中國恒大集團
CHINA EVERGRANDE GROUP

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

SUMMARY OF KEY INFORMATION

1. As at 30 June 2022, the Group's total liabilities amounted to RMB2,474.09 billion, net of contract liabilities of RMB854.36 billion, amounted to RMB1,619.73 billion, of which: borrowings amounted to RMB587.76 billion, trade and other payables amounted to RMB926.46 billion (included construction material payables of RMB541.17 billion) and other liabilities amounted to RMB105.51 billion.

2. The Group's revenue for the six months ended 30 June 2022 (the Period) amounted to RMB89.28 billion and gross profit was RMB7.11 billion.

   Operating losses for the Period was RMB48.76 billion. Fair value gain on investment properties amounted to RMB1.25 billion. Losses related to return of lands, impairment losses on financial assets and other non-operating losses amounted to RMB33.46 billion. Income tax expenses were RMB5.2 billion. The net loss was RMB86.17 billion in aggregate.

3. As at 30 June 2022, the Group owns land reserves of 230 million square meters.

   In addition, the Group was also involved in 87 urban redevelopment projects, including 62 in the Greater Bay Area (38 in Shenzhen), and 25 in other cities.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2022 *RMB million* (Unaudited)**	31 December 2021 *RMB million* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**65,908**	73,893
Right-of-use assets		**13,958**	16,227
Investment properties		**64,905**	69,328
Goodwill		**1,161**	1,161
Intangible assets		**9,099**	8,102
Trade and other receivables	*5*	**1,380**	2,825
Prepayments		**767**	1,668
Investments accounted for using equity method		**39,414**	33,261
Financial assets at fair value through other comprehensive income		**1,240**	1,573
Financial assets at fair value through profit or loss		**4,018**	5,089
Deferred income tax assets		**132**	148
		201,982	213,275
Current assets			
Inventories		**745**	203
Properties under development		**1,130,196**	1,263,410
Completed properties held for sale		**156,638**	190,303
Trade and other receivables	*5*	**208,997**	204,809
Contract acquisition costs		**4,444**	4,577
Prepayments		**140,025**	153,330
Income tax recoverable		**36,027**	30,015
Financial assets at fair value through profit or loss		**18,100**	18,398
Restricted cash		**14,495**	23,341
Cash and cash equivalents		**4,254**	5,435
		1,713,921	1,893,821
Total assets		**1,915,903**	2,107,096

	Note	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million (Audited)
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**4,226**	4,226
Reserves		**(461,241)**	(395,560)
		(457,015)	(391,334)
Non-controlling interests		**(101,169)**	(81,720)
Deficiency in equity		**(558,184)**	(473,054)
LIABILITIES			
Non-current liabilities			
Borrowings		**—**	4,724
Contingent consideration payables		**58**	58
Deferred income tax liabilities		**43,700**	43,800
Other payables		**10,716**	10,432
		54,474	59,014
Current liabilities			
Borrowings		**587,761**	602,653
Trade and other payables	*6*	**926,463**	893,341
Contract liabilities		**854,356**	974,347
Current income tax liabilities		**51,033**	50,795
		2,419,613	2,521,136
Total liabilities		**2,474,087**	2,580,150
Net current liabilities		**(705,692)**	(627,315)
Total equity and liabilities		**1,915,903**	2,107,096

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Notes	***RMB million***	*RMB million*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*4*	**89,281**	154,082
Cost of sales		**(82,169)**	(162,467)
Gross profit/(loss)		**7,112**	(8,385)
Write-down of properties under development and completed properties held for sale		**(1,163)**	(2,991)
Fair value gains/(losses) on investment properties		**1,246**	(284)
Other income		**1,088**	3,967
Other (losses)/gains		**(6,619)**	22,903
Selling and marketing costs		**(2,352)**	(19,020)
Administrative expenses		**(5,598)**	(8,781)
Impairment losses on investments accounted for using equity method		**(18,025)**	—
Impairment losses on financial assets		**(8,194)**	(491)
Other operating expenses		**(6,859)**	(2,613)
Operating loss		**(39,364)**	(15,695)
Share of losses of investments accounted for using equity method		**(47)**	(1,458)
Fair value (losses)/gain on financial assets at fair value through profit or loss		**(1,156)**	620
Fair value gains on financial guarantee		**1,749**	—
Fair value losses on derivative financial liabilities		**—**	(2,856)
Finance costs, net		**(42,150)**	(4,082)
Losses before income tax		**(80,968)**	(23,471)
Income tax (expenses)/credit	*7*	**(5,201)**	446
Losses for the period		**(86,169)**	(23,025)

