



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3333

ANNUAL REPORT  
2022





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# BOARD OF DIRECTORS AND COMMITTEES

## CHAIRMAN OF THE BOARD OF DIRECTORS

Professor Hui Ka Yan

## REMUNERATION COMMITTEE

Mr. He Qi (*Chairman*)

Professor Hui Ka Yan

Ms. Xie Hongxi

## EXECUTIVE DIRECTORS

Professor Hui Ka Yan

Mr. Siu Shawn

Mr. Shi Junping

Mr. Liu Zhen

Mr. Qian Cheng

## NOMINATION COMMITTEE

Professor Hui Ka Yan (*Chairman*)

Mr. He Qi

Mr. Chau Shing Yim, David

## NON-EXECUTIVE DIRECTOR

Mr. Liang Senlin

## AUTHORISED REPRESENTATIVES

Professor Hui Ka Yan

Mr. Fong Kar Chun, Jimmy

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

## AUDIT COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)

Mr. He Qi

Ms. Xie Hongxi

# CORPORATE INFORMATION

## HEAD OFFICE

No.78 Huangpu Avenue West  
Tianhe District, Guangzhou  
Guangdong Province  
The PRC  
Postal code: 510620

## AUDITOR

Prism Hong Kong and Shanghai Limited

## STOCK CODE

HKEX: 3333

## PLACE OF BUSINESS IN HONG KONG

15/F, YF Life Centre  
38 Gloucester Road, Wanchai  
Hong Kong

## INVESTOR RELATIONS

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Telephone: (852) 2287 9229

## WEBSITE

[www.evergrande.com](http://www.evergrande.com)

## COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy  
Hong Kong solicitor





# REPORT OF CHAIRMAN

## BUSINESS REVIEW

In 2022, China's real estate market continued its downward spiral. Thanks to the State's various supporting policies and relief measures, the market seemed to bottom out which was in favour of the industry in resolving risks and the imbalance between supply and demand.

Prioritizing the stabilization of the operation and resolving of risks, the Company actively pushed forward with utmost efforts the work of ensuring the delivery of properties, and obtained the understanding and support from various parties, including relevant authorities, upstream and downstream enterprises and property owners, etc. The Company resumed construction of 732 projects in order to ensure the delivery of properties, and delivered a total of 301,000 units of properties in the Year. By virtue of the fact that Evergrande Auto achieved mass production and delivery of the "Hengchi 5" model and that Evergrande Property Services had a total contracted area of over 800 million square meters and an area under management of about 500 million square meters, the Group maintained a leading management scale in the industry. Ocean Flower Island, a cultural tourism project in Hainan, China, maintained steady operation and received a total of over 7.6 million visitors.

The Company set up an independent investigation committee to investigate the enforcement of pledged deposits of approximately RMB13.4 billion of Evergrande Property Services by the relevant banks, which led to the strengthening of the Group's internal control management. At the same time, the Company made adjustments to the composition of its Board of Directors.

For the purpose of respecting the rules of international restructuring and treating the existing rights and claims of all creditors in a fair and equitable manner, the Company and its consultant team continued to conduct in-depth and detailed discussions with offshore creditors and initiated several rounds of communication on the detailed terms and conditions of the restructuring proposal in order to steadily advance the formulation of the restructuring proposal for the offshore debts. Thanks to the support of the offshore creditors, the Company obtained the approval of the High Court of Hong Kong to adjourn the hearing for the winding-up petition.



## REPORT OF CHAIRMAN



### Land Reserves

As at 31 December 2022, the Group had land reserves of 210 million square meters.

In addition, the Group was also involved in 79 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 24 in other cities.

The Group's large and quality land reserves provide solid support for the Group to ensure the delivery of properties, gradual settlement of its debts and resumption of normal operations.

### Contracted Sales

The Company's sales were at a standstill after September 2021. With the gradual resumption of construction of projects in order to ensure the delivery of properties, the Group's sales has gradually bounced back since April 2022, and were steadily improving. Consumer confidence began to recover which was in favor of the further advancement of different tasks.

For the full year of 2022, the Group achieved contracted sales of RMB31.7 billion and contracted gross floor area of 3.904 million square meters, with an accumulated cash collection of RMB35.79 billion for the Year.

As at 31 December 2022, there were a total of 1,241 projects for sale which were at different stages ranging from being completed to under construction.

### BUSINESS OUTLOOK

Looking forward, the Company is endeavored to ensure the steady and orderly advancement of key tasks such as "ensuring the delivery of properties", the continuous operation of new energy vehicles and property services, exploration of the efficient disposal and effective utilization of the Company's core assets, so as to steadily resolve the risks.

By Order of the Board

**China Evergrande Group**

**Hui Ka Yan**

*Chairman*

Hong Kong, 17 July 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. DEBT PROFILE

Total liabilities in financial statement for 2022 amounted to RMB2,437.41 billion, of which liabilities, net of contract liabilities of RMB721.02 billion, amounted to RMB1,716.39 billion, representing an increase of RMB110.59 billion year-on-year as compared to liabilities, net of contract liabilities, of RMB1,605.80 billion in 2021.

### (1) Borrowings

As at 31 December 2022, the Group's borrowings amounted to RMB612.39 billion, representing an increase of RMB5.01 billion as compared to borrowings of RMB607.38 billion in 2021.

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 31 December 2022, the average interest rate of borrowings was 8.12% per annum (31 December 2021: 8.38%).

### (2) Trade and Other Payables

As at 31 December 2022, the Group's trade and other payables amounted to RMB1,002.26 billion, representing an increase of RMB108.92 billion as compared to the same period in 2021. These include construction material payables of RMB596.16 billion and other payables of RMB406.10 billion.

### (3) Other Liabilities

As at 31 December 2022, the Group's other liabilities amounted to RMB101.74 billion.

## II. OPERATING LOSS FOR THE YEAR

### Revenue

The Group's revenue for the Year amounted to RMB230.07 billion. In particular, properties of 724 projects were delivered and the revenue from property development business amounted to RMB223.91 billion.

### Gross Profit

The Group's gross profit for the Year was RMB24.99 billion. The gross profit margin for the Year was 10.86%.

### Selling and Marketing Costs

During the Year, the Group's selling and marketing costs decreased by 81% to RMB6.07 billion from RMB31.95 billion in 2021, which was mainly due to the decrease in expenses arising from lower selling and marketing expenses as a result of the decrease in business volume during the Year.

### Administrative Expenses

During the year, the Group's administrative expenses decreased by 59.6% from RMB16.53 billion in 2021 to RMB6.68 billion for this Year. This was mainly due to the decrease in expenses as a result of the decrease in business volume during the Year.

### Finance Costs

The Group's finance costs for the Year amounted to RMB47.48 billion.

### Other Operating Expenses

The Group's other losses, net for the Year amounted to RMB10.14 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Incomes

Other income for the Year amounted to RMB1.99 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 Year was RMB43.39 billion.

### III. NON-OPERATING LOSSES FOR THE YEAR

#### Impairment of Completed Properties Held for Sale and Properties under Development

Provision for impairment of inventories during the Year amounted to RMB1.69 billion, which was mainly due to the generally unfavorable market conditions. The Group will update its value of inventories on a regular basis and believes that the corresponding value may rebound if market conditions improve.

#### Fair Value Gain on Investment Properties, net

Fair value gain on the Group's investment properties during the Year amounted to RMB1.81 billion. The Group's investment properties mainly comprised commercial podiums and offices in living communities with a total gross floor area of approximately 4.53 million square meters and approximately 184,000 car parking spaces.

#### Impairment Losses on Financial Assets

During the Year, impairment of financial assets amounted to RMB12.38 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 Year amounted to RMB57.11 billion, which was due to losses related to return of lands, losses on investments in associates and joint ventures and other losses.

### 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 27.3% 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 Year, the RMB depreciated against the US dollar and HK dollar. During the Year, the Group recorded an exchange loss of RMB9.59 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 31 December 2022, the Group had total cash and cash equivalents and restricted cash of RMB14.31 billion. In addition, cash amounting to RMB36.43 billion has been placed under the centralised supervision of designated accounts and included in other receivables.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT LITIGATION

As at 31 December 2022, the number of pending litigation cases of the Company with a subject amount of RMB30 million or more totalled 1,519 cases, and the total subject amount thereof amounted to approximately RMB395.396 billion.

## Contingent Liability

Up to the date of this report, various parties have filed litigations 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 litigations on the consolidated financial statements for the year ended 31 December 2022 and accrued provision on the consolidated financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage. As at 31 December 2022, the Group had material contingent liabilities of approximately RMB46.78 billion (year ended 31 December 2021: RMB9.24 billion).

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

### Cooperation with Everbright Trust and Minmetals Trust

On 25 February 2022, the Group entered into a cooperation agreement with Everbright Trust and Minmetals in relation to the disposal of the Group's relevant equity interests in four projects to them, whereby the trust institutions will take over the operation and management of the project companies, make capital contribution to the project companies to ensure the subsequent development and construction of the projects and the delivery of properties, and the Group has the right to exercise the right to repurchase such equity interests. Through the cooperation with the trust institutions, the Group will be able to recover part of its initial capital contribution made to the projects of approximately RMB1.95 billion.

