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 2023

SUMMARY OF KEY INFORMATION

1. As at 30 June 2023, the Group's total liabilities amounted to RMB2,388.2 billion, net of contract liabilities of RMB603.98 billion, amounted to RMB1,784.22 billion, of which: borrowings amounted to RMB624.77 billion, trade and other payables amounted to RMB1,056.57 billion (included construction material payables of RMB596.17 billion) and other liabilities amounted to RMB102.88 billion.

2. The Group's revenue for the six months ended 30 June 2023 (the "Period") amounted to RMB128.18 billion and gross profit was RMB9.80 billion.

   Operating losses for the Period was RMB17.38 billion. Non-operating losses (including other losses such as litigation losses, loss of land withdrawal, loss on disposal of shareholdings and impairment losses of assets) was RMB15.03 billion. Income tax expenses were RMB6.84 billion. The net loss was RMB39.25 billion in aggregate.

3. As at 30 June 2023, the Group owns land reserves of 0.19 billion square meters.

   In addition, the Group was also involved in 78 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 23 in other cities.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**55,428**	56,421
Right-of-use assets		**13,941**	14,465
Investment properties		**58,812**	63,062
Goodwill		**1,080**	1,146
Intangible assets		**3,198**	6,076
Trade and other receivables	*3*	**801**	1,327
Prepayments		**1,055**	456
Investments accounted for using equity method		**27,141**	25,893
Financial assets at fair value through other comprehensive income		**1,240**	1,275
Financial assets at fair value through profit or loss		**2,710**	2,962
Deferred income tax assets		**127**	66
		165,533	173,149
Current assets			
Inventories		**896**	532
Properties under development		**1,085,988**	1,136,084
Completed properties held for sale		**98,390**	102,894
Trade and other receivables	*3*	**224,930**	228,911
Contract acquisition costs		**3,066**	3,025
Prepayments		**118,325**	131,443
Income tax recoverable		**29,545**	29,864
Financial assets at fair value through profit or loss		**3,943**	18,131
Restricted cash		**9,334**	9,971
Cash and cash equivalents		**4,047**	4,334
		1,578,464	1,665,189
Total assets		**1,743,997**	1,838,338

	Note	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**4,226**	4,226
Reserves		**(555,754)**	(503,696)
		(551,528)	(499,470)
Non-controlling interests		**(92,675)**	(99,604)
Deficiency in equity		**(644,203)**	(599,074)
LIABILITIES			
Non-current liabilities			
Borrowings		**42,954**	25,268
Contingent consideration payables		**51**	51
Deferred income tax liabilities		**47,357**	47,869
Other payables	*4*	**6,272**	11,301
		96,634	84,489
Current liabilities			
Borrowings		**581,811**	587,123
Trade and other payables	*4*	**1,056,574**	1,002,264
Contract liabilities		**603,979**	721,021
Current income tax liabilities		**49,202**	42,515
		2,291,566	2,352,923
Total liabilities		**2,388,200**	2,437,412
Net current liabilities		**(713,102)**	(687,734)
Total equity and liabilities		**1,743,997**	1,838,338

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
	Notes	***RMB million***	*RMB million*
		(Unaudited)	(Unaudited)
Revenue	*5*	**128,181**	89,281
Cost of sales		**(118,385)**	(82,169)
Gross profit		**9,796**	7,112
Write-down of properties under development and completed properties held for sale		**(2,161)**	(1,163)
Fair value (losses)/gains on investment properties, net		**(81)**	1,246
Other income		**1,647**	1,088
Other losses, net		**(11,175)**	(6,619)
Selling and marketing costs		**(3,066)**	(2,352)
Administrative expenses		**(3,763)**	(5,598)
Impairment losses on investments accounted for using equity method		**—**	(18,025)
Impairment losses on financial assets		**(643)**	(8,194)
Other operating expenses		**(2,274)**	(6,859)
Operating loss		**(11,720)**	(39,364)
Share of losses of investments accounted for using equity method		**(472)**	(47)
Fair value losses on financial assets at fair value through profit or loss		**(4)**	(1,156)
Fair value (losses)/gains on financial guarantee		**(490)**	1,749
Finance costs, net		**(19,726)**	(42,150)
Losses before income tax		**(32,412)**	(80,968)
Income tax expenses	*6*	**(6,836)**	(5,201)
Losses for the period		**(39,248)**	(86,169)