	Notes	Six months ended 30 June **2022** *RMB million* **(Unaudited)**	2021 *RMB million* (Unaudited) (Restated)
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		**—**	75
Exchange difference arising on translation of financial statements of foreign operations		**2,407**	(1,262)
(Item that may not be reclassified to profit or loss)			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		**(250)**	(34)
Other comprehensive income/(expenses) for the period, net of tax		**2,157**	(1,221)
Total comprehensive expenses for the period		**(84,012)**	(24,246)
(Loss)/profit attributable to:			
Shareholders of the Company		**(66,350)**	(29,580)
Non-controlling interests		**(19,819)**	6,555
		(86,169)	(23,025)
Total comprehensive (expenses)/income attributable to:			
Shareholders of the Company		**(64,193)**	(30,801)
Non-controlling interests		**(19,819)**	6,555
		(84,012)	(24,246)
Loss per share for loss attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic loss per share	*8*	**(5.025)**	(2.231)
— Diluted loss per share	*8*	**(5.025)**	(2.231)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Notes:

1. GENERAL INFORMATION

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

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

The condensed consolidated interim financial information is presented in millions of Renminbi Yuan ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the board of directors (the "Board") of the Company on 17 July 2023.

This condensed consolidated interim financial information has not been audited.

2. CHANGE IN ACCOUNTING TREATMENT FOR TIMING OF REVENUE RECOGNITION

Prior to 2021, the Group considered that the revenue is recognised when the earlier of the acceptance of the property by the customer or according to the sales contract, the property was deemed to have been accepted by the customer. However, since 2021, due to the Group gradually facing liquidity difficulties, the Group believes that including the requirement for obtaining project completion certificates or owner occupancy as an additional condition for revenue recognition would better reflect the Group's situation and have practical operability.

Cumulative Impact

According to HKAS 8, a change in accounting treatment should be applied retrospectively to historical financial statements. However, after the company experienced liquidity problems, a large number of financial and engineering staff left and the Group was unable to identify or estimate the effect of implementing the change in revenue recognition treatment on historical financial statements. Therefore, the Group decided to make the change in revenue recognition treatment effective from 1 January 2021 and apply the new treatment from this financial year onwards. At the same time, the Group will reassess revenue as of 1 January 2021 to confirm whether the new revenue recognition criteria have been met.

According to the new accounting treatment, as at 1 January 2021, included in contract liabilities, balance exclusive of value-added tax amounting to RMB664,344 million had not been recognised as revenue, and will be recognized as revenue in the reporting periods when the corresponding conditions are met. The management of the Group believes that this change in accounting treatment can better reflect the operating performance and financial condition of the Group.

The following is the impact of the change in accounting treatment:

Condensed consolidated statement of financial position	*RMB million*
Assets	
— Trade and other receivables	(9,017)
— Prepayment	11,015
— Properties under development and completed properties held for sale	344,812
	346,810
Liabilities	
— Current income tax liabilities	(101,500)
— Trade and other payables	(175,202)
— Contract liabilities	721,967
— Deferred income tax liabilities	4,029
	449,294
Net liabilities	(102,484)
Equity	
— Non-controlling interests	(32,532)
— Accumulated losses	(69,952)
	(102,484)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(i) *Going concern assessment*

The Group incurred a net loss of approximately RMB86,169 million for the six month ended 30 June 2022 and, as at 30 June 2022, the Group had net liabilities and net current liabilities of approximately RMB558,184 million and RMB705,692 million respectively. As at 30 June 2022, the Group's current borrowings amounted to approximately RMB587,761 million and there is no non-current borrowings, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB18,749 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 liquidity to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Proposed Offshore Debts Restructuring is planned to be implemented by way of schemes. 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 the RSAs).

— The restructuring plan includes (i) China Evergrande Group 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.

(b) Accounting policies

The condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and contingent consideration payables that are measured at fair values, at the end of each reporting period. The accounting policies and the methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2021. The adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods. The Group has not early adopted the new/amendments to HKFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new and amendments to HKFRSs in future periods will have any material impact on the Group's interim condensed consolidated financial statements.