## Disposal of the Crystal City Project

On 29 March 2022, the Group entered into an agreement with 浙江省浙建房地產集團有限公司 (Zhejiang Zhejian Real Estate Group Co., Ltd.) ("Zhejian Real Estate") and 浙江省建工集團有限責任公司 (Zhejiang Construction Engineering Group Co., Ltd.) ("Construction Engineering Group") for the disposal of 100% interest in the Crystal City Project for a total consideration of RMB3,660,291,200.

## Disposal of City Light Plaza Project

On 26 May 2022, the Group entered into an agreement with Zhejian Real Estate and Construction Engineering Group for the disposal of 100% interest in the City Light Plaza Project for a total consideration of RMB1,347,783,100.

## Return of the Land Use Right of the Guangzhou Evergrande Football Stadium

On 3 August 2022, the Group entered into a cancellation agreement with the Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) for the return of the land use rights of the land designated for the sports facilities and industrial use comprising four land parcels located in Xie Village, Panyu District, Guangzhou City. Guangzhou Municipal Planning and Natural Resources Bureau paid for such transfer a total amount of RMB5,520,198,158 as refund of the transfer price into a designated project escrow account.

## Sale of Assets by Receivers

The Company has been notified by the receivers that certain equity interests and intra-Group liabilities of the Company's subsidiaries holding a plot of undeveloped land in Yuen Long, Hong Kong have been sold by the receivers for US\$636,942,675.16.

## Disposal of Commercial Land in Shenzhen

On 26 November 2022, the Group entered into an agreement with 深圳市安和一號房地產開發有限公司 (Shenzhen Anhe No. 1 Property Development Co., Ltd.) for the disposal of a piece of commercial land in Shenzhen for a total consideration of RMB7,543,203,600.

Save as disclosed above, the Group has no other material investments nor material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES

In 2022, the Company will continue to strengthen its workforce and adopt various measures such as streamlining of organizations and consolidation of positions to maximize cost reduction and enhance efficiency. The Company's substantive controllers and core management have led the entire Group in unity and made diligent effort with a large number of cadres being deployed to the frontline of implementation of projects so as to ensure the delivery of properties.

As at 31 December 2022, the Group had a total of 102,910 employees (including 4,506 employees of Evergrande Auto (708.HK) and 72,076 employees of Evergrande Property Services (6666.HK)), and the number of employees in property development or construction reduced by 36.9% as compared to the end of 2021.

For the year ended 31 December 2022, the Group's total staff costs (including directors' remuneration) amounted to approximately RMB4.63 billion (for the year ended 31 December 2021: approximately RMB14.07 billion).

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## EXECUTIVE DIRECTOR

**Hui Ka Yan (許家印)**, aged 64, Chairman of the Board of the Group, Chairman of the real estate group. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 36 years of experience in real estate investment, property development and corporate management. Professor Hui is the vice president of China Enterprise Confederation and China Enterprise Directors Associations and was a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of the standing committee of the 12th and 13th National Committee, vice-chairmen of B20 China Business Council, vice president of APEC China Business Council and also the vice-chairman of the China Real Estate Association. He won "Top 100 Private Entrepreneurs in the 40th Anniversary of China's Reform and Opening-up", "China National Award for Fighting against Poverty", "China National Model Worker", "Excellent Builder for the Socialist Cause with Chinese Characteristics", and other national honors. He graduated from Wuhan University of Science and Technology in 1982. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

**Siu Shawn (肖恩)**, aged 52, is our executive director and the president of the Group. Mr. Siu is also an executive director and the chairman of the board of China Evergrande New Energy Vehicle Group Limited (stock code: 00708). Mr. Siu joined us in November 2013 and has served as an executive vice president and executive president of the Company, chairman of Evergrande Tourism Group Company Limited (恒大旅遊集團有限公司) and chairman of Evergrande New Energy Vehicle Group. Mr. Siu has over 30 years of extensive experience in corporate management and business operations. Mr. Siu graduated from Beijing Normal University with a Bachelor's degree in Literature and later obtained a Master's degree in Economic Law from Southwest University of Political Science and Law.

**Shi Junping (史俊平)**, aged 39, our executive Director and executive vice president of the Group as well as the chairman of Fangchebao Group (房車寶集團) and is responsible for management of capital financing and Fangchebao Group. Mr. Shi has over 17 years of experience in management for property development and brand image strategic operations for multiple industries, including real estate and finance. Mr. Shi joined the Group in 2006, and has a bachelor of arts degree and a bachelor of laws degree, and a master's degree in engineering management.

**Liu Zhen (劉振)**, aged 36, is our Executive Director and the vice president of the Group and is responsible for the Group's legal affairs management and supervisory management. Mr. Liu has nearly 12 years of management experience in property development and operation, investment, capital operation and legal affairs. Mr. Liu joined us in July 2011 and has served as the chairman of Evergrande Real Estate Group Xinjiang Company and the vice president of China Evergrande New Energy Vehicle Group Limited. Mr. Liu graduated from Sun Yat-sen University in July 2011 with a bachelor's degree.

**Qian Cheng (錢程)**, aged 36, is our Executive Director, chief financial officer and vice president of the Group, responsible for financial management. Mr. Qian joined us in July 2008, and has 15 years of experience in financial management. He has served in various financial management position. Mr. Qian graduated from Jilin University with a bachelor's degree in accounting in July 2008.

## DIRECTORS AND ADMINISTRATIVE STRUCTURE

### NON-EXECUTIVE DIRECTOR

**Liang Senlin (梁森林)**, aged 58, has over 30 years of experience in banking and assets management. Mr. Liang joined China Cinda Asset Management Co., Ltd. in 2018 and has been the chairman of China Cinda (HK) Holdings Company Limited (“Cinda HK”) since May 2019. Cinda HK is a wholly owned subsidiary of China Cinda Asset Management Co., Ltd., and is principally engaged in domestic and foreign non-performing assets investment, equity investment, mezzanine investments, debt investments and securities investments, medium and long-term bonds issuance, high quality assets and structured fixed income products and cross-border financial services. Mr. Liang worked with China Orient Asset Management Co. Ltd. between 2000 and 2018 and held various senior management positions in investment management and risk management. Between 1990 and 2000, Mr. Liang held various management positions with Bank of China Shaanxi Branch. Mr. Liang is currently the deputy chairman of Chinese Financial Association of Hong Kong.

Mr. Liang graduated from Zhejiang University with a bachelor's degree and obtained a master's degree in technology economics from the Xi'an Jiaotong University.

Mr. Liang did not hold any other directorships in any other listed companies in the past three years.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Chau Shing Yim, David (周承炎)**, aged 59, has over 30 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms, Mr. Chau was a key member who found their corporate finance division and held the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants in England and Wales (“ICAEW”), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Senior Fellow and an ex-director of the Hong Kong Securities and Investment Institute and the ex-chairman of China Committee and Corporate Committee. Mr. Chau is the member of Pamela Youde Nethersole Eastern Hospital (“PYNEH”) Fund Raising Committee and also ex-member of Hospital Governing Committee and PYNEH Charitable Trust.

Mr. Chau is currently an independent non-executive director and audit committee chairman of BC Technology Group Limited (stock code: 863), China Evergrande Group (stock code: 3333), China Evergrande New Energy Vehicle Group Limited (stock code: 708), China Ruyi Holdings Limited (stock code: 136), Productive Technologies Company Limited (stock code: 650), Lee & Man Paper Manufacturing Limited (stock code: 2314) and Man Wah Holdings Limited (stock code: 1999). All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

**He Qi (何琦)**, aged 65, is our independent non-executive director. Mr. He was elected an independent non-executive director on 14 October 2009. Mr. He is the secretary of Circulation and Leasing Committee of China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji'an City of Jiangxi Province from 1999 to 2001. Mr. He is an independent non-executive director of China Merchants Land Limited and Orient Victory Travel Group Company Limited. Both companies are listed on the Stock Exchange of Hong Kong.

## DIRECTORS AND ADMINISTRATIVE STRUCTURE

**Xie Hongxi (謝紅希)**, aged 64, is our independent non-executive director. Ms. Xie is currently the deputy director, senior engineer and master degree instructor at the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked at the Guangzhou Non-ferrous Metal Research Institute, chaired or participated in a number of major research projects, and was previously awarded the National Science and Technology Progress Award and the Science and Technology Achievement Award. Since 2002, she has been teaching at the South China University of Technology, engaging in operations management, teaching experimental studies at the undergraduate level and conducting research in the direction of metal surface technology. She has won provincial level awards, the university teaching achievement award and the outstanding teaching award.

## SENIOR MANAGEMENT OF THE GROUP

**Liang Weikang (梁偉康)**, aged 54, is our executive vice president and is responsible for the Group's resumption of construction and tasks to ensure the delivery of properties and the management of project development and construction, bidding and budgeting. He has served as the chairman of Evergrande Real Estate Group Shenyang Company and executive vice president of Evergrande Real Estate Group. Mr. Liang has over 31 years of experience in engineering project construction and management and holds a bachelor's degree in civil engineering structure and a master's degree in project management.

