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**CHINA EVERGRANDE GROUP**

**中國恒大集團**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3333)**

**FULFILMENT OF RESUMPTION GUIDANCE  
AND  
RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 13.09 (2)(a) of the Rules Governing the Listing of Securities on Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of China Evergrande Group (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 20 June 2022, 15 July 2022 and 1 September 2022 (the “**Announcements**”) in relation to, among others, the resumption guidance issued by the Stock Exchange to the Company. Unless otherwise provided, terms used in this announcement shall have the same meanings as used in the Announcements.

**FULFILMENT OF THE RESUMPTION GUIDANCE**

The Company wishes to inform the shareholders and the public that the Company has fulfilled the resumption guidance, with details as follows:

**1. Resumption guidance (a) — publish all outstanding financial results under the Listing Rules and address any audit modifications**

The Company has announced the audited financial results for the year of 2021, the interim financial results for the six months ended 30 June 2022, and the audited financial results for the year of 2022 on 17 July 2023.

The Company’s external auditor, Prism Hong Kong and Shanghai Limited (上會栢誠會計師事務所有限公司) (“**Prism**”), expressed a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 due to a number of uncertainties relating to the Group’s going concern and insufficient appropriate audit evidence in respect of opening balances and comparative information. In the opinion of Prism, the consolidated financial statements of the

Group for the year ended 31 December 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards and disclosure requirements of the Hong Kong Companies Ordinance. In respect of the Group’s consolidated financial statements for the year ended 31 December 2022, Prism expressed a disclaimer of opinion due to a number of uncertainties relating to the Group’s going concern and the opening balances and comparative information. In the opinion of Prism, the consolidated financial statements for the year ended 31 December 2022 have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance in all other respects.

Reference is made to the announcement of the Company dated 16 January 2023 on the change of auditor. The former auditor of the Company, PricewaterhouseCoopers (“**PwC**”) resigned on 16 January 2023. PwC stated in its resignation letter that it had not received information related to certain significant matters for the audit of the Group’s consolidated financial statements for the year of 2021. The current auditor of the Company, Prism has dealt with the issues raised by PwC in its audit of the Group’s consolidated financial statements for the year of 2021 as follows:

	<b>Issues raised by PwC</b>	<b>Resolutions/measures taken by Prism</b>
1.	<p>In its written communication to the audit committee of the Company on 9 February 2022 and 25 February 2022, PwC requested the audit committee to establish an independent investigation committee and engage independent third-party to assist on the investigation on the possible existence of off-balance sheet wealth management products and other off-balance sheet liabilities and undisclosed deposit pledge arrangements of the Group. PwC was not informed of the progress of such independent investigation and had not received the relevant investigation report and information.</p>	<p>Prism has reviewed the independent investigation report prepared by Crowe (HK) Risk Advisory Limited (“<b>Crowe</b>”) on off-balance sheet wealth management products and other off-balance sheet liabilities and undisclosed deposit collateral arrangements. The report confirmed that as at 31 December 2021, the Company did not have significant off-balance sheet transactions, assets and liabilities or pledged deposits. Regarding the report of Crowe, Prism has carried out the following specific work:</p> <ul style="list-style-type: none"> <li>(a) obtain Crowe’s independent investigation report, and check that the scope of the report covers all potential off-balance sheet transactions and arrangements;</li> <li>(b) assess whether the investigation method stated in the report is sufficient, including interviewing key personnel, checking internal documents, screening external information, etc.; and</li> <li>(c) check whether the conclusions of the report are clear, accurate and supported by sufficient evidence.</li> </ul> <p>Based on the above, Prism is of the view that it has obtained sufficient evidence to make a reasonable assessment that there are no significant off-balance sheet transactions, assets and liabilities or pledged deposits other than those disclosed by the Company.</p>