4. REVENUE

Revenue for the six months ended 30 June 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:

	Six months ended 30 June	
	2022	2021
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
		(Restated)
Sales of properties	**79,749**	143,344
Rental income	**157**	464
Property management services	**5,788**	5,231
Other businesses	**3,587**	5,043
	89,281	154,082

5. TRADE AND OTHER RECEIVABLES

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

	30 June 2022	31 December 2021
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Within 90 days	**2,915**	1,932
Over 90 days and within 180 days	**947**	4,675
Over 180 days and within 365 days	**8,722**	7,144
Over 365 days	**6,256**	5,647
	18,840	19,398

6. TRADE AND OTHER PAYABLES

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

	30 June 2022	31 December 2021
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Within one year	**321,160**	177,610
Over one year	**244,752**	436,598
	565,912	614,208

7. INCOME TAX EXPENSES/(CREDIT)

	Six months ended 30 June	
	2022	2021
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax		
— Hong Kong profits tax	**—**	18
— PRC corporate income tax	**2,387**	6,057
— PRC land appreciation tax	**5,434**	(4,232)
	7,821	1,843
Deferred income tax		
— PRC corporate income tax	**(84)**	(924)
— PRC land appreciation tax	**(2,536)**	(1,365)
	5,201	(446)

8. LOSS PER SHARE

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 period.

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2022 and 2021, as the share options had anti-dilutive effect on ordinary shares for the period.

9 DIVIDENDS

The Board of Directors has resolved not to pay an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

10 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current period's presentation.

BUSINESS REVIEW

In the first half of 2022, China's property market has cooled down significantly, with national commercial property sales falling by 28.9% year-on-year. A number of real estate companies defaulted on their debts, further exacerbating the volatility in the market.

With the goal of "ensuring the delivery of buildings, people's livelihood and stability", the Company resolutely took up the main responsibility of self-help and sustainable operation, and made every effort to promote the resumption of work and production to ensure the delivery of buildings, and competed against time to complete the delivery with quality and quantity. Leveraging on the favourable conditions of the roaring construction after the Spring Festival, the Company successfully restarted its sales business in April and gradually resumed operation.

At the same time, the Company adheres to the principles of fairness, marketability and the rule of law, and steadily advances its risk mitigation efforts on the basis of respecting the rights and interests of all stakeholders.

Land Reserves

As at 30 June 2022, the Group owns land reserves of 230 million square meters.

In addition, the Group was also involved in 87 urban redevelopment projects, including 62 in the Greater Bay Area (38 in Shenzhen), and 25 in other cities.

The Group's large and quality land reserves provide solid support for the Group to ensure the delivery of buildings, gradually 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 buildings, the Company's sales 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.

During the first half of 2022, the Group achieved contracted sales of RMB12.26 billion and contracted gross floor area of 1.193 million square meters, with an accumulated cash collection of RMB18.13 billion for the first half year.

As at 30 June 2022, there were a total of 1,241 projects for sale which were at different stages ranging from being completed to under construction.

Evergrande Auto:

The specific development strategy is planned and operated by Evergrande Auto (00708.HK), a listed company.

Evergrande Property Services:

The specific development strategy is planned and operated by Evergrande Property Services (06666.HK), a listed company.

BUSINESS OUTLOOK

Looking ahead, the Company will firmly assume the main responsibility for self-help and risk mitigation, and strive to do a solid job of securing the delivery of buildings. The Company will also seek to sustain the operation of its automobile and property services segments, actively bring in quality resources and enhance the internal dynamics of development; expedite the restructuring of offshore debts and other works to protect the long-term interests of various creditors; continuously improve internal risk control and management effectiveness, stabilise its team and steadily advance its daily operations.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Debt Profile

As at 30 June 2022, the total liabilities amounted to RMB2,474.09 billion, of which liabilities, net of contract liabilities of RMB854.36 billion, amounted to RMB1,619.73 billion, representing an increase of RMB13.93 billion as compared to liabilities, net of contract liabilities, of RMB1,605.80 billion as at 31 December 2021. In particular:

Borrowings

As at 30 June 2022, the Group's borrowings amounted to RMB587.76 billion, representing a decrease of RMB19.62 billion as compared to borrowings of RMB607.38 billion as at 31 December 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 30 June 2022, the average interest rate of borrowings was 8.4% per annum (31 December 2021: 8.38%).