**Tan Zhaojun (談朝暉)**, aged 55, is our executive vice president and has served as the chairman of Evergrande Real Estate Group Jinan Company, the chairman of Evergrande Health Group and the vice president of Evergrande Group. Ms. Tan has nearly 34 years of experience in capital operations, project development and operations management. She holds a bachelor's degree in engineering and civil engineering.

**Liu Xuefei (劉雪飛)**, aged 47, is our vice president and is responsible for marketing management and after-sales service management of the Group's real estate projects. Ms. Liu has nearly 26 years of experience in marketing planning and management. She holds a master's degree in business administration from Sun Yat-sen University.

**Li Siquan (李四泉)**, aged 39, is our vice president and chairman of Evergrande Real Estate Group Inner Mongolia Company and is responsible for the Group's investment and co-operation management, commercial management and the management of Evergrande Real Estate Group Inner Mongolia Company. Mr. Li has nearly 17 years of experience in project investment, development and construction and operation management and holds a bachelor's degree in engineering management and a master's degree in project management.

**Huang Xiangui (黃賢貴)**, aged 52, is our vice president and general manager of Hong Kong Company and is responsible for the management of affairs in Hong Kong. Mr. Huang has nearly 27 years of experience in capital operation and investment management and graduated from Harbin Engineering University and the University of Stirling and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively.

# CORPORATE GOVERNANCE REPORT

The Company recognises the value and importance of achieving high corporate governance standards consistently to the enhancement on corporate performance and accountability. The board (the "Board") of directors (the "Director(s)") of the Company is committed to abide by principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, risk management, fair disclosure and accountability to the shareholders of the Company, except for the following deviation from the Corporate Governance Code.

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. The Company has not held an annual general meeting since 11 June 2021. Accordingly, none of the Directors retired at the annual general meeting nor re-elected by the Shareholders. The Company will hold an annual general meeting at which the Directors will retire and offer themselves for re-election. Due to the delay in publication of the audited results, the trading in the shares of the Company on the The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 21 March 2022.

The Company did not hold any annual general meetings for the year ended 31 December 2022.

Save for the above deviation, the Directors are of the view that the Company has been conducting its business according to the principles of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2022.

For the year ended 31 December 2022, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and considers them effective and adequate.

## BOARD OF DIRECTORS

### Composition of the Board

During the year ended 31 December 2022 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

### Executive Directors

Professor Hui Ka Yan

Mr. Siu Shawn (appointed on 23 January 2022)

Mr. Shi Junping

Mr. Liu Zhen (appointed on 22 July 2022)

Mr. Qian Cheng (appointed on 22 July 2022)

Mr. Xia Haijun (resigned on 22 July 2022)

Mr. Pan Darong (resigned on 22 July 2022)

Mr. Lai Lixin (resigned on 23 January 2022)

Mr. Huang Xiangui (resigned on 23 January 2022)

### Non-Executive Directors

Mr. Liang Senlin (appointed on 23 January 2022)

### Independent Non-Executive Directors

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

Biographical details of the current members of the Board are set out on page 12 to page 14 of this annual report. Save for being members of the Board, each of the Directors is independent and not related to one another.

As at the date of this annual report, each of the executive Directors and the non-executive Director has entered into a service contract with the Company for a period of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company (the "Articles"). In accordance with the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

# CORPORATE GOVERNANCE REPORT

## Independence

The Company has established mechanisms to ensure independent views and input are available to the Board. Directors may seek independent professional advice, at the Company's expense, where appropriate, upon reasonable request. The Board and individual Directors should have their own access to the senior management of the Company to access information and make enquiries about the Company. The Board shall review the implementation and effectiveness of such mechanisms on annual basis. The Board has completed the evaluation for the year ended 31 December 2022. The Board considered that the implementation of the mechanism was effective.

During the year and up to the date of this report, the Company had at least three independent non-executive Directors. Amongst the independent non-executive Directors, at least one of whom had appropriate financial management expertise.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

## Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer ("CEO") of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision C.2.1 during the period under review with Professor Hui Ka Yan being the chairman and Mr. Siu Shawn being the CEO of the Company, respectively.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2022, the Directors reviewed the overall effectiveness of the internal control and risk management systems of the Group. An internal audit department has been established to perform regular financial and operational reviews and conduct audit and risk management assessment on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls and risk management systems are in place and function properly as planned.

The external auditors will report to the Company on the weakness in the Group's internal control and accounting procedures which have come to their attention during the course of their audit work.

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications.

5 board meetings were convened by the Company during the year ended 31 December 2022. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

## CORPORATE GOVERNANCE REPORT

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2022 is set out below:

| Director                  | Number of meetings attended/ |                       |
|---------------------------|------------------------------|-----------------------|
|                           | Annual Meeting               | General Board Meeting |
| Professor Hui Ka Yan      | 0/0                          | 5/5                   |
| Dr. Xia Haijun (Note)     | 0/0                          | 3/3                   |
| Mr. Siu Shawn (Note)      | 0/0                          | 5/5                   |
| Mr. Shi Junping           | 0/0                          | 5/5                   |
| Mr. Pan Darong (Note)     | 0/0                          | 3/3                   |
| Mr. Liu Zhen (Note)       | 0/0                          | 2/2                   |
| Mr. Qian Cheng (Note)     | 0/0                          | 2/2                   |
| Mr. Lai Lixin (Note)      | 0/0                          | 0/0                   |
| Mr. Huang Xiangui (Note)  | 0/0                          | 0/0                   |
| Mr. Liang Senlin (Note)   | 0/0                          | 5/5                   |
| Mr. Chau Shing Yim, David | 0/0                          | 5/5                   |
| Mr. He Qi                 | 0/0                          | 5/5                   |
| Ms. Xie Hongxi            | 0/0                          | 5/5                   |

Note: On 23 January 2022, Mr. Lai Lixin and Mr. Huang Xiangui resigned as executive Directors, Mr. Siu Shawn was appointed as executive Director, Mr. Liang Senlin was appointed as non-executive Director. On 22 July 2022, Mr. Xia Haijun and Mr. Pan Darong resigned as executive Directors, Mr. Liu Zhen and Mr. Qian Cheng were appointed as executive Directors.

### Committees of the Board

The Company has set up the audit committee, remuneration committee and nomination committee in respect of the Board.

### Directors' Training

During the year under review, all of the Directors of the Company have attended continuous professional development training sessions in compliance with Code Provision C.1.4 of the Corporate Governance Code.

The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

### AUDIT COMMITTEE

The audit committee comprised three members, namely Mr. Chau Shing Yim, David, chairman of the committee, Mr. He Qi and Ms. Xie Hongxi, who were all independent non executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in the code provision D.3.3 of the Corporate Governance Code. The audit committee is principally responsible for the following duties, *inter alia*:

- to provide recommendations on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;
- to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;
- to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;

# CORPORATE GOVERNANCE REPORT

- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;
- to review the financial control, internal control and risk management systems of the Company;
- to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;
- to review the financial and accounting policies and practices of the Group; and
- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

No meetings of the audit committee were held during the year to review the Group's 2021 annual results and 2022 interim results. On 26 January 2023, PricewaterhouseCoopers ("PwC") has resigned as the Company's auditor at the recommendation of the Board and the audit committee. The audit committee has recommended the Board in relation to the appointment of Prism Hong Kong and Shanghai Limited ("Prism") as the Company's external auditor for the financial year ending 31 December 2022.

For the year ended 31 December 2022, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB38 million. For the year ended 31 December 2022, the emolument of the external auditor of the company for non-audit services amounted to RMB15 million.

## REMUNERATION COMMITTEE

The remuneration committee's terms of reference were basically the same as those set forth in code provision E.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non-executive Directors. For the year ended 31 December 2022, the members of the remuneration committee included Professor Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;
- to determine the specific remuneration packages of all executive Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;
- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

## CORPORATE GOVERNANCE REPORT

2 meeting was convened by the remuneration committee for the year ended 31 December 2022 to review the remuneration of the directors and all the committee members attended the meetings.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Duties of the Board and the Management

The Board is responsible for the risk management and internal controls system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, and monitoring the establishment and maintenances of appropriate and effective risk management and internal controls system. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Sound risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

#### Risk Management

##### 1. Enhancement in risk management system and structure

Based on the latest group organizational structure and measures in the previous year, China Evergrande Group continued to improve the risk management system structure at the group level to guide the risk assessment activities of various segments and ongoing risk monitoring activities through the following measures:

- **Reiterated the risk management organizational structure** — An organizational structure with the Audit Committee of China Evergrande Group as the decision-maker, the leading officers groups and management of various business segments of the Company as the execution unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

The Company adopts a risk management system which manages the risk associated with its strategic, financial, operations, compliance and significant environmental, social and governance (“ESG”) issues. The system comprises the following phases:

- **Phase 1** — Identify ownership of risks, business objectives and risks that could affect the achievement of objectives
- **Phase 2** — Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly
- **Phase 3** — Consider the risk responses and ensure effective communication to the Board
- **Phase 4** — On-going monitor the residual risks