	Issues raised by PwC	Resolutions/measures taken by Prism
2.	<p>With respect to the announcement of the Company dated 22 July 2022 on the preliminary findings of the investigation on the enforcement of RMB13.4 billion deposit pledge guarantee (the “<b>Pledge Guarantee</b>”) by relevant banks, while the Company has provided the preliminary independent investigation report on the Pledge Guarantee, it has not yet provided:</p> <p>(a) the final independent investigation report issued by the independent investigation committee in relation to the Pledge Guarantee;</p> <p>(b) the accounting impact assessment in respect of the Pledge Guarantee, and the legal opinion on the legal ownership of Evergrande Property Services Group Limited (“<b>Evergrande Property Services</b>”) in respect of RMB13.4 billion non-trade receivables from the Group;</p> <p>(c) the assessment on the specific plan for the repayment of the RMB13.4 billion to Evergrande Property Services by the Group and its feasibility, and the relevant accounting impact assessment;</p> <p>(d) the request for a comprehensive review by the management of Evergrande Property Services into the contracts or agreements entered into by Evergrande Property Services in order to identify whether there are other potential transactions or matters which have not been properly authorized or recorded; and</p> <p>(e) the results of the internal control consultant’s comprehensive assessment of Evergrande Property Services’ internal control and risk management system.</p>	<p>(a) Prism has obtained the final independent investigation report issued by the independent investigation committee on the deposit pledge guarantee of RMB13.4 billion. Prism has assessed the independence and objectivity of the report, and verified the supporting documents cited in the report by sampling;</p> <p>(b) Prism has assessed the accounting impact related to the Pledge Guarantee and the legal ownership of the Company’s RMB13.4 billion non-trade payables;</p> <p>(c) Prism has confirmed with the management of the Company that the Company and Evergrande Property Services have not reached any agreement for the repayment of the RMB13.4 billion</p> <p>As disclosed in the announcements of the Company and Evergrande Property Services dated 15 February 2023, during the period from 28 December 2020 to 2 August 2021, six subsidiaries of Evergrande Property Services provided the pledges of RMB13.4 billion to eight banks for the purposes of obtaining financing for various third party companies (as guaranteed parties). The relevant funds of RMB13.4 billion (after deduction of fees) were transferred to the Group through certain guaranteed parties and various intermediary companies.</p> <p>For the year ended 31 December 2021, due to the default of the third-party borrowers, the Pledge Guarantee was enforced by the relevant banks and the deposit pledge guarantee of RMB13.4 billion was deducted accordingly.</p>

	<b>Issues raised by PwC</b>	<b>Resolutions/asures taken by Prism</b>
		<p>In the opinion of Prism, although the relevant funds have been routed back to the Group through a number of intermediaries, the Group and Evergrande Properties have determined that the source of funds ultimately came from Evergrande Property Services. Accordingly, the funds in question have been recognised in the consolidated financial statements as an intra-group transaction and offset at the time of consolidation, rather than being reflected as third-party transactions. Such accounting treatment appropriately reflected the nature of the transactions as the funding originated from a subsidiary of the Group;</p> <p>(d) Prism asked the management to conduct a comprehensive investigation and disclose all major contracts or agreements signed. Prism assessed whether there are other potential transactions that have not been properly authorized or recorded through procedures such as reviewing contract terms and obtaining confirmation letters. Through the additional procedures, apart from the Pledge Guarantee, Prism has not identified any other potential transactions that have not been properly authorized or recorded; and</p> <p>(e) The Company and Evergrande Property Services have appointed independent consultants to review the internal control and risk management systems of the Company and Evergrande Property Services. Prism has obtained and reviewed the reports and has obtained an understanding of their contents.</p> <p>Based on the above, Prism is of the view that it has obtained sufficient evidence to make a reasonable assessment on the accounting impact of the Pledge Guarantee.</p>