	Notes	Six months ended 30 June **2023** *RMB million* **(Unaudited)**	2022 *RMB million* (Unaudited)
Other comprehensive income/(expenses)			
(Item that may be reclassified to profit or loss)			
Exchange difference arising on translation of financial statements of foreign operations		**353**	2,407
(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		**(30)**	(250)
Other comprehensive income for the period, net of tax		**323**	2,157
Total comprehensive expenses for the period		**(38,925)**	(84,012)
Loss attributable to:			
Shareholders of the Company		**(33,012)**	(66,350)
Non-controlling interests		**(6,236)**	(19,819)
		(39,248)	(86,169)
Total comprehensive expenses attributable to:			
Shareholders of the Company		**(32,689)**	(64,193)
Non-controlling interests		**(6,236)**	(19,819)
		(38,925)	(84,012)
Loss per share for loss attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic loss per share	*7*	**(2.972)**	(5.025)
— Diluted loss per share	*7*	**(2.972)**	(5.025)

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, 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.

These condensed consolidated interim financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the board of directors (the "Board") of the Company on 27 August 2023.

These condensed consolidated interim financial statements have not been audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022 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 RMB39,248 million for the period ended 30 June 2023. As at 30 June 2023, the Group had net current liabilities and net liabilities of approximately RMB713,102 million and RMB644,203 million respectively, and the Group's total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB13,381 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;

— 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 condensed consolidated interim financial statements, the Group has completed the settlement arrangements with certain creditors;

— 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 condensed consolidated interim 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 runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The restructuring is expected to be implemented through one or more schemes of arrangement. 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 respective term sheets).

— The restructuring plan includes (i) China Evergrande Group ("CEG") 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. 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$6.5 billion ("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$0.8 billion ("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 30 June 2023. 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 30 June 2023. Accordingly, the Board considers that the preparation of the condensed consolidated interim financial statements as at 30 June 2023 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 condensed consolidated interim financial statements.

(b) Accounting policies

The condensed consolidated interim 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 condensed consolidated interim financial statements for the six months ended 30 June 2023 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2022. 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 condensed consolidated interim financial statements.

3. TRADE AND OTHER RECEIVABLES

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

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

	30 June 2023	31 December 2022
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Within 90 days	**6,915**	10,881
Over 90 days and within 180 days	**1,774**	1,479
Over 180 days and within 365 days	**4,667**	1,184
Over 365 days	**7,301**	8,141
	20,657	21,685

4. TRADE AND OTHER PAYABLES

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

	30 June 2023	31 December 2022
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Within one year	**116,910**	103,145
Over one year	**485,051**	500,179
	601,961	603,324

5. REVENUE

Revenue for the six months ended 30 June 2023 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	
	2023	2022
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Sales of properties	**120,073**	79,749
Rental income	**204**	157
Property management services	**6,109**	5,788
Other businesses	**1,795**	3,587
	128,181	89,281

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**3,445**	2,387
— PRC land appreciation tax	**4,305**	5,434
	7,750	7,821
Deferred income tax		
— PRC corporate income tax	**(573)**	(84)
— PRC land appreciation tax	**(341)**	(2,536)
	6,836	5,201

7. 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 2023 and 2022, as the share options had anti-dilutive effect on ordinary shares for the Period.