# CORPORATE GOVERNANCE REPORT

Major roles and responsibilities under the risk management system are set out below:

| Role  | Major Responsibility   |
|---|--|
| The Board<br>(the decision-making party)  | <ul style="list-style-type: none"> <li>Evaluates and determines the nature and acceptable extent of risks so as to ensure that the strategic objectives can be achieved;</li> <li>Ensures the establishment and maintenance of effective risk management and internal control system;</li> <li>Supervises the management in designing, implementing and supervising the risk management and internal control system;</li> </ul>  |
| The Audit Committee<br>(the decision-making party)  | <ul style="list-style-type: none"> <li>Reviews the structure of risk management and monitors its effectiveness on a continuous basis, and reviews the fundamental risk management system;</li> <li>Supervises the management in designing, implementing and supervising the risk management and internal control system;</li> <li>Monitors the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen and emergent outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition;</li> </ul> |
| Senior management of<br>the Group<br>(the leader)   | <ul style="list-style-type: none"> <li>Facilitates the establishment of risk management system, and reviews the policy and mechanism in relation to the risk management on regular basis;</li> <li>Designs, implements and supervises the risk management of the Group, reports matters in relation to risk management to the Audit Committee on a regular basis, and reports and discloses significant risk information to the Audit Committee;</li> <li>Confirms to the Audit Committee on whether the risk management system is effective or not;</li> </ul>  |
| Management of the<br>Group's headquarters and<br>the management of the<br>segments under the Group<br>(the execution party) | <ul style="list-style-type: none"> <li>Updates the risk exposure list of operations on a regular basis, and conducts relevant works such as risk identification and evaluation;</li> <li>Formulates and implements risk response plan for operations;</li> <li>Responsible for the execution and implementation of specific risk management measures;</li> <li>Monitors and controls various risk exposures in operations, and timely reports risk information to the coordinator and management of risk management matters;</li> <li>Conducts other works in relation to risk management;</li> </ul>  |
| Coordinator of risk<br>management matters   | <ul style="list-style-type: none"> <li>Organizes the commencement of risk identification and evaluation works;</li> <li>Organizes the preparation of regular risk evaluation reports and submits the results to the management of risk management matters;</li> <li>Organizes and coordinates risk management training and guidance;</li> </ul>  |
| Internal audit function   | <ul style="list-style-type: none"> <li>Acts as risk management supervisory institution, responsible for supervising and evaluating the risk management works conducted by the Group and its business segments.</li> </ul>  |

## CORPORATE GOVERNANCE REPORT

- Updated risk assessment criteria** — During the Year, based on the changes in the internal and external environment, the Group updated the risk assessment criteria applicable to each business segment according to the nature, business characteristics and strategic objectives of the Group and various activities of the business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives have also been assessed using commonly recognized assessment methods and assessment criteria.
- Refined and standardized the work flow for risk management work** — Based on the business operations, the Group continuously monitors and manages risk exposures through the risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, evaluation, response, operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates changes in risk exposure and timely adjusting response measures. During the Year, the Group reviewed, adjusted and improved the risk management procedures to improve the efficiency and standardization of its operations.
- Frequency of risk management review is refined and reiterated** — The frequency of evaluation and report on risk management of the Group has been refined and reiterated (at least once for every year). The aforesaid key elements standardized the format and frequency of report through the Risk Management Manual of China Evergrande Group.



(Figure 1: Risk Management Procedures)

# CORPORATE GOVERNANCE REPORT

## 2. Risk Evaluation Conducted by Various Segments of China Evergrande Group in 2022

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system of two major segments, namely real estate segment and insurance segment, in 2022, details of which include the following:

- Follow up on the implementation of risk management improvement measures of various important segments from last year's risk assessment**

During the Year, the management of the Group followed up on the implementation of the risk management improvement measures identified in prior year's risk assessment, as well as establishing a continuous risk management cycle which contains the process of "Risk assessment — Implementation the of the risk management procedures — Follow-up of the implementation of risk management measures — Risk management system ongoing monitoring" in order to ensure that the any risk management gaps are rectified and the ability to prevent and cope with risks is strengthened (for details, please refer to Figure 2: Risk assessment and management model).



(Figure 2: Management and Control Mode for Risk Management)

- Conduct a comprehensive review of risk management system of various important segments in 2022**

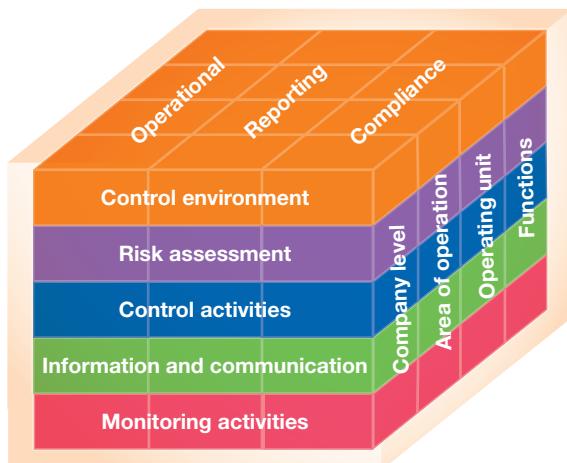
The management of various segments updated the risk assessment standards and risk database based on the external market environment, changes in the internal operation environment, business development and risk preferences. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks facing its business segments, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered the risk management systems is effective and sufficient.

## CORPORATE GOVERNANCE REPORT

### Internal Control

#### 1. Enhancement of the Internal Control Framework

China Evergrande Group has established its own internal control system by making reference to the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to figure 3: COSO Internal Control — Integrated Framework). The Group's risk management system consists of five interdependent elements, which coordinates with each other and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Figure 3: COSO Internal Control — Integrated Framework)

The internal control system of China Evergrande Group, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and other departments have designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

#### 2. Internal Audit

China Evergrande Group has in place internal audit functions. The management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal controls review, which are followed up on by the Supervision Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

### Review of Risk Management and Internal Control System

The Board of China Evergrande Group had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2022. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks and the capability of the Group in handling business and external environment changes. Although effective risk management and internal control measures were in place, the Board admitted the existence of certain internal control deficiencies found in independent investigations and has implemented rectification arrangements.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, risk management, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

References are made to the announcements of the Company dated 21 March 2022, 29 March 2022, 22 July 2022 and 15 February 2023 regarding the enforcement of the deposits pledge of Evergrande Property Services (a subsidiary of the Company) of approximately RMB13.4 billion by the relevant Banks (the "Pledge"). The Board of the Company has established an independent investigation committee (the "Independent Committee") to conduct an independent investigation on the Pledge. The Independent

## CORPORATE GOVERNANCE REPORT

Committee stated in the findings of the independent investigation that the Pledge reflects the deficiencies in the Group's internal control system. Please refer to the announcement of the Company dated 15 February 2023 for a summary of such deficiencies.

In view of the potential internal control problems in the Group, the Independent Committee recommended that:

- (i) The Company should progress the appointment of an internal control adviser to conduct a comprehensive Group-wide internal controls assessment and provide detailed recommendations for internal control enhancements to the Board. The Company should then implement such enhancements recommended by the internal control adviser at the earliest practicable time. The Independent Committee considers that the appointment of an internal control adviser is also necessary for the purpose of supporting the external audit process and preparation of the Company's interim and annual reports for the financial year 2022/23.
- (ii) At the Company level, one of the ways to improve internal control is for the Company to monitor compliance by its subsidiaries with applicable laws and regulations and the Listing Rules through regular reporting of compliance issues, particularly in respect of intended and actual intra-Group transactions involving listed subsidiaries and their respective group companies. The Company and its individual Directors should also take into account the compliance requirements of its listed subsidiaries when making business decisions.
- (iii) As part of the overall internal control improvement, the Company shall re-examine the agreement and practice on the use of personal and company chops to ensure that the requests for use of chop by any entity of the Group (or any listed subsidiary) are independently considered and approved by the authorized approvers or senior management. Without the express approval of any authorized approver, the chop should not be used despite the approval by other persons within the Group (including senior management at the Group level).
- (iv) Authorized approvers responsible for approving transactions should have regard to the relevant facts and circumstances and consider whether the particular transaction is in the Company's best interest. Where there is doubt and potential risk of undue influence from another party (whether within or outside the Group), the matter should be escalated internally to the Board.
- (v) The Company should designate a department to be responsible for monitoring projects and transactions at the Company/Group level for their compliance with the Listing Rules. As the Directors have a collective obligation to ensure Listing Rules compliance, which is a duty that cannot be entirely delegated to other parties, the Board should ensure that mechanisms are in place to enable the Company to readily identify relevant project and transactions that have compliance requirements, so that steps can be properly taken to meet such requirements. The Independent Committee considers this to be a necessary part of introducing a cultural change within the Company and the Group towards a greater focus on regulatory compliance and ensuring that management at all levels of the hierarchy discharge their obligations.
- (vi) The Company should provide additional training to senior managers and other key staff to ensure that they have a firm understanding of their obligations and the obligations of the Group entities. In particular, for listed subsidiaries, the relevant staff must attend training to ensure they are fully aware of all applicable regulatory and Listing Rules requirements so that they are able to take independent steps to ensure compliance. Directors of listed entities within the Group must also be fully aware of their directors' duties and the requirements for compliance with the Listing Rules.
- (vii) Timely complete the settlement of the compensation for the losses of Evergrande Property Services caused by the Banks' enforcement of the Pledge in order to remedy the violations of such arrangement involving Evergrande Property Services.