	<b>Issues raised by PwC</b>	<b>Resolutions/measures taken by Prism</b>
3.	The Group has not settled certain loans and other interest-bearing liabilities that were due by the agreed date under the relevant agreements in 2021. The management of the Group is required to further provide an assessment of the Group's compliance with the terms of certain loan agreements (including but not limited to financial covenants, non-financial covenants, borrower's undertakings and warranties, borrower's obligations and cross-default provisions).	Prism obtained and checked the Company's assessment of compliance with the terms of the loan contract, including financial and non-financial contracts, borrower commitments and guarantees, borrower obligations and cross-default clauses. In case of default by the Group, the Group has reclassified the relevant debts as current liabilities. Prism reviewed the terms of these deposits and the rationale for the reclassification.  Based on the above, Prism is of the view that it has obtained sufficient evidence to make a reasonable assessment on the defaults on borrowings of the Group.
4.	The assessment on the Group's going concern preparation basis for the year 2021 and implications of the relevant disclosure, including cash flow forecast for not less than 12 months since 1 January 2022, plans and measures proposed for future cash flow, and explanations or basis for the key assumptions adopted for the cash flow forecast.	Prism has reviewed the Company's management's assessment of the going concern assumptions, including the 12-month cash flow forecast and the plans and measures to support the forecast. However, since the cash flow assumptions include certain assumptions that involve significant uncertainties and have a key impact on the Group's ability to continue operating, Prism was unable to obtain sufficient evidence to prove the Company's ability to continue as a going concern. Prism expressed a disclaimer of opinion on the Company's going-concern assumptions.
5.	The net realizable value of the Group's properties under development and completed properties held for sale as of 31 December 2021, as well as the assessment on the recoverable amount of self-owned properties, fixed assets and right-of-use assets, etc., as of 31 December 2021 and the supporting materials.	Prism checked the Company's assessment of the net realizable value of the assets in the property development sector. The assessment adopts a reasonable valuation method, and the results are supported by sufficient evidence. Prism has also completed an independent appraisal review on those assets and is of the view that it has obtained sufficient evidence to make a reasonable assessment on the defaults on borrowings of the Group.

	<b>Issues raised by PwC</b>	<b>Resolutions/measures taken by Prism</b>
6.	Certain land use right owned by the Group have been terminated and the Group was asked to return land use rights and the management of the Group has yet to provide documents to support the recoverability of the land use rights premium paid in accordance with such contracts.	<p>Prism obtained the Company's analysis on the recoverability of the paid land use right transfer fee, and checked the supporting documents. For the land that has been reprocessed, the Company has made corresponding accounting treatment, including derecognition of the ownership of such land and the provision of relevant disposal losses. Such losses have been recognized in the year in which they occurred.</p> <p>Based on the above, Prism is of the view that it has obtained sufficient evidence to make a reasonable assessment on the recoverability of the paid land use right transfer fee.</p>
7.	The management of the Group has assessed the provision for impairment of the long-term assets (including purchased intangible assets, capitalized intangible assets and goodwill) of its vehicle business segment as of 31 December 2021, with reference to the net discounted value of future cash flows of the cash-generating units of the vehicle business segment; however, no supporting documents have been provided in respect of the relevant capitalized intangible assets (including but not limited to project budgets, feasibility analysis reports, etc.) as well as supporting documents for the relevant basis, key assumptions and other matters for the calculation of the net discounted value of future cash flows of the cash-generating units.	Prism reviewed the data related to the asset impairment test of the new energy vehicle business, including project budget, feasibility report, future cash flow forecast and key assumptions. The test results are well-founded. Regarding the impairment assessment of these assets, the Company has engaged a professional independent appraiser to conduct an impairment assessment, and Prism has also reviewed those assessments and is of the view that it has obtained sufficient evidence to make a reasonable assessment on the asset impairment of the new energy vehicle business of the Group.
8.	The consolidated financial statements of the Group and the individual financial statements of certain subsidiaries, the breakdown of various accounting items and the notes to the financial statements.	Prism has obtained the relevant information of the Company for the years of 2021 and 2022. Regarding the data for 2020, due to the resignation of the Company's employees, Prism was unable to obtain sufficient data to verify the opening balance for the period. Prism expressed a disclaimer of opinion on the opening balance.

