恒大汽车
EVERGRANDE AUTO

# 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)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

## INTERIM RESULTS

The Board (the "**Board**") of directors (the "**Directors**") of China Evergrande New Energy Vehicle Group Limited is pleased to present the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2023 together with comparative figures stated in this announcement for reference.

## FINANCIAL HIGHLIGHTS

1. Completion of the Group's discontinued operations held for sale (i.e. divestment of property projects) on 12 May 2023 resulted in a decrease in net debt of RMB43,139 million for the financial statements. As at 30 June 2023, the Company's net debt decreased to RMB32.84 billion.

2. As at 30 June 2023, the Group had total assets of RMB42,852 million; total liabilities of RMB75,692 million, of which RMB26,997 million were borrowings (RMB17,278 million were borrowings to be converted from debt to equity), RMB42,273 million were trade and other payables and RMB6,422 million were other liabilities.

3. During the Reporting Period, the Group reported a revenue of RMB155 million and a gross loss of RMB61 million; a net loss totalled RMB6,873 million, representing a decrease of 48.6% year-on-year, of which: there were losses from discontinued operation (i.e., divestment of real estate projects) held for sale of RMB1,061 million, non-operating losses on disposal of assets, impairment of assets and other non-operating losses of RMB3,716 million, and operating losses of RMB2,096 million.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| | | | (Restated) |
| **Revenue** | *3* | **154,539** | 24,106 |
| Cost of sales | | **(215,415)** | (33,748) |
| **Gross loss** | | **(60,876)** | (9,642) |
| Other income, net | | **51,090** | 17,112 |
| Other losses, net | | **(330,823)** | (346,950) |
| Selling and marketing expenses | | **(187,795)** | (130,336) |
| Administrative expenses | | **(935,916)** | (1,108,178) |
| Net impairment losses on financial assets | | **(4,267)** | — |
| Net impairment losses on inventories | | **(40,944)** | — |
| Net impairment losses on property, plant and equipment and intangible assets | | **(3,303,620)** | (181,972) |
| **Operating loss** | | **(4,813,151)** | (1,759,966) |
| Finance income | | **587** | 5,876 |
| Finance costs | | **(964,935)** | (921,361) |
| Finance costs, net | | **(964,348)** | (915,485) |
| Fair value losses on financial assets at fair value through profit or loss | | **(36,485)** | (1,184,577) |
| **Loss before income tax** | | **(5,813,984)** | (3,860,028) |
| Income tax credit (expenses) | *4* | **1,865** | (12,365) |
| **Loss for the period from continuing operations** | | **(5,812,119)** | (3,872,393) |

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| | | | (Restated) |
| **Discontinued operation held for sale** | | | |
| **Loss for the period from discontinued operation held for sale** | | **(1,060,929)** | (9,492,520) |
| **Loss for the period** | | **(6,873,048)** | (13,364,913) |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Currency translation differences | | **(547,155)** | (1,407,980) |
| **Total comprehensive loss for the period** | | **(7,420,203)** | (14,772,893) |