## CORPORATE GOVERNANCE REPORT

### FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

### NOMINATION COMMITTEE

The nomination committee's terms of reference were basically the same as those set forth in code provision B.3.1 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2022, the members of the nomination committee included Professor Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

- to review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board on a regular basis, and make recommendations and suggestions to the Board on any proposed changes;
- to identify individuals with suitable qualifications and diversity to serve as members of the Board, and select and nominate the relevant persons to serve as Directors or make recommendations and suggestions to the Board in this regard;
- to appraise the independence of the independent non-executive Directors in accordance with the provisions of applicable laws, regulations and rules; and

- to make recommendations and suggestions to the Board regarding the appointment and re-appointment of Directors by the Company and succession plan for Directors (especially the chairman and CEO, if any, of the Company).

In the nomination of a new Director to the Board, the Nomination Committee will consider potential new candidates openly from time to time having regard to the strategic needs of the Company and the Board. The potential pool of candidates include (but without limitation) local and overseas academia, Hong Kong and overseas listed companies directors, executives and experts in the relevant fields.

The Nomination Committee will consider the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity, and make recommendations to the Board as appropriate.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Board currently consists of nine Directors, of whom one is female and eight are male, aged between 36 and 65. By reference to the qualifications, work experience and background of the Directors, the Board considers that it has achieved diversity in terms of gender, age, educational background, industry experience and professional experience. The Board aims to maintain at least the current proportion of female members. The Company will ensure that gender diversity is taken into account in the recruitment of middle and senior management and that sufficient resources are available to provide appropriate training and functional development to maintain gender diversity in the pipeline of potential successors to the Board. The gender ratio in the Group's workforce as at 31 December 2022 is 39.5% (female): 60.5% (male). The Company has been taking, and will continue to take, steps to promote gender diversity across the workforce, with the ultimate goal of achieving gender parity. During the year ended 31 December 2022, the Board has not been made aware of any factor or circumstance that make it more challenging or less relevant for staff, including senior management, to achieve gender diversity.

# CORPORATE GOVERNANCE REPORT

The Board and the Nomination Committee review the Board Diversity Policy at least annually to ensure the continued effectiveness of the Board.

During the year ended 31 December 2022, 2 meeting was convened by the nomination committee to consider the composition of the Board and all the committee members attended the meetings.

## SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2022.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

As disclosed in Note 2(a)(i) to the financial statements, certain conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have 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. In their opinion, in view of the plans and measures as disclosed in Note 2(a)(i) to the financial statements, 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 31 December 2022. Accordingly, the Directors consider that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate.

Save as disclosed above, the Directors were not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

## DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into consideration the Group's distributable profits generated during the year, the financial situation and liquidity of the Group, the investment needs and the retained profits that should be set aside for future development purposes. While sharing the profit with shareholders, the Company will also maintain sufficient reserves to meet its liabilities and to ensure the implementation of the Group's strategy for future development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong, the articles of association of the Company and the terms of debt documents.

## AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the Company has not amended its memorandum of association or its articles of association.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Company has received, from each of Xin Xin (BVI) Limited and Professor Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has complied with the Deed for the year ended 31 December 2022.

## CORPORATE GOVERNANCE REPORT

### WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES

The Company is committed to high standard of openness, probity and ethical business practices. A whistleblowing policy and system has been adopted to ensure employees and those who deal with the company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company. The identity of the whistleblower will be treated with the strictest confidential.

The Company also takes a zero-tolerance approach towards all forms of bribery and corruption and is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality and transparency in all its business dealings at all times. The Company has adopted an anti-corruption policy, with a view to promoting and reinforcing compliance with anti-corruption laws and regulations.

### SHAREHOLDERS' RIGHTS

Right to convene an extraordinary general meeting ("EGM") (including the right of making proposals/moving resolutions at the EGM).

Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving resolutions at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 15/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board has not notified the Eligible Shareholders and fails to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such meeting shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

### RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at 15/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated).

The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director. The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for the election of Directors of the Company and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company (the "Nomination Committee") and the Board of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDER COMMUNICATION POLICY

The Company has established a shareholder communication policy to ensure that shareholders have equal and timely access to corporate information. Corporate information will be communicated to shareholders through the Company's corporate communications, annual general meetings and other general meetings that may be held, as well as disclosures filed with the Stock Exchange. Shareholders may access information published by the Company through the Stock Exchange's website ([www.hkexnews.com](http://www.hkexnews.com)) or the Investor Relations section of the Company's website (<http://www.evergrande.com>). Shareholders may also make enquiries to the Company and provide comments and suggestions to the Board through the channels mentioned in the "Investor Relations" section below. The Company will respond to shareholders' enquiries as soon as practicable after receipt. Based on the above, the Board considers that the Company's shareholder communication policy remained effective during the year.

## DISCLAIMERS

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

## INVESTOR RELATIONS

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors.

During the year under review, the Company has disclosed information about the Company and notifiable transactions by way of announcement.

The Board has reviewed the implementation and effectiveness of the Shareholder Communication Policy during the Year. During the year ended 31 December 2022, no annual general meeting of the Company was held.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9229

By post: 15/F, YF Life Centre,  
38 Gloucester Road, Wanchai, Hong Kong

By email: [evergrandeir@evergrande.com](mailto:evergrandeir@evergrande.com)

# REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2022 of the Group.

## MAJOR BUSINESS

The Group is a developer of large scale quality residential property projects to manage projects in different cities across China. The Group is also engaged in other businesses including property management services and research and development and manufacturing of new energy vehicles. The analysis of the revenue of the Group during the year is set out in Note 5 to the financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2022 are provided in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this annual report.

A analysis of the Group's performance during the year ended 31 December 2022 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

## FINANCIAL STATEMENTS

The results of the Group during the year are set out in the consolidated statement of profit or loss and other comprehensive income. The financial position of the Group as at 31 December 2022 is set out in the consolidated statement of financial position. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

## CAPITAL

The changes in the capital of the Group during the year are set out in Note 20 to the financial statements.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

## RESERVE

The Company's reserves available for distribution represent the share premium, other reserves and retained earnings. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of the Memorandum and Articles of Association of the Company and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

No reserves of the Company were available for distribution to Shareholders as at 31 December 2022.

## PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in Note 6 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

The percentage of turnover attributable to the Group's five largest customers in aggregate was less than 30% of the Group's total turnover.

The Company was not aware of any of the Directors or their connected persons and shareholders holding over 5% of the interest in the share capital of the Company having any interest in the above suppliers and customers.

# REPORT OF THE BOARD OF DIRECTORS

## RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

## DIRECTORS

The Directors in office during the year and as of the date of this report are as follows:

### Executive Directors

Professor Hui Ka Yan  
Mr. Siu Shawn (appointed on 23 January 2022)  
Mr. Shi Junping  
Mr. Liu Zhen (appointed on 22 July 2022)  
Mr. Qian Cheng (appointed on 22 July 2022)  
Mr. Xia Haijun (resigned on 22 July 2022)  
Mr. Pan Darong (resigned on 22 July 2022)  
Mr. Lai Lixin (resigned on 23 January 2022)  
Mr. Huang Xiangui (resigned on 23 January 2022)

### Non-Executive Director

Mr. Liang Senlin (appointed on 23 January 2022)

### Independent Non-Executive Directors

Mr. Chau Shing Yim, David  
Mr. He Qi  
Ms. Xie Hongxi

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Administrative Structure" of this report.

Pursuant to Article 16.18 of the Articles, Professor Hui Ka Yan, Mr. Shi Junping and Mr. Chau Shing Yim will retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

Pursuant to Article 16.2 of the Articles, Mr. Siu Shawn, Mr. Liu Zhen, Mr. Qian Cheng and Mr. Liang Senlin, will only hold office until the next following annual general meeting of the Company. Accordingly, Mr. Siu, Mr. Liu, Mr. Qian and Mr. Liang will also retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

## SERVICE CONTRACTS OF DIRECTORS

There was no service contract that cannot be terminated by the Company without compensation (other than statutory compensation) within one year, entered into by the Company with any Directors proposed to be re-elected in the forthcoming AGM of the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

There was no significant contract with any member of the Group being a party therein and in which the Directors of the Company had direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

## REPORT OF THE BOARD OF DIRECTORS

### DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group. Xin Xin (BVI) Limited is beneficially owned by our chairman, Professor Hui Ka Yan, who is the controlling shareholder of the Company. The controlling shareholders have provided annual confirmation of their compliance with the deed of non-competition undertaken by them. The independent non-executive Directors have reviewed whether the controlling shareholders abided by the non-competition undertaking and confirmed that no controlling shareholder had violated the non-competition undertaking given by them.