8. DIVIDENDS

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. EVENTS AFTER THE REPORTING PERIOD

i. On 14 August 2023, China Evergrande New Energy Vehicle Group Limited (“Evergrande Auto”) entered into a share subscription agreement and a set-off agreement with the subscribers (including the Company), pursuant to which each of the subscribers has conditionally agreed to subscribe for, and Evergrande Auto has conditionally agreed to allot and issue, an aggregate of 5,441,305,702 new shares of Evergrande Auto at the subscription price of HK$3.84 per share, for an aggregate subscription amount of HK$20,894,613,901.15. The relevant subscription amount will be settled by setting-off against the relevant loans payable by Evergrande Auto to each of the subscribers upon completion in accordance with the terms and conditions of the set-off agreement (“NEV Loan Conversion”). In connection with the proposed restructuring, a portion of such new shares of Evergrande Auto would be (i) used as exchange property for the mandatory exchangeable bonds of Evergrande Auto and (ii) deposited into custody accounts for the benefit of the share-linked notes of Evergrande Auto.

ii. On 14 August 2023, the Company, Mr. Hui Ka Yan, Evergrande Auto and NWTN Inc. entered into the NEV share subscription agreement, pursuant to which Evergrande Auto has conditionally agreed to allot and issue, and NWTN Inc. has conditionally agreed to subscribe for, the shares (“NEV Share Subscription”), which will result in the subscriber holding approximately 27.50% of the total issued share capital of Evergrande Auto as enlarged by the issue of NEV shares upon completion of the NEV Loan Conversion and the NEV Share Subscription, for a total consideration of HK$3,889,723,903, implying the subscription price of HK$0.6297 per subscription share. Upon completion of the NEV Loan Conversion and immediately after completion of the NEV Share Subscription, the shareholding interest of the Group in Evergrande Auto will be diluted to approximately 46.86%.

iii. On 17 August 2023, the Company has filed documents with the U.S. Court applying for recognition under Chapter 15 of the U.S. Code of the offshore debt restructuring scheme under the legal systems of Hong Kong and the BVI.

BUSINESS REVIEW

In the first half of 2023, China's property market has cooled down significantly, with sales area of national commodity house falling by 5.3% year-on-year. A number of real estate companies defaulted on their debts, further exacerbating the volatility in the market.

The Company actively planned for the resumption of sales and successfully seized the short boom of the property market that emerged at the beginning of the year, achieving a comparatively substantial increase in sales performance. Meanwhile, the Company has always taken stabilisation of operation and risk mitigation as its first priority, and has made every effort to ensure the delivery of properties. Based on the principles of respecting international restructuring practices and treating the rights and claims of all creditors in a fair and equitable manner, the Company steadily pushed forward the work related to the restructuring of its offshore debts and signed an offshore restructuring support agreement with its creditors in April. The Company obtained approval from the courts of the three jurisdictions to convene creditors' meetings to advance the restructuring scheme. The Company also obtained the approval of the High Court of Hong Kong to adjourn the hearing of the winding-up petition.

Land Reserves

As at 30 June 2023, the Group owns land reserves of 0.19 billion square meters.

In addition, the Group was also involved in 78 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 23 in other cities.

Contracted Sales

During the first half of 2023, the Group achieved contracted sales of RMB33.413 billion and contracted gross floor area of 5.115 million square meters, with an accumulated cash collection of RMB27.1 billion for the first half year.

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 properties. 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

During the Period, the total liabilities amounted to RMB2,388.2 billion, of which liabilities, net of contract liabilities of RMB603.98 billion, amounted to RMB1,784.22 billion, representing an increase of RMB67.83 billion as compared to liabilities, net of contract liabilities, of RMB1,716.39 billion in 2022.

Borrowings

As at 30 June 2023, the Group's borrowings amounted to RMB624.77 billion, representing an increase of RMB12.38 billion as compared to borrowings of RMB612.39 billion at the end of 2022.

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 2023, the average interest rate of borrowings was 7.97% per annum (31 December 2022: 8.12%).