| | Note | Six months ended 30 June 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) (Restated) |
|---|---|---|---|
| **Loss for the period attributable to owners of the Company:** | | | |
| — From continuing operations | | **(5,804,029)** | (3,869,258) |
| — From discontinued operation held for sale | | **(1,060,929)** | (9,492,520) |
| | | **(6,864,958)** | (13,361,778) |
| **Loss for the period attributable to non-controlling interest:** | | | |
| — From continuing operations | | **(8,090)** | (3,135) |
| — From discontinued operation held for sale | | **—** | — |
| | | **(8,090)** | (3,135) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(7,412,113)** | (14,769,758) |
| Non-controlling interests | | **(8,090)** | (3,135) |
| **Total comprehensive loss for the period** | | **(7,420,203)** | (14,772,893) |
| **Loss per share from continuing operations and discontinued operation held for sale** (expressed in RMB cents per share) | | | |
| — Basic loss per share | *6* | **(63.308)** | (123.221) |
| — Diluted loss per share | *6* | **(63.308)** | (123.221) |
| **Loss per share from continuing operations** (expressed in RMB cents per share) | | | |
| — Basic loss per share | *6* | **(53.524)** | (35.682) |
| — Diluted loss per share | *6* | **(53.524)** | (35.682) |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **14,782,366** | 14,536,900 |
| Right-of-use assets | | **2,684,569** | 2,921,112 |
| Investment properties | | **—** | — |
| Intangible assets | | **1,770,512** | 4,477,860 |
| Prepayments | | **61,366** | 192,426 |
| Investments accounted for using the equity method | | **—** | — |
| Financial assets at fair value through profit or loss | | **172,024** | 259,321 |
| Deferred income tax assets | | **—** | 8,956 |
| | | **19,470,837** | 22,396,575 |
| **Current assets** | | | |
| Trade and other receivables and prepaid taxes | *7* | **19,729,328** | 4,598,222 |
| Prepayments | | **68,742** | 54,477 |
| Properties under development | | **2,817,567** | 2,449,924 |
| Inventories | | **553,176** | 521,892 |
| Financial assets at fair value through profit or loss | | **96,095** | 134,300 |
| Restricted cash | | **19,626** | 19,390 |
| Cash and cash equivalents | | **96,886** | 219,941 |
| | | **23,381,420** | 7,998,146 |
| Assets of discontinuing operation classified as held for sale | | **—** | 84,826,534 |
| **Total current assets** | | **23,381,420** | 92,824,680 |
| **Total assets** | | **42,852,257** | 115,221,255 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital and share premium | | **28,124,101** | 28,124,101 |
| Reserves | | **44,802,662** | 2,181,456 |
| Accumulated losses | | **(105,771,289)** | (98,906,331) |
| | | **(32,844,526)** | (68,600,774) |
| **Non-controlling interests** | | **4,619** | (50,088) |
| **Total deficit** | | **(32,839,907)** | (68,650,862) |

| | Note | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **219,471** | 283,823 |
| Deferred income | | **2,655,533** | 2,781,150 |
| Borrowings | | **12,773,880** | 12,312,127 |
| Deferred income tax liabilities | | **56,364** | 56,364 |
| | | **15,705,248** | 15,433,464 |
| **Current liabilities** | | | |
| Contract liabilities | | **3,066,146** | 3,313,647 |
| Lease liabilities | | **336,602** | 339,261 |
| Trade and other payables | *8* | **42,273,480** | 30,796,181 |
| Borrowings | | **14,223,268** | 13,673,042 |
| Current income tax liabilities | | **87,420** | 1,314,239 |
| Liabilities of discontinuing operation classified as held for sale | | **—** | 119,002,283 |
| | | **59,986,916** | 168,438,653 |
| **Total liabilities** | | **75,692,164** | 183,872,117 |
| **Total deficit and liabilities** | | **42,852,257** | 115,221,255 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

China Evergrande New Energy Vehicle Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in technology research and development, production and sales of new energy vehicles in the People's Republic of China (the "**PRC**") and in other countries (collectively, the "**New Energy Vehicle Segment**").

The Company is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance. The address of its registered office is 15th Floor, YF Life Centre, 38 Gloucester Road, Wan Chai, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in Renminbi ("**RMB**") thousands, unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Financial Reporting Standards ("**HKFRS**") and any public announcements made by the Group during the interim reporting period.

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those Interim review financial statements. The auditor's interim review report was unmodified conclusion; included a reference to any matters to which the auditor drew attention by way of emphasis without modifying its interim review report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

**Going concern assumption**

The Group incurred loss of RMB6,873 million for the six months ended 30 June 2023. As at 30 June 2023, the accumulated losses and the net current liabilities of the Group amounted to RMB105.771 billion and RMB36.605 billion, respectively. Cash and cash equivalents, and restricted cash, as at 30 June 2023 were RMB117 million. The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations under various contractual and other arrangements.

In view of the above circumstances, the Company have reviewed the Group's cash flow projections, which cover a period up to 30 June 2024. Taking into account the following actions during the six months ended 30 June 2023 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024.

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations under various contractual and other arrangements.

— The Group continues to take active plans and measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc., (iii) committing to soliciting for new customers and exploring overseas markets to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "**Business and Operation Restructuring Plan**"); and

— The Group has reached agreements with certain creditors (including trade and other payable and related parties), agreeing to extend the repayment terms. The directors of the Company consider that further extensions may be obtained if necessary.