### SHARE OPTION SCHEMES

On 14 October 2009, the Company adopted a share option scheme (the “2009 Share Option Scheme”) whereby the Board can grant options for the subscription of the shares of the Company to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the “Participants”) as described in the 2009 Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

The number of Shares in respect of the options that may be granted according to the 2009 Share Option Scheme shall not exceed 10% of the total number of issued Shares of the Company immediately after completion of the Global Offering (as defined in the prospectus) of the Company. Such scheme mandate limit was refreshed on 3 October 2017, and on 8 June 2018, the shareholders of the Company again resolved to refresh the scheme mandate limit of the 2009 Share Option Scheme to 1,317,838,890 Shares, representing 10% of the total number of shares of the Company in issue on the date of the passing of the resolution to refresh such mandate limit and 9.98% of the total number of shares of the Company in issue on the date of this annual report.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted.

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted.

Other details of the 2009 Share Option Scheme are set out in appendix VIII – Statutory and General Information of the prospectus published by the Company on 22 October 2009.

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The Company refreshed the scheme mandate limit at the extraordinary general meeting held on 3 October 2017 and on 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant.

## REPORT OF THE BOARD OF DIRECTORS

As the 2009 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 6 June 2019 to adopt a new share option scheme (the "Share Option Scheme") with largely similar terms as that of the 2009 Share Option Scheme. Upon the adoption of the Share Option Scheme on 6 June 2019, the 2009 Share Option Scheme was cancelled. Options that have been granted under the 2009 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include full-time or part-time employees, directors, members of the management, advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group.

Based on 13,127,834,900 Shares in issue as at the date of the annual general meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 1,312,783,490 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme and 9.94% of the total number of shares of the Company in issue as at the date of this annual report.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option.

Options may be exercised in accordance with the terms of the Share Option Scheme within the relevant option period. Such period shall be determined by the Board at its absolute discretion and notified to the relevant grantee, provided that such period shall not exceed 10 years from the date on which an option is deemed to have been granted and accepted by the grantee under the Share Option Scheme.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of HK\$1.00 as consideration for the grant thereof is received by the Company within 30 days of the offer date.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

The Share Option Scheme is valid and effective for a period of ten years from its date of adoption until 5 June 2029. As at the date of this annual report, the remaining term of the Share Option Scheme is approximately 5 years and 10 months.

## REPORT OF THE BOARD OF DIRECTORS

On 24 April 2020, the Company granted options to certain participants to subscribe for an aggregate of 623,000,000 Shares, representing approximately 4.70% of the total number of Shares in issue as at the date of grant.

The details of movement in the options granted under the Share Option Scheme of the Company for the year ended 31 December 2022 are as follows:

| Grantees  | Date of grant                   | Exercise price<br>(HK\$) | Outstanding as at |                       | Number of share options<br>Cancelled |                   |                   | Outstanding as at<br>31 December<br>2022 |
|---|---------------------------------|--------------------------|-------------------|-----------------------|--------------------------------------|-------------------|-------------------|--|
|   |                                 |                          | Exercise period   | 1 January 2022        | Granted                              | Exercised         | Lapsed            |  |
|   |                                 |                          |                   |                       | during the period                    | during the period | during the period |  |
| Siu Shawn   | 6 October 2017<br>24 April 2020 | 30.20<br>13.112          | Note 2<br>Note 3  | 600,000<br>20,000,000 | N/A                                  | N/A               | N/A               | 600,000                                  |
| Shi Junping                                       | 6 October 2017                  | 30.20                    | Note 2            | 500,000               | N/A                                  | N/A               | N/A               | 500,000                                  |
|   | 24 April 2020                   | 13.112                   | Note 3            | 6,000,000             | N/A                                  | N/A               | N/A               | 6,000,000                                |
| Liu Zhen  | 6 October 2017                  | 30.20                    | Note 2            | 400,000               | N/A                                  | N/A               | N/A               | 400,000                                  |
|   | 24 April 2020                   | 13.112                   | Note 3            | 3,000,000             | N/A                                  | N/A               | N/A               | 3,000,000                                |
| Qian Cheng  | 6 October 2017                  | 30.20                    | Note 2            | 200,000               | N/A                                  | N/A               | N/A               | 200,000                                  |
|   | 24 April 2020                   | 13.112                   | Note 3            | 3,000,000             | N/A                                  | N/A               | N/A               | 3,000,000                                |
| Other employees of<br>the Group<br>(in aggregate) | 9 October 2014                  | 3.05                     | Note 1            | 5,391,000             | N/A                                  | N/A               | 4,591,000         | 800,000                                  |
|   | 6 October 2017                  | 30.20                    | Note 2            | 357,404,000           | N/A                                  | N/A               | 52,915,000        | 304,489,000                              |
|   | 24 April 2020                   | 13.112                   | Note 3            | 381,860,000           | N/A                                  | N/A               | 62,900,000        | 318,960,000                              |

Notes:

- The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
  - the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
  - the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
  - the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
  - the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
  - the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 to 8 October 2024.

## REPORT OF THE BOARD OF DIRECTORS

2. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK\$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK\$30.75. The options will be exercisable in 5 tranches in the following manners:
- (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
  - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
  - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
  - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
  - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.
3. On 24 April 2020, an aggregate of 623,000,000 options were granted to 5 Directors and 198 employees of the Group. The exercise price of the options is HK\$13.112 and the closing price of the Shares on 23 April 2020, the date immediately before the date on which the options were granted, was HK\$12.90. The options will be exercisable in 5 tranches in the following manners:
- (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2021 and ending on 23 April 2026;
  - (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2022 and ending on 23 April 2027;
  - (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2023 and ending on 23 April 2028;
  - (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2024 and ending on 23 April 2029; and
  - (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 24 April 2025 and ending on 23 April 2030.

At the beginning and end of the year ended 31 December 2022, the number of shares available for issue upon exercise of all options that may be granted under the Share Option Scheme is 1,305,538,990 shares.

## DEBENTURE

At any time during the year, neither the Company nor its holding company or its subsidiaries was a party to any arrangements to enable the Directors acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

## REPORT OF THE BOARD OF DIRECTORS

### INTEREST AND SHORT POSITIONS OF DIRECTORS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2022, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

#### (i) Interest in the Shares of the Company

| Names of Director     | Nature of interest                 | Number of Shares | Approximate Percentage of shareholding |
|-----------------------|------------------------------------|------------------|--|
| Hui Ka Yan (Note 1)   | Interest of controlled corporation | 7,893,031,497(L) | 59.78%                                 |
| Chau Shing Yim, David | Beneficial Owner                   | 1,000,000(L)     | 0.01%                                  |
| He Qi                 | Beneficial Owner                   | 209,000(L)       | 0.00%                                  |
| Xie Hongxi            | Beneficial Owner                   | 600,000(L)       | 0.00%                                  |

Note:

(1) The Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan.

#### (ii) Interest in the underlying shares of the Company

| Name of Director | Nature of interest | Number of Shares outstanding involved in the options granted under the Share Option Scheme | Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company |
|------------------|--------------------|--|---|
| Siu Shawn        | Beneficial owner   | 20,600,000   | 0.16%   |
| Shi Junping      | Beneficial owner   | 6,500,000  | 0.05%   |
| Liu Zhen         | Beneficial owner   | 3,400,000  | 0.03%   |
| Qian Cheng       | Beneficial owner   | 3,200,000  | 0.02%   |

## REPORT OF THE BOARD OF DIRECTORS

### (iii) Interest in associated corporation of the Company

| Name of Director | Name of associated corporation                    | Number of securities | Approximate percentage of shareholding |
|------------------|---|----------------------|--|
| Hui Ka Yan       | Xin Xin (BVI) Limited                             | 100 shares           | 100%                                   |
| Siu Shawn        | China Evergrande New Energy Vehicle Group Limited | 24,600,000           | 0.23%                                  |
| Liu Zhen         | Evergrande Property Services Group Limited        | 200,000              | 0.00%                                  |
|                  | China Evergrande New Energy Vehicle Group Limited | 1,650,000            | 0.02%                                  |

### (iv) Interest in debentures of the Company

| Name of Director | Currency of debentures | Amount of debenture held | Amount of debenture in same class in issue | Type of debenture           |
|------------------|------------------------|--------------------------|--|-----------------------------|
| Hui Ka Yan       | US\$                   | 50,000,000               | 1,000,000,000                              | 12% senior notes due 2024   |
|                  | US\$                   | 20,000,000               | 2,000,000,000                              | 11.5% senior notes due 2022 |
|                  | US\$                   | 580,000,000              | 2,000,000,000                              | 12% senior notes due 2023   |

Save as disclosed above, as at 31 December 2022, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE BOARD OF DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 31 December 2022, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

| Name of shareholder          | Nature of interest held            | Interest in the shares    | Approximate percentage of shareholding |
|------------------------------|------------------------------------|---------------------------|--|
| Xin Xin (BVI) Limited        | Beneficial owner                   | 7,893,031,497(L) (Note 1) | 59.78%                                 |
| Ding Yumei                   | Interest of controlled corporation | 791,248,238(L) (Note 2)   | 5.99%                                  |
| Even Honour Holdings Limited | Beneficial owner                   | 791,248,238(L) (Note 2)   | 5.99%                                  |
| Yaohua Limited               | Interest of controlled corporation | 791,248,238(L) (Note 2)   | 5.99%                                  |

Notes:

1. Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.
2. Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Ding Yumei.

### SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2022 are set out in Note 45 to the financial statements.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had an aggregate of 121,368 employees (including 6,286 employees of Evergrande Auto (708.HK) and 73,381 employees of Evergrande Property Services (6666.HK)). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

# REPORT OF THE BOARD OF DIRECTORS

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation.

An ever-improving management system, enhanced monitoring of activities and procedures, energy conservation and environmental protection are strongly promoted.

### Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

### Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of any personal characteristics. It has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, and employees' rights and benefits. The Group also establishes and implements policies that promote a harmonious and respectful workplace.

The Group believes that employees are the most valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different types of training, staff's knowledge of corporate operations as well as their occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees, such as outings, to promote staff relationships and physical fitness.

### Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been implemented to ensure its working environment is healthy and safe. The Group provides communications on health and safety matters and other programmes to employees in order to raise their awareness of such issues and enhance their related behavior.

### Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a critical continuous process. Many on-the-job and other training courses and programmes are provided to help employees maintain and develop their skills and professionalism. Structured training programmes including seminars are offered to staff with the objective of grooming and unleashing their full potential, supporting, organisational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

### Commitment to Quality

The Group has made relentless efforts in providing property development and management services. Looking forward to 2022, the Company will continue with its research and investment to enrich the Group's services.

The Company will also ensure the quality of its services and place customers' demands at its priority in order to maintain its competitive advantage and to increase shareholders' value further.

## REPORT OF THE BOARD OF DIRECTORS

### Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in which suppliers' price, quality, cost, delivery and after-sales service are assessed. The Group will carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers as well as casual examinations of different suppliers to ensure the sustainable quality of material supplies and services it receives.

### Community Investment

The Company has complied with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The Environmental, Social and Governance Report of the Company will be separately disclosed to the public after the publication of this annual report.

### CORPORATE GOVERNANCE

The Company strives to maintain a high corporate governance standard and has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules. Further information of the corporate governance practices of the Company is set out in the Corporate Governance Report section of this annual report.

### PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

### FOREIGN EXCHANGE RISKS

Details of the foreign exchange risks are set out in Note 3(a)(i) to the financial statements.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are disclosed in Note 38 to the financial statement. Save as disclosed, during the year under review, none of the related party transactions constituted a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

### FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on pages 179 to 180.

### PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the law of the Cayman Islands which stipulates that the Company is required to offer Shares to the existing shareholders of the Company any new shares according to their respective shareholding for any fresh issue of shares.

## REPORT OF THE BOARD OF DIRECTORS

### ADEQUATE PUBLIC FLOAT

At the time of listing of the Company in 2009, the Company has applied to the Stock Exchange for a waiver in respect of the public float requirement under Rule 8.08(1)(d) of the Listing Rules. The Stock Exchange has accepted a lower level of public float for the Company at the time of the listing subject to the minimum public float should be the higher of (a) 15%, or (b) such a percentage of shares held by the public immediately after completion of the global offering of the Company, as increased by the shares issued upon the exercise of the over-allotment option under the global offering. As announced by the Company on 27 November 2009 with regard to the exercise of the over-allotment option and the end of the stabilization period for the global offering, the percentage of shares that was held by the public then was 22.04%. As such, the minimum public float requirement that the Company should maintain at all times should be 22.04%.

The Company has maintained adequate public float during the year.

### AUDITOR

Reference is made to the announcement of the Company dated 16 January 2023 in relation to the change of auditor (the "Announcement"). On 16 January 2023, PricewaterhouseCoopers ("PwC") has resigned as the Company's auditor at the recommendation of the Company. In its resignation letter to the audit committee and the Board dated 16 January 2023, PwC set out the matters leading to its resignation as the Company's auditor, which also represent those matters that PwC consider should be brought to the attention of Shareholders and the Company's creditors. On the same day, the Board appointed Prism Hong Kong and Shanghai Limited (上會栢誠會計師事務所有限公司) ("Prism") as the new auditor of the Company to fill the temporary vacancy following PwC's resignation for a term until the conclusion of the next annual general meeting of the Company. Prism is a member firm of Shanghai Certified Public Accountants (Special General Partnership) in Hong Kong. Details of which are set out in the Announcement.

Save as disclosed above, during the year ended 31 December 2022 or any year of the three years preceding, there was no change in the Company's auditor.

For and on behalf of the Board  
**Hui Ka Yan**  
*Chairman*  
Hong Kong, 17 July 2023

# INDEPENDENT AUDITOR'S REPORT



**To the Shareholders of China Evergrande Group**  
*(incorporated in the Cayman Islands with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Evergrande Group (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 44 to 178, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### 1. Material uncertainties relating to going concern

As described in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB125,814 million for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net liabilities and net current liabilities of approximately RMB599,074 million and RMB687,734 million respectively. As at 31 December 2022, the Group's current and non-current borrowings amounted to approximately RMB587,123 million and RMB25,268 million respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB14,305 million. In addition, the Group was involved in various litigation and arbitration cases for various reasons. These conditions, along with other matters as described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have taken measures to improve the Group's liquidity and financial position as described in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared 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 consolidated financial statements is appropriate.

## INDEPENDENT AUDITOR'S REPORT

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 consolidated financial statements do not include any such adjustments. However, material uncertainties exist in relation to the Group's ability to continue as a going concern in view of the Group's future cash flow. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation but we have not obtained sufficient appropriate audit evidence regarding the Group's ability to meet its financial obligations as and when they fall due and we consider the potential cumulative effect on the consolidated financial statements of this material uncertainty relating to going concern to be so significant that we have disclaimed our opinion.

### 2. Opening balances and comparative information

The consolidated financial statements for the year ended 31 December 2021 (the basis of the comparative amounts presented in the consolidated financial statements for the period ended 31 December 2022) expressed a disclaimer of opinion on the Group's results and cash flows due to staff departure of the Group and our inability to obtain sufficient appropriate audit evidence in respect of changes in accounting treatment which formed the basis for the disclaimer of opinion on the consolidated financial statements for the year ended 31 December 2021 but the scope limitations no longer affect the current year figures in the consolidated financial statements for the year ended 31 December 2022. However, the comparative figures presented in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows may contain material misstatements and therefore may not be comparable with the current year figures.

Due to the lack of sufficient financial information as aforementioned, we are unable to satisfy ourselves that proper books of accounts have been kept so as to give a true and fair view of the state of the Group's affairs and present the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Owing to the significance and pervasiveness of the matters, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we disclaim our opinion on the accompanying consolidated financial statements of the Group for the year ended 31 December 2021.

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of this report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kwok Lun.

**Prism Hong Kong and Shanghai Limited**

*Certified Public Accountants*

**Lee Kwok Lun**

Practising Certificate Number: P06294

Hong Kong, 17 July 2023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Notes | 31 December<br>2022<br>RMB million | 31 December<br>2021<br>RMB million |
|---|-------|------------------------------------|------------------------------------|
| <b>ASSETS</b>   |       |                                    |                                    |
| <b>Non-current assets</b>   |       |                                    |                                    |
| Property, plant and equipment   | 6     | 56,421                             | 73,893                             |
| Right-of-use assets   | 7     | 14,465                             | 16,227                             |
| Investment properties   | 8     | 63,062                             | 69,328                             |
| Goodwill  | 9     | 1,146                              | 1,161                              |
| Intangible assets   | 10    | 6,076                              | 8,102                              |
| Trade and other receivables   | 12    | 1,327                              | 2,825                              |
| Prepayments   | 13    | 456                                | 1,668                              |
| Investments accounted for using equity method                           | 14    | 25,893                             | 33,261                             |
| Financial assets at fair value through other comprehensive income       | 15    | 1,275                              | 1,573                              |
| Financial assets at fair value through profit or loss                   | 16    | 2,962                              | 5,089                              |
| Deferred income tax assets  | 24    | 66                                 | 148                                |
|   |       | 173,149                            | 213,275                            |
| <b>Current assets</b>   |       |                                    |                                    |
| Inventories   |       | 532                                | 203                                |
| Properties under development  | 11    | 1,136,084                          | 1,263,410                          |
| Completed properties held for sale                                      | 11    | 102,894                            | 190,303                            |
| Trade and other receivables   | 12    | 228,911                            | 204,809                            |
| Contract acquisition costs  |       | 3,025                              | 4,577                              |
| Prepayments   | 13    | 131,443                            | 153,330                            |
| Income tax recoverable  |       | 29,864                             | 30,015                             |
| Financial assets at fair value through profit or loss                   | 16    | 18,131                             | 18,398                             |
| Restricted cash   | 18    | 9,971                              | 23,341                             |
| Cash and cash equivalents   | 19    | 4,334                              | 5,435                              |
|   |       | 1,665,189                          | 1,893,821                          |
| <b>Total assets</b>   |       | 1,838,338                          | 2,107,096                          |
| <b>EQUITY</b>   |       |                                    |                                    |
| <b>Capital and reserves attributable to shareholders of the Company</b> |       |                                    |                                    |
| Share capital and premium   | 20    | 4,226                              | 4,226                              |
| Reserves  |       | (503,696)                          | (395,560)                          |
| Non-controlling interests   | 40    | (499,470)<br>(99,604)              | (391,334)<br>(81,720)              |
| <b>Deficiency in equity</b>   |       | (599,074)                          | (473,054)                          |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                     | Notes | 31 December<br>2022<br>RMB million | 31 December<br>2021<br>RMB million |
|-------------------------------------|-------|------------------------------------|------------------------------------|
| <b>LIABILITIES</b>                  |       |                                    |                                    |
| <b>Non-current liabilities</b>      |       |                                    |                                    |
| Borrowings                          | 22    | <b>25,268</b>                      | 4,724                              |
| Contingent consideration payables   | 23    | <b>51</b>                          | 58                                 |
| Deferred income tax liabilities     | 24    | <b>47,869</b>                      | 43,800                             |
| Other payables                      | 25    | <b>11,301</b>                      | 10,432                             |
|                                     |       | <b>84,489</b>                      | 59,014                             |
| <b>Current liabilities</b>          |       |                                    |                                    |
| Borrowings                          | 22    | <b>587,123</b>                     | 602,653                            |
| Trade and other payables            | 25    | <b>1,002,264</b>                   | 893,341                            |
| Contract liabilities                | 25    | <b>721,021</b>                     | 974,347                            |
| Current income tax liabilities      | 26    | <b>42,515</b>                      | 50,795                             |
|                                     |       | <b>2,352,923</b>                   | 2,521,136                          |
| <b>Total liabilities</b>            |       | <b>2,437,412</b>                   | 2,580,150                          |
| <b>Net current liabilities</b>      |       | <b>(687,734)</b>                   | (627,315)                          |
| <b>Total equity and liabilities</b> |       | <b>1,838,338</b>                   | 2,107,096                          |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Hui Ka Yan**  
*Director*

