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CHINA EVERGRANDE NEW ENERGY VEHICLE GROUP LIMITED

中國恒大新能源汽車集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

CHANGE OF AUDITOR

This announcement is made by China Evergrande New Energy Vehicle Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

RESIGNATION OF AUDITOR

The board of directors of the Company (the “**Board**”) hereby announces that, upon the recommendation of the Company, PricewaterhouseCoopers (“**PwC**”) has resigned as the auditor of the Company with effect from 16 January 2023.

The debt restructuring of China Evergrande Group, the Group’s parent company, is actively progressing, in which the completion of the 2021 audited financial statements is particularly important and crucial. The parties failed to reach agreement on the timetable and the scope of work in respect of PwC’s assessment on the Group’s going concern preparation basis and the related disclosure implications as well as the additional audit work and procedures required for assessing impairment of assets. The Board of the Company considers that it is in the best interest of the Company and its stakeholders to engage another auditor to complete the audit as soon as practicable. Accordingly, the Board of the Company resolved to recommend PwC to resign as the auditor of the Company.

PwC set out the matters leading to its resignation as the auditor of the Company in its resignation letter to the audit committee and the Board dated 16 January 2023. Those matters, in PwC's consideration, should also be brought to the attention of the shareholders and creditors of the Company and are set out as follows:

In its resignation letter, PwC noted that it had not received information on certain material matters relating to the audit of the Group's consolidated financial statements for the year 2021, which includes:

- (1) its request to the Company's audit committee to establish an independent investigation committee and to engage an independent third party to assist in investigating the possible existence of off-balance sheet wealth management products as well as other off-balance sheet liabilities and undisclosed arrangements on pledge of deposit of the Group, and to provide relevant investigation reports and information. At present, PwC has not been informed of the progress of such independent investigation and has not received the relevant investigation reports and information.
- (2) the Group has not settled certain borrowings and other interest-bearing liabilities that were due on their contractual maturity dates in 2021. The management of the Group is required to further provide the Group's assessment on its compliance with the terms of certain borrowing contracts of the Group (including but not limited to financial covenants, non-financial covenants, borrowers' undertakings and warranties, borrowers' obligations and cross-default provisions).
- (3) an assessment on the Group's going concern preparation basis for the year 2021 and the related disclosure implications, which includes cash flow projections for not less than 12 months from 1 January 2022, plans and measures prepared for future cash flows, and the related explanations or basis for key assumptions in the cash flow projection.
- (4) supporting information on the net realisable value of properties under development and completed properties held for sale as well as the recoverable amount of self-owned properties and fixed assets under the Group's property business segment as of 31 December 2021.
- (5) some of the land use rights grant contracts owned by the Group have been terminated and the Group is required to return the land use rights and the management of the Group has yet to provide supporting documents on the recoverability of the land use right premiums paid in accordance with such contracts.

- (6) management of the Group has assessed the provision for impairment of the long-term assets (including fixed assets, purchased intangible assets, capitalised intangible assets and goodwill) under 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 Group's vehicle business segment; however, management has yet to provide supporting documents for the relevant capitalised intangible assets (including but not limited to project budgets, feasibility analysis reports and other documents), as well as material supporting documents for the relevant basis, key assumptions and other matters for calculation of the net discounted value of future cash flows of the cash-generating units.
- (7) the Group's consolidated financial statements, breakdown of various accounting items and notes to the financial statements.
- (8) other important financial information, which includes supporting documents for revenue recognition of sales of properties (including but not limited to information on property purchase contracts, acceptance reports and notices of delivery of properties), materials of completeness assessment on cost, expenses and liabilities of liquidated damages, a complete list of pending litigations (including but not limited to information on relevant specific cases and the assessment of the impact of such cases on the accuracy and completeness of unrecorded liabilities), the assessment of expected credit losses on receivables (including trade receivables and other receivables) as of 31 December 2021, balance with related parties and lists of related party transactions as well as the reconciliations results thereof.

PwC considered the Board's recommendation for its resignation as the Company's auditor. As PwC has not been able to obtain the information and evidence (including the above significant matters) required for the audit for the year 2021 to fully commence its audit and, with respect to the above significant matters, PwC may also need to extend its audit work upon obtaining further information, PwC is therefore unable to determine the scope of any necessary additional audit work and also not in a position to provide a reasonable estimate of the time required to complete the audit for the year 2021. Accordingly, PwC has agreed to resign as the Company's auditor with effect from 16 January 2023.

Save as disclosed in this announcement, the Board is not aware of any other matters and circumstances relating to PwC's resignation that need to be brought to the attention of the shareholders and creditors of the Company.

The Board would like to take this opportunity to express its sincere gratitude to PwC for its professional services rendered to the Company over the years.

APPOINTMENT OF AUDITOR

The Board also wishes to announce that it has resolved to appoint Prism Hong Kong and Shanghai Limited (“**Prism**”) as the new auditor of the Company to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company, taking into account the recommendation of the audit committee of the Company. Prism is the member firm of Shanghai Certified Public Accountants (Special General Partnership) in Hong Kong.

The Board would like to take this opportunity to welcome the appointment of Prism as the auditor of the Company.

By order of the Board
China Evergrande New Energy Vehicle Group Limited
SIU Shawn
Chairman

Hong Kong, 16 January 2023

As at the date of this announcement, the executive directors of the Company are Mr. SIU Shawn, Mr. LIU Yongzhuo and Mr. QIN Liyong; and the independent non-executive directors of the Company are Mr. CHAU Shing Yim David, Mr. GUO Jianwen and Mr. XIE Wu.