	Issues raised by PwC	Resolutions/measures taken by Prism
9.	Other important financial information, including supporting documents for the revenue recognition of sales of properties (including but not limited to information on property purchase agreements, acceptance reports and notices of delivery of properties), materials of completeness assessment on cost, expenses and liabilities of liquidated damages, and a list of pending litigations (including but not limited to relevant details of the cases and impact assessment of such cases on the accuracy and completeness of unrecorded liabilities), balances with related parties and list of related party transactions as well as the reconciliation results thereof.	Prism has obtained the relevant information of the Company for the years of 2021 and 2022. Regarding the data for 2020, due to the resignation of the Company's employees, Prism was unable to obtain sufficient data to verify the opening balance for the period. Prism expressed a disclaimer of opinion on the opening balance.

In view of the above, the Company has published all outstanding financial results required under the Listing Rules and considered that the issues raised by PwC in its resignation letter have been satisfactorily resolved. The Board is of the view that the Company has adequately fulfilled resumption guidance (a).

**2. Resumption guidance (b) — conduct an independent investigation into the enforcement by relevant banks of pledge guarantee of Evergrande Property Services, in the amount of RMB13.4 billion, announce the findings and take appropriate remedial measure**

The Company announced the results of the independent investigation on 15 February 2023. The independent investigation committee has continued to instruct further interviews and investigations of the relevant persons involved in the Pledge Guarantee after the publishment of its independent investigation results on 15 February 2023 in order to seek to find out the reason for the Pledge Guarantee, verify the liquidity of the Company at the relevant time, and further confirm the management personnel involved in the event.

*Background*

As disclosed in the announcement of the Company dated 15 February 2023, during the period between 28 December 2020 and 2 August 2021, six subsidiaries of Evergrande Property Services provided pledges to eight banks for the purposes of obtaining financing for third parties (as guaranteed parties). The relevant funds (after deduction of fees) were transferred to the Group through certain guaranteed parties and various intermediary companies. The guarantee period of such pledges was due. As the conditions for enforcing such pledges were triggered, the relevant banks deducted/transferred the deposit certificates in the total amount of approximately RMB13.4 billion.

### *The reason of the Pledge Guarantee*

The further investigation of the independent investigation committee indicated that during mid to late December 2020, owing to the funding needs of the Group, the Group proposed a new fund raising project which give rise to the Pledge Guarantee. Out of the RMB13.4 billion deposit certificate pledge provided by Evergrande Property Services, funds of approximately RMB13.18 billion were confirmed to have been routed back to the Group (after deduction or set-off of fees for the arrangement) and were used by the Group for its operational purposes, including but not limited to using RMB9.75 billion to redeem an offshore bond on 10 February 2021. After redeeming the bond, the intention of continuing such arrangement was to use it to source funds for other operation and financing needs of the Group.

### *Liquidity of the Company at the relevant time*

The further investigation of the independent investigation committee further indicated that if the overall available funds approach (i.e. the cash balances of the Group at the beginning of each month) is adopted at the relevant time, the Company would not have a liquidity issue; but if the immediately available funds approach (i.e. the immediately available funds of the Group at various points in time) is used, the Company would have a liquidity issue at the relevant time. The Company believes that the overall available funds approach is the appropriate measure for liquidity. According to the statement of one of the persons involved, the funds obtained through the Pledge Guarantee arrangement was intended to ensure certainty and timing of availability of funds offshore in Hong Kong to redeem the bond, and did not imply the Group did not have access to such amounts of funds.

### *Management personnel involved*

The further investigation indicated that of the Directors at the relevant period, Mr. Hui Ka Yan (“**Chairman Hui**”), Mr. Xia Haijun (“**Mr. Xia**”) and Mr. Pan Darong (“**Mr. Pan**”) had access to and were in possession of documents which might allow them to note the fund situation of the Company.