On the basis that all these measures can be implemented successfully, the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly, the condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared on a going concern basis.

Notwithstanding the above, given the uncertainties to obtain support from the Group's creditors, material uncertainties exist as to whether or not the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements.

**Application of amendments to HKFRSs**

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2023 for the Group:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The adoption of the amended standards does not have significant impact on the interim condensed consolidated financial information.

## 3 REVENUE

### Revenue by type

Revenue represents the net amounts received and receivable from customers during the period. An analysis of the Group's revenue by type for the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Provision of technical services (ii) | **27,978** | 22,980 |
| Sales of lithium batteries (i) | **1,776** | 841 |
| Sales of vehicles and vehicle components (i) | **113,370** | 285 |
| Other | **11,415** | — |
| | **154,539** | 24,106 |

(i) Revenue from lithium batteries, vehicles and vehicle components is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the assets.

(ii) Revenue generated from provision of technical services are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

## 4. INCOME TAX CREDIT (EXPENSES)

The amount of income tax credited (charged) to the condensed consolidated interim financial information represents:

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Current income tax: | | |
| — PRC corporate income tax | **10,821** | (62,573) |
| — PRC land appreciation tax | **—** | — |
| | **10,821** | (62,573) |
| Deferred income tax: | | |
| — PRC corporate income tax | **(8,956)** | 50,208 |
| — PRC land appreciation tax | **—** | — |
| | **(8,956)** | 50,208 |
| | **1,865** | (12,365) |

**Hong Kong profits tax**

Hong Kong profits tax is calculated at 16.5 % of the estimated assessable profit for the six months ended 30 June 2023 (six months ended 30 June 2022: 16.5%). Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

**PRC corporate income tax**

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

For subsidiaries which meet the inclusive tax reduction policy for small and micro enterprises, according to the existing policy of the PRC, they are entitled to enjoy a preferential corporate income tax rate and of the income tax provision of in respect of operations in the PRC of 20%.

For the subsidiaries which obtained the Certificate of High-Tech Corporation, according to the Corporation Income Tax Law of the PRC, they are entitled to enjoy a preferential corporate income tax rate and of the income tax provision of in respect of operations in the PRC of 15%.

**PRC land appreciation tax**

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of vehicle living projects less deductible including land use rights and all property development expenditures.

## 5. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2022: nil).

## 6 LOSS PER SHARE

### (a) Basic

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.

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Loss attributable to shareholders of the Company (RMB'000) | | |
| — From continuing operations | **(5,804,029)** | (3,869,258) |
| — From discontinued operation held for sale | **(1,060,929)** | (9,492,520) |
| Weighted average number of ordinary shares for the purpose of basic loss per share (thousands) | **10,843,793** | 10,843,793 |
| Basic loss per share (RMB cents per share) | | |
| — From continuing operations | **(53.524)** | (35.682) |
| — From discontinued operation held for sale | **(9.784)** | (87.539) |
| | **(63.308)** | (123.221) |

**(b) Diluted**

The share options granted by the Company have potential dilutive effect on the loss per share. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue less shares held for the share option scheme outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted loss per share). No adjustment is made to loss (numerator).

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Loss attributable to shareholders of the Company (RMB'000) | | |
| — From continuing operations | **(5,804,029)** | (3,869,258) |
| — From discontinued operation held for sale | **(1,060,929)** | (9,492,520) |
| Weighted average number of ordinary shares for the purpose of basic loss per share (thousands) | **10,843,793** | 10,843,793 |
| Adjustments for share options (i) | **—** | — |
| Weighted average number of ordinary shares for diluted loss per share (thousands) | **10,843,793** | 10,843,793 |
| Diluted loss per share (RMB cents per share) | | |
| — From continuing operations | **(53.524)** | (35.682) |
| — From discontinued operation held for sale | **(9.784)** | (87.539) |
| | **(63.308)** | (123.221) |

(i) The 299,600,000 options (30 June 2022: 458,615,000 options) granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended 30 June 2023. These options could potentially dilute basic loss per share in the future.

## 7 TRADE RECEIVABLES

The aging analysis of trade receivables based on revenue recognition date as at the respective balance sheet dates is as follows:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 90 days | **11,936** | 60,078 |
| 91 days to 180 days | **181** | 2,116 |
| 181 days to 365 days | **20,184** | 4,825 |
| Over 365 days | **31,626** | 35,759 |
| | **63,927** | 102,778 |

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the vehicles and vehicle components sold to these customers before the trade receivables are settled.

## 8 TRADE PAYABLES

The following is an aging analysis of trade payables based on the invoice date:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 90 days | **305,946** | 4,672,682 |
| 91 days to 180 days | **436,609** | 628,405 |
| Over 180 days | **10,520,338** | 5,225,828 |
| | **11,262,893** | 10,526,915 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The principal business activities of China Evergrande New Energy Vehicle Group Limited (the "**Company**") and its subsidiaries (the "**Group**") include the technology research and development ("**R&D**") and manufacturing of, and sales services in respect of new energy vehicles, namely the under the model series name "Hengchi". The Group had also operated in the health management business, which was discontinued and the disposal of such business was completed in May 2023.

The Group also actively responds to the national strategy of building a strong country through science and technology, and forayed into the new energy automobile industry with a huge market scale by forward planning. Dedicated to the global R&D and promotion of new energy vehicles applications, the Group adheres to its vision of "achieving world-class core technology and proprietary intellectual property rights" in terms of its core technologies, and its goal of "achieving world-class product quality" in terms of quality, and has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, vehicle sales, smart charging and other aspects. Through the closed loop of technology and data, the Group will create an intelligently connected mobile space of "car and home integration", and establish Hengchi as a world-renowned Chinese automobile brand.

For the six months ended 30 June 2023 (the "**Reporting Period**"), the Group had continued to focus on the high-quality production and delivery of the Hengchi 5 model, carry out improvements and streamlining of the production management system and to lay a solid foundation for future mass production. Among all orders under the pre-sale of Hengchi 5, which was commenced in July 2022, over 760 units were delivered during the Reporting Period. In terms of R&D achievements, the Group had applied for a total of 3,512 patents in similar fields of study worldwide, 2,715 of which have been granted patents.

### Financial Review

**I.** ***Liabilities***

The total liabilities as at 30 June 2023 were RMB75,692.16 million. Among which:

1. *Borrowing*

   As at 30 June 2023, the Group's borrowings amounted to RMB26,997.15 million, representing an increase of RMB1,011.98 million compared to RMB25,985.17 million as at 31 December 2022.

   Part of the borrowings is secured by the property and equipment, land use rights, properties under development and equity interests of several subsidiaries within the Group. As at 30 June 2023, the average annual interest rate of the borrowings was 7.1% (31 December 2022: 7.65%).

2. *Trade and Other Payables*

As at 30 June 2023, the Group's trade and other payables amounted to RMB42,273.48 million, representing an increase of RMB11,477.30 million compared to RMB30,796.18 million in 31 December 2022.

3. *Other Liabilities*

As at 30 June 2023, the Group's other liabilities amounted to RMB6,421.53 million.

**II. *Loss during the Reporting Period***

(I) *Losses from Continuing Operations during the Reporting Period*

1. Revenue

During the Reporting Period, the Group had a turnover of RMB154.54 million, representing an increase of 540.98% as compared to the restated revenue of RMB24.11 million in the six months ended 30 June 2022. Such an increase in revenue was mainly attributable to the commencement in the sales of the Group's Hengchi 5 model. For such reasons, the sales in vehicles and vehicles components increased from RMB0.29 million in six months ended 30 June 2022 to RMB113.37 million during the Reporting Period. On the other hand, the revenue generated from technical services was RMB27.98 million during the Reporting Period.

2. Gross loss

During the Reporting Period, the Group's gross loss was RMB60.88 million, representing an increase of 531.54% as compared to a gross loss of RMB9.64 million for the six months ended 30 June 2022, which was mainly attributable to the increase in the prices of core parts such as batteries and chips; the lack of large-scale production leading to higher manufacturing costs.

3. Other income, net

Other income during the Reporting Period was RMB51.09 million.

4. Other losses, net

Other losses, net during the Reporting Period were RMB330.82 million, due to losses related to the recovery of land, liquidated damages and other losses.

