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CHINA EVERGRANDE GROUP

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of China Evergrande Group (the “**Company**”) dated 4 December 2023 in relation to the Company’s clarification of a report issued by an institution on 1 December 2023 (the “**Report**”) which alleged that the Company has never been profitable was without basis.

The directors of the Company (the “**Directors**”) have reviewed the Report and are of the view that the Report was without basis, and would like to provide further clarification in respect of the following matters:

(1) Revenue recognition

The Company has changed its revenue recognition methodology in 2021, pursuant to which an accounting treatment more consistent with the accounting standards under the present circumstances was adopted. It was primarily a decision made in light of the Company’s liquidity crisis and the substantial loss of staff.

(2) The financial statements of the previous years have been audited

The Company’s financial statements for the previous years were audited by PricewaterhouseCoopers and received standard unqualified opinions. In PricewaterhouseCoopers’ resignation letter, the revenue recognition of the Company in previous years was not questioned.

(3) The Report’s data and conclusions lacked direct relevance

(a) The Report raised the suspicion that the Company did not have profit just because its gross profit was low. In fact, the decline in profit since 2021 was not only due to the drop in selling prices caused by the difficulties faced by the industry, but was also related to the proportion

of the Company's properties sold with lower gross profit. There is no relevance between the fact that gross profit was low, and the allegation that the Company has never been profitable; and

- (b) The Report gave example that the Company has suffered serious losses. The seriousness of the Company's losses was related to the Company's size and asset quality. There is no relevance between the significant loss suffered by the Company and the allegation that the Company has never been profitable.
- (4) The Report did not provide substantive evidence to prove that the Company has never been profitable.

There was no substantive evidence throughout the Report to demonstrate that the Company has never been profitable, and its alleged conclusions were merely the author's conjectures and suspicions.

- (5) The Report used the results in 2023 to support the accuracy of its forecast in respect of the Company in 2016, which had no substantive basis.

The Directors have not obtained sufficient valid information in respect of the Report to initiate further actions. The Directors will continue to monitor information from various sources and take appropriate further actions or measures if necessary.

The Company confirms that members of the Company's audit committee have reviewed the Report, and also confirms that the Company's auditors, Prism Hong Kong and Shanghai Limited, have reviewed the Report and have stated that they will not withdraw their previous audit opinions on the Company's financial statements.

The Company reserves all rights to take legal action against the institution which issued the Report.

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
Siu Shawn
Executive Director

Hong Kong, 9 January 2024

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.

* *For identification purposes only*