Chairman Hui had in his possession documents which might allow him to note the potential funding problem, but he stated he did not review the documents as no one has specifically drawn his attention to those documents. The independent investigation committee noted that this is consistent with his previous statements that whilst he would be in receipt of many reports, he did not read them because he was not responsible for the Company’s financials and fundings at the material time and would rely on senior managers in charge of the Company’s financial and funding for such matters.

The independent investigation has identified certain documents related to the Pledge Guarantee arrangement have been signed by Chairman Hui. Such documents involved cross-border transfer of funds from certain domestic subsidiaries of the Group to the Company, and the approval of the use of funds to redeem an off-shore bond in advance. The internal approval documents signed by

Chairman Hui did not clearly indicate that it was related to Evergrande Property Services, but only referred to internal funds of the Group. Chairman Hui said that his signature was only a formality. In the operation of the Company, the senior managers must be highly responsible and accountable for their respective projects and matters. Hence, in respect of the Pledge Guarantee, when the relevant documents were presented for his approval, he recognized the signatures of the respective senior managers in charge of the Company's financial and funding, and believed that those persons would have checked the matters relating to the Company's financial and funding. Chairman Hui denied having knowledge of the Pledge Guarantee arrangement, and there were no claim from any interviewees in the independent investigation that he was aware of the Pledge Guarantee prior to being notified by Evergrande Property Services of the enforcement of the RMB13.4 billion pledges by banks. Although one of the persons involved in the Pledge Guarantee alleged Chairman Hui was involved in the Pledge Guarantee arrangement, but the allegation has not been supported by the other interviewees in the independent investigation, nor were there any documents to support such allegation.

As for Mr. Xia and Mr. Pan, as disclosed in the announcement of the preliminary results of the independent investigation on 22 July 2022 and the announcement on 15 February 2023, they participated in the relevant arrangements for the Pledge Guarantee, and is consistent with the independent investigation results published by the Company on 15 February 2023.

#### *Conclusion*

The independent investigation committee believes that the results of the independent investigation are sufficient to reveal the relevant facts and circumstances to expose the problem (including, but not limited to, the internal control deficiencies) and has made every effort to identify all persons involved in and connected with the incident. The results of the supplemental independent investigation are consistent with the results of the independent investigation published on 15 February 2023.

#### *Remedial measures*

After the Company became aware of the Pledge Guarantee, it immediately conducted an internal review and established an independent investigation committee to investigate into the matter. The Company also conducted an internal control review and accepted the recommendations of the internal control consultant to actively implement various remedial measures to prevent similar incidents from happening again. At the same time, the Company has also been actively and diligently discussing with Evergrande Property Services on the plan to repay the amount involved in the Pledge Guarantee. Further announcements will be made as progress is made.

In view of the above, the Board is of the view that the Company has adequately fulfilled resumption guidance (b).

**3. Resumption guidance (c) — demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence**

Based on the results of the independent investigation, the individuals that have been actively involved in the Pledge Guarantee, namely Mr. Xia Haijun and Mr. Ke Peng, have already left the Group. As to Mr. Pan Darong, he has been transferred to Evergrande Peiguan Education Technology Co., Ltd.\* (恒大培冠教育科技有限公司) as an ordinary staff, and is responsible for day-to-day administrative works, with no decision making or approval authority. Mr. Pan Darong is not connected with the directors of the Company. Therefore, there does not exist regulatory concern about management integrity in the view of the Board and the independent investigation committee.

In view of the above, the Board is of the view that the Company has adequately fulfilled resumption guidance (c).

**4. Resumption guidance (d) — conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules**

The Company has appointed a professional internal control consultant to conduct an independent review and rectification of the Company’s internal control system. The result of the internal control review was published on 21 August 2023.