**Qian Cheng**  
*Director*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | Notes | Year ended 31 December | 2022<br>RMB million | 2021<br>RMB million |
|---|-------|------------------------|---------------------|---------------------|
| Revenue   | 5     | 230,067                | 250,013             |                     |
| Cost of sales   | 29    | (205,080)              | (268,461)           |                     |
| <b>Gross profit/(loss)</b>  |       | <b>24,987</b>          | <b>(18,448)</b>     |                     |
| Fair value gains/(losses) on investment properties, net   | 8     | 1,807                  | (31,267)            |                     |
| Write down of properties under development and completed properties held for sales                    |       | (1,685)                | (373,681)           |                     |
| Impairment losses on financial assets   |       | (12,384)               | (50,376)            |                     |
| Other losses, net   | 27    | (38,230)               | (45,985)            |                     |
| Other income  | 28    | 1,987                  | 2,286               |                     |
| Selling and marketing costs   | 29    | (6,068)                | (31,945)            |                     |
| Administrative expenses   | 29    | (6,678)                | (16,527)            |                     |
| Impairment loss of investments accounted for using equity method                                      |       | (18,006)               | (8,097)             |                     |
| Other operating expenses  | 29    | (10,138)               | (7,489)             |                     |
| <b>Operating loss</b>   |       | <b>(64,408)</b>        | <b>(581,529)</b>    |                     |
| Share of profits/(losses) of investments accounted for using equity method                            | 14    | 39                     | (19,722)            |                     |
| Fair value losses on financial assets at fair value through profit or loss                            | 16    | (2,041)                | (1,936)             |                     |
| Fair value losses on contingent consideration payables  |       | —                      | (2,555)             |                     |
| Fair value gains/(losses) on financial guarantee contracts  |       | 1,129                  | (51,530)            |                     |
| Finance costs, net  | 31    | (47,482)               | (41,623)            |                     |
| <b>Losses before income tax</b>   |       | <b>(112,763)</b>       | <b>(698,895)</b>    |                     |
| Income tax (expenses)/credit  | 32    | (13,051)               | 12,676              |                     |
| <b>Losses for the year</b>  |       | <b>(125,814)</b>       | <b>(686,219)</b>    |                     |
| <b>Other comprehensive income/(loss)</b>  |       |                        |                     |                     |
| <i>(Item that may be subsequently reclassified to profit or loss)</i>                                 |       |                        |                     |                     |
| Share of other comprehensive income of investments accounted for using the equity method              |       | —                      | 31                  |                     |
| Exchange difference arising on translation of financial statements of foreign operations              |       | 63                     | 536                 |                     |
| <i>(Item that may not be subsequently reclassified to profit or loss)</i>                             |       |                        |                     |                     |
| Change in fair value of financial assets at fair value through other comprehensive income, net of tax |       | 380                    | (982)               |                     |
| <b>Other comprehensive income/(loss) for the year, net of tax</b>                                     |       | <b>443</b>             | <b>(415)</b>        |                     |
| <b>Total comprehensive loss for the year</b>  |       | <b>(125,371)</b>       | <b>(686,634)</b>    |                     |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | Notes | Year ended 31 December |                     |
|---|-------|------------------------|---------------------|
|   |       | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Loss attributable to:</b>  |       |                        |                     |
| Shareholders of the Company   |       | (105,914)              | (476,035)           |
| Non-controlling interests   |       | (19,900)               | (210,184)           |
|   |       | <b>(125,814)</b>       | <b>(686,219)</b>    |
| <b>Total comprehensive loss attributable to:</b>  |       |                        |                     |
| Shareholders of the Company   |       | (105,116)              | (476,095)           |
| Non-controlling interests   |       | (20,255)               | (210,539)           |
|   |       | <b>(125,371)</b>       | <b>(686,634)</b>    |
| Loss per share for loss attributable to shareholders of the Company for the year (expressed in RMB per share) |       |                        |                     |
| — Basic loss per share  | 33    | <b>(8.021)</b>         | (36.006)            |
| — Diluted loss per share  | 33    | <b>(8.021)</b>         | (36.006)            |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Attributable to shareholders of the Company  |                              |                              |                                     |                                  |   |                      |  |                      |
|--|------------------------------|------------------------------|-------------------------------------|----------------------------------|---|----------------------|--|----------------------|
|  | Share capital<br>RMB million | Share premium<br>RMB million | Exchange<br>reserves<br>RMB million | Other<br>reserves<br>RMB million | (accumulated)<br>losses)<br>RMB million | Total<br>RMB million | Non -controlling<br>interests<br>RMB million | Total<br>RMB million |
| <b>Balance as at 1 January 2021</b>  | 933                          | 3,702                        | 299                                 | 92,487                           | 49,480                                  | 146,901              | 203,530                                      | 350,431              |
| Adjustment for change in accounting treatment  | —                            | —                            | —                                   | —                                | (69,952)                                | (69,952)             | (32,532)                                     | (102,484)            |
| <b>Restated balance as at 1 January 2021</b>   | 933                          | 3,702                        | 299                                 | 92,487                           | (20,472)                                | 76,949               | 170,998                                      | 247,947              |
| <b>Comprehensive expenses</b>  |                              |                              |                                     |                                  |   |                      |  |                      |
| Loss for the year  | —                            | —                            | —                                   | —                                | (476,035)                               | (476,035)            | (210,184)                                    | (686,219)            |
| <b>Other comprehensive expenses</b>  |                              |                              |                                     |                                  |   |                      |  |                      |
| Change in value of financial assets at fair value through other comprehensive income, net of tax | —                            | —                            | —                                   | (627)                            | —                                       | (627)                | (355)  | (982)                |
| Share of other comprehensive income of investments accounted for using the equity method         | —                            | —                            | —                                   | 31                               | —                                       | 31                   | —  | 31                   |
| Currency translation differences   | —                            | —                            | 536                                 | —                                | —                                       | 536                  | —  | 536                  |
| <b>Total comprehensive expenses</b>  | —                            | —                            | 536                                 | (596)                            | (476,035)                               | (476,095)            | (210,539)                                    | (686,634)            |
| <b>Transactions with owners</b>  |                              |                              |                                     |                                  |   |                      |  |                      |
| Transfer to statutory reserves   | —                            | —                            | —                                   | 1,391                            | (1,391)                                 | —                    | —  | —                    |
| Issuance of ordinary shares pursuant to share option scheme (notes 20 and 21)                    | 1                            | 35                           | —                                   | (8)                              | —                                       | 28                   | —  | 28                   |
| Employee share option schemes  | —                            | —                            | —                                   | 1,345                            | —                                       | 1,345                | —  | 1,345                |
| Repurchase of shares of the Company  | (4)                          | (441)                        | —                                   | 4                                | —                                       | (441)                | —  | (441)                |
| Dividends  | —                            | —                            | —                                   | —                                | (2,012)                                 | (2,012)              | (1,380)                                      | (3,392)              |
| Changes in ownership interests in subsidiaries without change of control                         | —                            | —                            | —                                   | (15,526)                         | —                                       | (15,526)             | (42,218)                                     | (57,744)             |
| Reclassifications (notes 22 and 25)  | —                            | —                            | —                                   | —                                | —                                       | —                    | (50,945)                                     | (50,945)             |
| Capital contribution from non-controlling interests  | —                            | —                            | —                                   | 24,418                           | —                                       | 24,418               | 50,512                                       | 74,930               |
| Acquisition of subsidiaries  | —                            | —                            | —                                   | —                                | —                                       | —                    | 425  | 425                  |
| