return of the Land Use Right of the Guangzhou Evergrande Football Stadium

On 3 August 2022, the Group entered into a cancellation agreement with the Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) for the return of the land use rights of the land designated for the sports facilities and industrial use comprising four land parcels located in Xie Village, Panyu District, Guangzhou City. Guangzhou Municipal Planning and Natural Resources Bureau paid for such transfer a total amount of RMB5,520,198,158 as refund of the transfer price into a project escrow account designated by the government.

Sale of Assets by Receivers

The Company has been notified by the receivers that certain equity interests and intra-Group liabilities of the Company's subsidiaries holding a plot of undeveloped land in Yuen Long, Hong Kong have been sold by the receivers for US$636,942,675.16.

Disposal of Commercial Land in Shenzhen

On 26 November 2022, the Group entered into an agreement with 深圳市安和一號房地產開發有限公司 (Shenzhen Anhe No. 1 Property Development Co., Ltd.*) for the disposal of a piece of commercial land in Shenzhen for a total consideration of RMB7,543,203,600.

Save as disclosed above, the Group has no other material investments nor material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

HUMAN RESOURCES

In 2022, the Company will continue to strengthen its workforce and adopt various measures such as streamlining of organizations and consolidation of positions to maximize cost reduction and enhance efficiency. The Company's substantive controllers and core management have led the entire Group in unity and made diligent effort with a large number of cadres being deployed to the frontline of implementation of projects so as to ensure the delivery of properties.

As at 31 December 2022, the Group had a total of 102,910 employees (including 4,506 employees of Evergrande Auto (708.HK) and 72,076 employees of Evergrande Property Services (6666.HK)), and the number of employees in property development or construction reduced by 36.9% as compared to the end of 2021.

For the year ended 31 December 2022, the Group's total staff costs (including directors' remuneration) amounted to approximately RMB4.63 billion (for the year ended 31 December 2021: approximately RMB14.07 billion).

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022.

SCOPE OF WORK OF PRISM

The Group's auditor, Prism Hong Kong and Shanghai Limited ("Prism"), have reconciled the figures set out in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes of the Group for the year ended 31 December 2022 as set out in this results announcement with the amounts set out in the Group's audited consolidated financial statements for that year. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism on this results announcement.

ANNUAL GENERAL MEETING

Notice of the annual general meeting of the Company will be published and distributed to the shareholders of the Company in due course in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in 2022.

EVENTS AFTER THE REPORTING PERIOD

Key Findings of the Independent Investigation

The results of the independent investigation in relation to the pledge guarantee of Evergrande Property Services, a subsidiary of the Company, were announced on 15 February 2023. The Company is discussing with Evergrande Property Services on the repayment of the amount involved in such pledge. The Company will issue further announcement(s) once the relevant repayment proposal has been finalised.

Winding-Up Petition Hearing

Reference is made to the announcements of the Company dated 27 June 2022, 5 September 2022, 8 September 2022, 28 November 2022 and 20 March 2023 in relation to the winding-up petition. The hearing for the winding-up petition has been further adjourned to 31 July 2023.

Progress of Restructuring of Offshore Debts

The Company has announced the proposal of offshore debt restructuring on 22 March 2023. The Company and its financial and legal advisers are actively finalising the documentation of the offshore debt restructuring proposal with the group of holders of offshore bonds and their advisers and expect to apply to the courts of the relevant jurisdictions in late July 2023 for the advancement of relevant scheme of arrangement.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. Having made due and careful enquiries with the Directors, the Company confirmed that for the year ended 31 December 2022, all Directors always abided by the Model Code.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022.

Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company has not held an annual general meeting since 11 June 2021. Accordingly, none of the Directors retired at the annual general meeting nor re-elected by the Shareholders. The Company will hold an annual general meeting at which the Directors will retire and offer themselves for re-election.

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Company has not held an annual general meeting since 11 June 2021.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee of the Company consists of all of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

ANNOUNCEMENT OF FULL YEAR RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The announcement of full year results have been published on the Company's website (http://www.evergrande.com) and the website appointed by the Stock Exchange (http://www.hkexnews.hk).

CONTINUED SUSPENSION OF SECURITIES TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 March 2022. Trading in the shares of the Company will remain suspended until further notice.

Holders of the Company's securities and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 17 July 2023

As at the date of this announcement, the Company's executive Directors are Mr. Hui Ka Yan, Mr. Siu Shawn, Mr. Shi Junping, Mr. Liu Zhen and Mr. Qian Cheng, the non-executive director is Mr. Liang Senlin, and the independent non-executive directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.