The internal control consultant has recommended remedial measures for the deficiencies identified during the course of its review. The Company has adopted the recommendations of the internal control consultant to enhance the internal control system and procedures. The internal control consultant conducted a follow-up review of the enhanced internal control system and procedures of the Group during the period from July 2023 to 10 August 2023, and concluded that after the Group had completed the implementation of the remedial measures recommended by the internal control consultant, the Group’s internal control system and procedures (including systems, procedures, control and implementation) are fundamentally effective, and the related internal control risks can be managed at a reasonable level.

Having considered the internal control report and the recommendations therein, the Board (including the independent investigation committee) is of the view that the Group has had completed the implementation of the remedial measures recommended by the internal control consultant. The Group’s enhanced internal control system and procedures are sufficient to discharge the Company’s obligations under the Listing Rules.

In view of the above, the Board considers that the Company has adequately fulfilled resumption guidance (d).

**5. Resumption guidance (e) — having the winding-up petition (or order, if made) against the Company withdrawn or dismissed and the appointment of any liquidators (provisional or not) discharged.**

Since the receipt of the Petition, the Company has been actively pursuing legal measures to resolutely oppose the Petition, and taking all necessary actions to protect its legal rights. The Company reached agreement with an ad-hoc group of offshore creditors of the Company on the proposed offshore debt restructuring and is in the process of implementing the restructuring through court procedures. The High Court of the Hong Kong SAR, the Grand Court of the Cayman Islands, and the High Court of Justice, Eastern Caribbean Supreme Court of the British Virgin Islands have respectively directed scheme meetings of the respective creditors be convened to vote and approve the relevant schemes of arrangement.

The hearing of the Petition has been adjourned to 30 October 2023. The Company believes that the Petition will not have a material impact on the proposed offshore debt restructuring plan or schedule, and the business operation of the Company.

**6. Resumption guidance (f) — demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules**

The Company has sufficient business operations. The Company places priority in stabilising operation and resolving risks, and pushes forward with utmost efforts in ensuring the delivery of properties. With the understanding and support of local governments, upstream and downstream enterprises and property owners, the Group resumed work on 732 projects to ensure the delivery of properties, and delivered in aggregate 301,000 units in 2022. The Ocean Flower Island, a cultural tourism project in Hainan, maintained steady operation and received a total of over 7.6 million visitors.

As at 30 June 2023, the Group had land reserves of 190 million square meters. In addition, the Group was also involved in 78 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 23 in other cities.

The Company’s current sources of working capital comprise mainly of relief loans from local governments, income from project disposal, existing funds from escrow accounts, and daily operating sales income. In the first half of 2023, the Group achieved a contracted sales amount of RMB33.413 billion, a contracted sales area of 5.115 million square meters, and accumulated sales proceeds for the first half year of RMB27.1 billion.

As at 30 June 2023, the total assets of the Group were approximately RMB1,743.997 billion.

The Board is of the view that the Group has a sufficient level of business operations and has assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the shares of the Company on the Stock Exchange.

In view of the above, the Board is of the view that the Company has adequately fulfilled resumption guidance (f).

**7. Resumption guidance (g) — inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position**

The Company has a reasonably practicable mechanism for disclosure of information. Since the suspension of trading in the shares of the Company, the Company has informed the market on important information about the Company and its latest status.

In view of the above, the Board is of the view that the Company has adequately fulfilled resumption guidance (g).

**PROPOSED AMENDMENTS TO THE COMPANY’S ARTICLES OF ASSOCIATION**

Reference is made to the 14 core shareholder protection standards set out in Appendix 3 to the Listing Rules that came into effect on 1 January 2022. The Company will amend its articles of association at its forthcoming annual general meeting to comply with the revised Appendix 3 of the Listing Rules.

**RESUMPTION OF 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. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 28 August 2023.

By order of the Board  
**China Evergrande Group**  
**Hui Ka Yan**  
*Chairman*

Hong Kong, 25 August 2023

*As at the date of this announcement, the 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.*