Trade and Other Payables

As at 30 June 2023, the Group's trade and other payables amounted to RMB1,056.57 billion, representing an increase of RMB54.31 billion as compared to the end of 2022.

These include construction material payables of RMB596.17 billion and other payables of RMB460.40 billion.

Other Liabilities

As at 30 June 2023, the Group's other liabilities amounted to RMB102.88 billion.

II. Operating Loss for the Period

Revenue

The Group's revenue for the Period amounted to RMB128.18 billion. In particular, the revenue from property development business amounted to RMB120.07 billion.

Gross Profit

The Group's gross profit for the Period was RMB9.80 billion. The gross profit margin for the Period was 7.64%.

Selling and Marketing Costs

During the Period, the Group's selling and marketing costs increased by 30.4% to RMB3.07 billion from RMB2.35 billion in the first half of 2022, which was mainly due to higher selling and marketing expenses as a result of the increase in business volume during the Period.

Administrative Expenses

During the Period, the Group's administrative expenses decreased by 32.8% from RMB5.60 billion in the first half of 2022 to RMB3.76 billion for the Period, which was mainly due to the overall reduction in day-to-day management expenses as a result of significant cost-cutting measures.

Finance Costs

The Group's finance costs for the Period amounted to RMB19.73 billion.

Other Operating Expenses

The Group's other losses, net for the Period amounted to RMB2.27 billion.

Other Incomes

Other income for the Period amounted to RMB1.65 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 RMB17.38 billion.

III. Non-operating Losses for the Period

Impairment of Completed Properties Held for Sale and Properties under Development

Provision for impairment of inventories during the Period amounted to RMB2.16 billion.

Fair Value Losses on Investment Properties, net

Fair value losses on the Group's investment properties during the Period amounted to RMB0.08 billion. The Group's investment properties mainly comprised commercial podiums and offices in living communities with a total gross floor area of approximately 4.296 million square meters and approximately 178,000 car parking spaces.

Impairment Losses on Financial Assets

During the Period, impairment of financial assets amounted to RMB0.64 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 RMB12.15 billion, which was attributable to litigation losses, loss of land withdrawal, loss on disposal of shareholdings and other losses.

In conclusion, non-operating losses for the Period was RMB15.03 billion.

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 26.3% 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 RMB4.14 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 2023, the Group had total cash and cash equivalents and restricted cash of RMB13.38 billion. In addition, cash amounting to RMB34.87 billion has been placed under the centralised supervisory account and included in other receivables.

CONTINGENT LIABILITIES

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 interim financial statements for the six months ended 30 June 2023 and accrued provision on the condensed consolidated interim financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. As at 30 June 2023, the Group had material contingent liabilities of approximately RMB73.85 billion (31 December 2022: RMB46.78 billion).

SIGNIFICANT LITIGATION

As at 30 June 2023, the number of pending litigation cases of the Company with a subject amount of RMB30 million or more totalled 2,229 cases, with a subject amount of approximately RMB534.992 billion in aggregate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group transferred 30.99% equity interest in Xinjiang Guanghui Industry Investment Group Co., Ltd. which is subject to pledge to Shengjing Bank Co., Ltd. ("**Shengjing Bank**") as a set-off against a portion of the Group's indebtedness in respect of the borrowings amounting to a total of approximately RMB32.595 billion at a price of RMB9.753 billion.

Save as disclosed above, during the six months ended 30 June 2023, the Group had no other significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 109,085 employees (including 1,597 employees of Evergrande Auto (708.HK) and 82,836 employees of Evergrande Property Services (6666.HK)).

For the six months ended 30 June 2023, the Group's total staff costs (including directors' remuneration) amounted to approximately RMB2.78 billion (corresponding period in 2022: approximately RMB2.87 billion).