Trade and Other Payables

As at 30 June 2022, the Group's trade and other payables amounted to RMB926.46 billion, representing an increase of RMB33.12 billion as compared to the end of 2021.

These include construction material payables of RMB541.17 billion and other payables of RMB385.29 billion.

Other Liabilities

As at 30 June 2022, the Group's other liabilities amounted to RMB105.51 billion.

II. Operating Loss for the Period

Revenue

The Group's revenue for the Period amounted to RMB89.28 billion. In particular, properties of 724 projects were delivered and the revenue from property development business amounted to RMB79.75 billion.

Gross Profit

The Group's gross profit for the Period was RMB7.11 billion. The gross profit margin for the Period was 7.96%.

Selling and Marketing Costs

During the Period, the Group's selling and marketing costs decreased by 87.6% to RMB2.35 billion from RMB19.02 billion in the first half of 2021, which was mainly due to lower selling and marketing expenses as a result of the decrease in business volume during the Period.

Administrative Expenses

During the Period, the Group's administrative expenses decreased by 36.2% from RMB8.78 billion in the first half of 2021 to RMB5.60 billion for this Period. This was mainly due to the decrease in expenses as a result of the decrease in business volume during the Period.

Finance Costs

The Group's finance costs for the Period amounted to RMB42.15 billion.

Other Operating Expenses

The Group's other losses, net for the Period amounted to RMB6.86 billion.

Other Incomes

Other income for the Period amounted to RMB1.09 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 Period was RMB48.76 billion.

III. Non-operating Losses for the Period

Fair Value Gain on Investment Properties, net

Fair value gain on the Group's investment properties during the Period amounted to RMB1.25 billion. The Group's investment properties mainly comprised commercial podiums and offices in living communities with a total gross floor area of approximately 4.557 million square meters and approximately 193,000 car parking spaces.

Impairment Losses on Financial Assets

During the Period, impairment of financial assets amounted to RMB8.19 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 Period amounted to RMB25.27 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 28.8% 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 Period, the RMB depreciated against the US dollar and HK dollar. During the Period, the Group recorded an exchange loss of RMB5.75 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 30 June 2022, the Group had total cash and cash equivalents and restricted cash of RMB18.75 billion. In addition, cash amounting to RMB28.5 billion has been placed under the centralised supervision of government designated accounts and included in other receivables.

Contingent Liability

Up to the date of this report, various parties have filed litigation 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 litigation matters on the condensed consolidated financial statements for the six months ended 30 June 2022 and accrued provision on the condensed 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 litigation, 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 30 June 2022, the Group had material contingent liabilities of approximately RMB21.07 billion (31 December 2021: RMB9.24 billion).

SIGNIFICANT LITIGATION

As at 30 June 2022, the number of pending litigation cases of the Company with a subject amount of RMB30 million or more totalled 813 cases, with a subject amount of approximately RMB239.967 billion in aggregate.

SIGNIFICANT INVESTMENTS, 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 Trust 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 buildings, 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.

HUMAN RESOURCES

During the first half year of 2022, the Company further strengthened its team building and adopted a number of measures such as streamlining of organizations and merging of positions to maximize its efforts to reduce costs and increase efficiency. The Company's substantive controllers and core management has 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 buildings.

As at 30 June 2022, the Group had a total of 112,430 employees (including 5,292 employees of Evergrande Auto (708.HK) and 75,846 employees of Evergrande Property Services (6666.HK)), and the number of employees in property development or construction reduced by 25% as compared to 2021.

For the six months ended 30 June 2022, the Group's total staff costs (including directors' remuneration) amounted to approximately RMB2.87 billion (corresponding period in 2021: approximately RMB14.22 billion).

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2022.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Company's independent auditor, Prism Hong Kong and Shanghai Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 during the Period.

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the code of conduct for securities transactions conducted by the Directors. Having made due and careful enquiries with the Directors, the Company confirmed that for the six months ended 30 June 2022, all Directors have abided by the Model Code.

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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 interim results of the Group for the six months ended 30 June 2022, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

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

The announcement of interim 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.