5. Selling and marketing expenses

   Selling and marketing expenses of the Group increased by 44.08% from RMB130.34 million in six months ended 30 June 2022 to RMB187.80 million during the Reporting Period, mainly due to an increase in sales promotion and branding expenses for the Hengchi 5.

6. Administrative expenses

   Administrative expenses of the Group decreased by 15.54% from RMB1,108.18 million in six months ended 30 June 2022 to RMB935.92 million during the Reporting Period, mainly due to the reduction of employees, pay cuts made to some of the existing employees and a decrease in R&D expenses.

7. Net impairment losses on financial assets

   The net impairment losses on financial assets during the Reporting Period were RMB4.27 million, mainly due to the Group's corresponding provisions for other receivables and prepayments of third parties.

8. Net impairment losses on inventories

   The net impairment losses on inventories of the Group during the Reporting Period were RMB40.94 million, mainly due to the provision for impairment on battery inventories based on the prudence principle.

9. Net impairment losses on property, plant and equipment and intangible assets

   The Group's net impairment losses on property, plant and equipment and intangible assets was RMB3,303.62 million during the Reporting Period, mainly due to the provision for impairment on intangible assets.

10. Finance costs, net

    The finance cost, net of the Group during the Reporting Period was RMB964.35 million.

11. Fair value losses on financial assets at fair value through profit or loss

    The fair value losses on financial assets at fair value through profit or loss of the Group during the Reporting Period were RMB36.49 million.

During the Reporting Period, for the reasons stated above, the Group recorded a loss of RMB5,812.12 million from continuing operations, representing an increase of 50.09% as compared to the losses made in six months ended 30 June 2022, mainly due to the provision for impairment on inventories, plant and equipment and intangible assets based on the prudence principle.

(II) *Discontinued Operation Held for Sale*

During the Reporting Period, the Group recorded a loss of RMB1,060.93 million from the discontinued operation held for sale, the disposal of which was completed on 12 May 2023.

In summary, the Group recorded a loss of RMB6,873.05 million during the Reporting Period.

**Business Review**

In the first half of 2023, China's new energy vehicle market continued to grow. According to the data published by the China Association of Automobile Manufacturers, in the first half of 2023, the global production and sales volume of new energy vehicles were 3.79 million vehicles and 3.75 million vehicles respectively, representing both an increase of 42.4% and a market share of 44.1%. In terms of government policies launched in support of the industry, in 2023, the government departments issued the Circular on the Organisation of Pilot Zones for the Full Electrification of Public Sector Vehicles《關於組織開展公共領域車輛全面電動化先行區試點工作的通知》, Implementation Opinions on Accelerating the Construction of Charging Infrastructure to Better Support New Energy Vehicles in the Countryside and Rural Revitalisation《關於加快推進充電基礎設施建設更好支持新能源汽車下鄉和鄉村振興的實施意見》, Guiding Opinions on Further Building a High-Quality Charging Infrastructure System《關於進一步構建高質量充電基礎設施體系的指導意見》, Circular on the Launching of New Energy Vehicles to the Countryside in 2023《關於開展2023年新能源汽車下鄉活動的通知》, and the Announcement on the Continuation and Optimisation of the Policy on Reduction and Exemption of Vehicle Acquisition Tax for New Energy Vehicles《關於延續和優化新能源汽車車輛購置稅減免政策的公告》, to support industry development of new energy vehicles. Considering the market potential and the support received from both the industry and government policies, the Group will strive to seize such industry opportunities, and continue to strengthen its R&D efforts, further improve product layout and fully promote the growth of its new energy vehicle business.

***R&D aspects:***

During the reporting period, the Group had 457 scientific research personnel. The Group's research and development business has been further focused, fully ensuring the continuous improvement of the product quality of Hengchi 5, the first mass-produced model, completing the second OTA upgrade of the whole vehicle, pushing a number of intelligent driving functions, and improving user experience in an all-round way. At the same time, promote the development and verification of subsequent models, continuously optimize software management, car networking, charging and other operating platforms, and gradually form a Hengchi big data platform.