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2023.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2023 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. A summary is set out below:

Summary of Interim Financial Information Review Report

The independent auditor of the Company has not issued a conclusion on their review report on the interim financial information of the Group for the six months ended 30 June 2023, a summary of which is set out below:

Basis for Disclaimer of Conclusion

Multiple Uncertainties Relating to Going Concern

As disclosed in note 2 to the condensed consolidated interim financial statements, the Group incurred a net loss of approximately RMB39,248 million for the six months ended 30 June 2023 and, as at 30 June 2023, the Group had net liabilities and net current liabilities of approximately RMB644,203 million and RMB713,102 million respectively. The Group's current and non-current borrowings amounted to approximately RMB581,811 million and RMB42,954 million respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB13,381 million. In addition, the Group is involved in a number of litigation and arbitration cases for various reasons. These, together with the other matters described in note 2 to the condensed consolidated interim financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, as a result, it may not be able to realise its assets and settle its liabilities in the normal course of business.

The directors have taken a number of measures to improve the liquidity position and financial position of the Group, details of which are set out in note 2 to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared by the directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the condensed consolidated interim financial statements by the directors is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. The condensed consolidated interim financial statements do not include any such adjustments. However, uncertainties about the Group's future cash flows cast significant doubt on the Group's ability to continue as a going concern. We consider the potential cumulative effect on the condensed consolidated interim financial statements of these material uncertainties relating to going concern to be so significant that we have disclaimed our conclusion.

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.

SUBSEQUENT EVENTS

NEV Loan Conversion

On 14 August 2023, Evergrande Auto entered into a share subscription agreement and a set-off agreement with the subscribers (including the Company), pursuant to which each of the subscribers has conditionally agreed to subscribe for, and Evergrande Auto has conditionally agreed to allot and issue, an aggregate of 5,441,305,702 new shares of Evergrande Auto at the subscription price of HK$3.84 per share, for an aggregate subscription amount of HK$20,894,613,901.15. The relevant subscription amount will be settled by setting-off against the relevant loans payable by Evergrande Auto to each of the subscribers upon completion in accordance with the terms and conditions of the set-off agreement ("**NEV Loan Conversion**"). In connection with the proposed restructuring, a portion of such new shares of Evergrande Auto would be (i) used as exchange property for the mandatory exchangeable bonds of Evergrande Auto and (ii) deposited into custody accounts for the benefit of the share-linked notes of Evergrande Auto. For details, please refer to the announcement of the Company dated 14 August 2023 in relation to the NEV Loan Conversion.

NEV Share Subscription

On 14 August 2023, the Company, Mr. Hui Ka Yan, Evergrande Auto and NWTN Inc. entered into the NEV share subscription agreement, pursuant to which Evergrande Auto has conditionally agreed to allot and issue, and NWTN Inc. has conditionally agreed to subscribe for, the shares ("**NEV Share Subscription**"), which will result in the subscriber holding approximately 27.50% of the total issued share capital of Evergrande Auto as enlarged by the issue of NEV shares upon completion of the NEV Loan Conversion and the NEV Share Subscription, for a total consideration of HK$3,889,723,903, implying the subscription price of HK$0.6297 per subscription share. Upon completion of the NEV Loan Conversion and immediately after completion of the NEV Share Subscription, the shareholding interest of the Group in Evergrande Auto will be diluted to approximately 46.86%. For details, please refer to the announcement of the Company dated 14 August 2023 in relation to the NEV Share Subscription.

Offshore debt restructuring arrangement

On 17 August 2023, the Company has filed documents with the U.S. Court applying for recognition under Chapter 15 of the U.S. Code of the offshore debt restructuring scheme under the legal systems of Hong Kong and the BVI.

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 2023, 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 2023.

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 2023, 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).

RESUMPTION OF 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. Reference is made to the announcement of the Company dated 25 August 2023 in relation to the resumption guidance has been fulfilled by the Company. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 28 August 2023.

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, 27 August 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.