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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

CHANGE OF AUDITOR

This announcement is made by China Evergrande Group (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.

(a) RESIGNATION OF AUDITOR

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

The Group is actively pushing forward the debt restructuring work, and it is particularly important and critical to complete the audited financial statements for 2021. The Company and PwC have not been able to agree on the timetable and the scope of work in respect of the assessment on the Group’s going concern basis and implications of the relevant disclosure, as well as the additional audit work and procedures required for the assets impairment assessment. As such, the Board is of the view that it is in the best interests of the Company and its stakeholders to appoint another auditor to complete the audit work as soon as practicable, and therefore the Board recommended PwC to resign as the auditor of the Company.

In its resignation letter to the audit committee and the Board dated 16 January 2023, PwC set out the matters leading to its resignation as the Company’s auditor, which also represent those matters that PwC consider should be brought to the attention of the Company’s shareholders and creditors, and such matters are set out below.

In its resignation letter, PwC pointed out that it had not received information related to certain significant matters of the audit of the Group's consolidated financial statements for the year 2021, including:

- (1) The provision of investigation report and information relating to its request to set up an independent investigation committee by the audit committee of the Company and the audit committee of China Evergrande New Energy Vehicle Group Limited (“**Evergrande Vehicle**”), a subsidiary of the Company, respectively, and to engage an independent third party to assist in the investigation of the possible existence of off-balance sheet wealth management products and other off-balance sheet liabilities and undisclosed deposit pledge arrangements of the Group and Evergrande Vehicle. PwC was not informed of the progress of such independent investigation and had not received the relevant investigation report and information.
- (2) With respect to the deduction of the RMB 13.4 billion deposit pledge guarantee (the “**Pledge Guarantee**”) by the relevant bank as previously disclosed in the announcement of Evergrande Property Services Group Limited (“**Evergrande Property Services**”), a subsidiary of the Company, dated 22 July 2022 in respect of “Preliminary Findings of the Independent Investigation”, while the Company has provided the preliminary independent investigation report on the Pledge Guarantee, it has not yet provided:
 - (a) the final independent investigation report issued by the independent investigation committee in relation to the Pledge Guarantee;
 - (b) the accounting impact assessment in respect of the Pledge Guarantee, and the legal opinion on Evergrande Property Services' legal ownership of RMB 13.4 billion non-trade receivables from the Group;
 - (c) the assessment on the specific plan for the repayment of the RMB 13.4 billion to Evergrande Property Services by the Group and its feasibility, and the relevant accounting impact assessment;
 - (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
 - (e) the results of the internal control consultant's comprehensive assessment of Evergrande Property Services' internal control and risk management system.
- (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).

- (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.
- (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.
- (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.
- (7) The management of Evergrande Vehicle 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 Evergrande Vehicle's 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.
- (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.
- (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.

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 is 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 other matters relevant to the resignation of PwC that need to be brought to the attention of the Company's shareholders and creditors.

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

(b) APPOINTMENT OF AUDITOR

The Board also hereby announces that, having considered the recommendation of the audit committee of the Company, it has resolved to appoint Prism Hong Kong and Shanghai Limited (上會栢誠會計師事務所有限公司) (“**Prism**”) as the new auditor of the Company to fill the temporary vacancy following PwC's resignation for a term until the conclusion of the next annual general meeting of the Company. Prism is a member firm of Shanghai Certified Public Accountants (Special General Partnership) in Hong Kong.

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

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

Hong Kong, 16 January 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.