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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

INSIDE INFORMATION
PRELIMINARY FINDINGS OF THE INDEPENDENT INVESTIGATION ON
EVERGRANDE PROPERTY SERVICES

This announcement is made by China Evergrande Group (the “**Company**”, together with its subsidiaries (excluding Evergrande Property Services Group Limited (“**Evergrande Property Services**”) and its subsidiaries), the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 21 March 2022 regarding Evergrande Property Services, a principal subsidiary of the Company, in the review of its financial report for the year ended 31 December 2021, found that deposits of approximately RMB13.4 billion as security for third party pledge guarantees (the “**Pledges**”) had been enforced by the relevant banks.

Preliminary findings of the independent investigation

Based on the preliminary findings of the independent investigation committee of the Company, the loans secured by the Pledges (after deduction of fees) were transferred and diverted back to the Group via third parties and were used for the general operations of the Group. The Pledges involve three sets of deposit certificate pledges as follows.

1. RMB2 billion deposit certificate pledge guarantee

In December 2020, a subsidiary of Evergrande Property Services provided a third party company with a RMB2 billion deposit certificate pledge guarantee by way of time deposits, enabling that third party company to obtain a bank loan of equal amount. The funds obtained (after deduction of fees) were indirectly transferred to the Group via other third parties. The bank loan was due in March 2021 and had been repaid, and the relevant deposit certificate pledge had been released.

During March 2021, a subsidiary of Evergrande Property Services provided another third party company with a RMB2 billion deposit certificate pledge guarantee by way of time deposits, enabling that third party company to obtain a bank loan. The funds obtained (after deduction of part of the fees) were indirectly transferred to the Group via other third parties.

The second bank loan was due in September 2021, and the borrower failed to repay the loan. The RMB2 billion deposit certificate pledge provided by the subsidiary of Evergrande Property Services was enforced in September 2021.

2. *RMB8.7 billion deposit certificate pledge guarantees*

In January, July and August 2021, a subsidiary of Evergrande Property Services provided two sets of deposit certificate pledge guarantees to various third party companies by way of time deposits, enabling those third party companies to obtain bank loans. The pledged deposits under the first set of deposit certificate pledges amounted to RMB8 billion. The relevant loans were repaid in July 2021, and the first set of deposit certificate pledges had been released. The pledged deposits under the second set of deposit certificate pledges amounted to RMB8.7 billion. The relevant funds obtained were transferred to the Group via an associate of the Group.

The bank loans secured by the second set of deposit certificate pledges were due in November and December 2021, and the relevant borrowers failed to repay the loans. The RMB8.7 billion deposit certificate pledges provided by the subsidiary of Evergrande Property Services were transferred and enforced in November and December 2021.

3. *RMB2.7 billion deposit certificate pledge guarantee*

In June 2021, the Group borrowed a sum of RMB2.7 billion from certain third parties to pay an amount payable by the Group to a subsidiary of Evergrande Property Services. At the same time, a subsidiary of Evergrande Property Services provided deposit certificate pledge guarantee by way of time deposits in equal amount to enable such third parties to obtain bank loans.

The relevant bank loans were due in September 2021, and the borrowers failed to repay the loans. The RMB2.7 billion deposit certificate pledge provided by the subsidiary of Evergrande Property Services was enforced in September 2021.

Based on the information obtained from the preliminary investigation, Mr. Xia Haijun and Mr. Pan Darong, executive directors of the Company, and Mr. Ke Peng, an executive president of a subsidiary of the Company, Hengda Real Estate Group Co., Ltd., have participated in the above arrangement. In view of this, the Board resolved to request such persons to resign from their positions within the Group.

The independent investigation committee of the Company will complete the relevant investigation as soon as possible and issue an investigation report.

Repayment of sums related to the Pledges

The Company is discussing with Evergrande Property Services regarding the repayment plan of the sums related to the Pledges. The plan is mainly to set off the relevant sums by transferring assets of the Group to Evergrande Property Services. The Company will make further announcement(s) after the relevant repayment plan has been finalised.

Internal control procedures of the Company

In light of the above preliminary findings of the independent investigation, the Company will consider appointing an internal control consultant to conduct a comprehensive review of the internal control and risk management systems of the Company.

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, 22 July 2022

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.