In terms of Smart Internet and In-Vehicle Software design, during the reporting period, the Group continued to make improvements. The cockpit system H-Smart 1.0 and the intelligent assisted driving system H-Pilot 1.0 have been mass-produced and released. The main functions are complete. In January 23, it achieved the first software OTA upgrade, improved functions, and optimized user experience. In March, the L2 level function of intelligent assisted driving was launched to realize 14 functions such as FSRA full-speed adaptive cruise, LKA lane keeping, HWA highway assistance, and the test and calibration of L2+ level functions, which will be launched in 2H of 2023; at the same time, it will realize cloud services such as TSP, Hengchi App mass production and operation, diagnosis on the cloud, and remote control of cars; define and develop new versions of software to support software sales and service subscription packages; plan the next-generation electronic and electrical architecture, including assisted driving H-Pilot 2.0 architecture and cockpit H-Smart 2.0 solution, etc.

***Manufacturing aspects:***

During the Reporting Period, the Group's Tianjin manufacturing base continued the mass production of the Hengchi 5. The Group focuses on the continuous improvement of the Tianjin manufacturing base, to ensure product quality; that production and delivery is orderly and well-managed; and to further improve the skill level of its operators in order to further enhance productivity, quality and efficiency. Both the Shanghai manufacturing base and the Guangzhou manufacturing base formulated an equipment management plan based on the downtime management system. The equipment in each workshop should be turned on once every quarter for dynamic test runs and equipment maintenance.

***Sales of new energy vehicles:***

As at 30 June 2023, the Group had established over 60 sales shops set up in 33 key cities such as Shanghai, Guangzhou, Tianjin, Beijing, Shenzhen and Chongqing, by continuing its direct + authorised agent model to build the sales channel network for Hengchi. The Group also continued its strategic cooperation agreements with Huasheng and Bosch automobile maintenance chain brands to maintain the coverage of its aftersales service outlets.

***Charging Services:***

The Hengchi App of the Group maintained its relationship with the Xingluo (星絡) charging platform, and accessed to the State Grid, Southern Power Grid, Teld (特來電) and Star Charging (星星充電), etc., providing customers with intelligent functions such as one-click charging station enquiry, guidance for staggered charging, route navigation and charging reservation.

In terms of power batteries, according to capital position of the Group, during the Reporting Period, the Group focused its resources on the vehicle development and the R&D and base construction of power batteries ceased.

## OUTLOOK

In the future, the Group will fully promote the mass production and delivery of Hengchi 5. The Group will continue to lay a solid foundation for research and development. While accelerating the research and development of core technologies to lead the innovation and development of smart electric vehicle technology, it will also continue to focus on the research and development of new models to provide users with more forward-looking smart electric vehicle products that integrate technological aesthetics. The Group will strive to promote the improvement of the manufacturing level of the Tianjin manufacturing base, improve the quality system, and ensure quality production and delivery. In the field of sales, the Group will further expand sales channels, open up overseas markets, and constantly improve the Group's sales and after-sales services.

## OTHER ANALYSIS

### Capital Institutions, Liquidity and Financial Resources

The Group financed its operations by borrowings, shareholders' equity and cash generated from operations.

As at 30 June 2023, the Group had borrowings and lease liabilities (collectively "**total borrowings**") amounting to approximately RMB27,553.22 million.

As at 30 June 2023, the Group's gearing ratio was 64.30%. Gearing ratio was calculated as total borrowings divided by total assets.

### Capital commitments, Significant Investments, Pledge of Assets

As at 30 June 2023, the Group had capital commitments of approximately RMB13,071 million for the construction of the Group's bases and the purchase of fixed assets in Tianjin, Shanghai, Guangzhou and other regions across the country.

During the Reporting Period, the Group had no significant investments.

As at 30 June 2023, the Group's borrowings of RMB7,573 million were secured by pledge of the Group's property, plant and equipment, right-of-use assets, properties under development and equity interests of certain subsidiaries, totalling at RMB13,872 million.

### Material Litigation

As at 30 June 2023, the Group had a total of 48 pending litigation cases which involved more than RMB30 million each, and the total amount involved was approximately RMB10,887 million.

### Failure to repay debts due

As at 30 June 2023, the Group's unpaid debts due amounted to approximately RMB9,341 million. In addition, as at 30 June 2023, the Group's overdue commercial bills amounted to approximately RMB3,591 million.

### *Employee and Share Option Scheme*

As at 30 June 2023, the Group had a total of 1,597 employees, and staff with a bachelors' degree or above accounted for approximately 92%. It incurred a total staff cost (including Directors' remuneration) of approximately RMB313.85 million during the Reporting Period (the first half of 2022: RMB937.98 million).

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "**Share Option Scheme**") on 6 June 2018. Since its adoption and up to 30 June 2023 and save as disclosed in the announcements of the Company published on 6 November 2020, 15 June 2021 and 21 September 2021 regarding the respective grants of share options, the Company has not granted any other new share option under such Share Option Scheme or adopted any other share option scheme.

As at 30 June 2023, a total of 752,200,000 share options were granted under the Share Option Scheme, amongst which: (i) a total of 299,600,000 share options granted under the Share Option Scheme had not been exercised; (ii) a total of 452,600,000 share options granted under the Share Option Scheme had lapsed; and (iii) no share option granted under the Share Option Scheme had been cancelled.

***Contingent Liabilities***

As at 30 June 2023, the Group did not have any material contingent liabilities (as at 30 June 2022: Nil).

***Very Substantial Disposal and Connected Transaction in relation to the Disposal of Subsidiaries***

On 24 April 2023, the Company entered into a sale and purchase agreement with Anxin Holding Limited (the "**Purchaser**") and China Evergrande Group, pursuant to which the Purchaser conditionally agreed to purchase, and the Company conditionally agreed to sell as the beneficial owner, one issued share of each of Assemble Guard Limited ("**Assemble Guard**") and Flaming Ace Limited ("**Flaming Ace**"), representing the entire issued share capital of Assemble Guard and Flaming Ace respectively, at the consideration of RMB2 (the "**Disposal**"). The Disposal was completed on 12 May 2023 (after the general meeting held on the same day). For further details of the Disposal, please refer to the announcements of the Company dated 24 April 2023, 25 April 2023, 10 May 2023 and 12 May 2023 and the circular of the Company dated 25 April 2023.

## SUBSEQUENT EVENTS AFTER THE REPORTING DATE

### Proposed issue of new Shares under specific mandate to NWTN Inc.

On 14 August 2023 (after trading hours), the Company, NWTN Inc., China Evergrande Group and Mr. Hui Ka Yan ("**Mr. Hui**") entered into the share subscription agreement (the "**Share Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and NWTN Inc. has conditionally agreed to subscribe for, 6,177,106,404 new Shares (the "**Subscription Shares**") (the "**Share Subscription**"), resulting in NWTN Inc. holding approximately 27.50% of the total number of issued Shares as enlarged by the issuance of Shares upon completion of the Loan Conversion (as defined below) and the Share Subscription (assuming that there is no other issue of new Shares and the grantees under the Share Option Scheme do not exercise any share options from the date of the Share Subscription Agreement to the date of completion of the Share Subscription Agreement (the "**Closing Date**")), for a total consideration of HK$3,889,723,903 (equivalent to approximately US$500 million), which represents the subscription price of HK$0.6297 per Subscription Share.

On 14 August 2023 (after trading hours), China Evergrande Group and Mr. Hui delivered to NWTN Inc. a deed on voting control duly executed by China Evergrande Group and Mr. Hui (the "**Deed on Voting Control**"), and NWTN Inc. delivered to China Evergrande Group and Mr. Hui the Deed on Voting Control duly executed by NWTN Inc.. The Deed on Voting Control is effective from the Closing Date.

To support business recovery and growth of the Group, on 14 August 2023 (after trading hours), NWTN (Zhejiang) Automobile Co., Ltd.* (a subsidiary of NWTN Inc.) and Evergrande New Energy Vehicle (Tianjin) Co., Ltd.* (a subsidiary of the Company) entered into a transitional funding support agreement, pursuant to which NWTN (Zhejiang) Automobile Co., Ltd.* shall, subject to the satisfaction of conditions precedent in the agreement, provide an interest-free secured transitional funding in the amount of RMB600 million in three equal tranches to Evergrande New Energy Vehicle (Tianjin) Co., Ltd.* for the research and development, manufacturing of and sales services in respect of vehicles of the Group.

**Conversion of loans provided by China Evergrande Group, Mr. Hui, Xin Xin (BVI) Limited ("Xin Xin"), Ms. Ding Yumei ("Ms. Ding") and Good Bond Limited ("Good Bond") to the Company (the "Loan Conversion")**

On 14 August 2023 (after trading hours), the Company entered into the loan conversion subscription agreement with China Evergrande Group, Mr. Hui, Xin Xin, Ms. Ding and Good Bond, pursuant to which each of them has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to them (or any person designated by them), an aggregate of 5,441,305,702 new Shares at the subscription price of HK$3.84 per Share with an aggregate subscription amount of HK$20,894,613,901.15 (the "**Loan Conversion Subscription Agreement**"). Such subscription amount shall be satisfied by way of set-off against the relevant loans owed by the Company to CEG, Mr. Hui, Xin Xin, Ms. Ding and Good Bond with an aggregate amount of HK$20,894,613,901.15 pursuant to the set-off agreement entered into among the Company and China Evergrande Group, Mr. Hui, Xin Xin, Ms. Ding and Good Bond on 14 August 2023.

Pursuant to the Loan Conversion Subscription Agreement, (i) the outstanding principal amount of the loan of US$1,767,815,270 (equivalent to approximately HK$13.8 billion) provided by China Evergrande Group to the Company plus the interest accrued on the outstanding principal amount of such loan up to and including 14 August 2023 in the sum of US$294,474,434 (equivalent to approximately HK$2.3 billion) will be converted into 4,178,284,870 new Shares (representing approximately 25.66% of the total number of Shares after the completion of the Loan Conversion) at HK$3.84 per Share and be issued to China Evergrande Group (or the immediate holding company of the Company as designated by China Evergrande Group, i.e. Evergrande Health Industry Holdings Limited, a subsidiary of China Evergrande Group) to be deposited into custody accounts in relation to the mandatory exchangeable bonds to be issued by China Evergrande Group to its creditors exchangeable into Shares and China Evergrande Group NEV Linked New Notes A2 and China Evergrande Group NEV Linked New Notes C2 to be issued by China Evergrande Group to its creditors; (ii) the outstanding principal amount of the loan provided by Mr. Hui and Xin Xin to the Company of HK$2,650,000,000 will be converted into 690,104,166 new Shares (representing approximately 4.24% of the total number of Shares after the completion of the Loan Conversion) at HK$3.84 per Share and be issued to Mr. Hui and Xin Xin to be deposited into custody account and used as additional Exchange Property, and (iii) the outstanding principal amount of the loan provided by Ms. Ding and Good Bond to the Company of HK$2,200,000,000 will be converted into 572,916,666 new Shares (representing approximately 3.52% of the total number of the issued Shares after completion of the Loan Conversion) at HK$3.84 per Share to be issued to Ms. Ding and Good Bond. The new Shares will be issued upon completion of the Loan Conversion.

Please refer to the announcements of the Company dated 14 August 2023 for details. Save as disclosed above, up to the date of this announcement, no significant events occurred after the Reporting Period.

## INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

### Interim Results Review

The condensed consolidated financial information of the Group for the six months ended 30 June 2023 has been reviewed by the audit committee of the Company (the "**Audit Committee**"), which comprises three independent non-executive Directors of the Company.

## CORPORATE GOVERNANCE

### Corporate Governance Code

The Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Reporting Period, except as disclosed below.

Code Provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. No annual general meeting of the Company had been held since 18 June 2021. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the annual general meeting. An annual general meeting of the Company will be held on 5 September 2023, for the retirement and re-election of Directors.

Code provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting, and invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend. No annual general meeting of the Company had been held since 18 June 2021. An annual general meeting of the Company will be held on 5 September 2023.

### Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Reporting Period.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND REPORTS OF THE COMPANY

The Company's interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at https://www.irasia.com/listco/hk/evergrandevehicle/. The interim report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

## FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or be realized or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

## APPRECIATION

The Board would like to express its sincere gratitude to the Company's shareholders, investors, employees and business partners for their continuous support.

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

Hong Kong, 25 August 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.*

* *For identification purpose only*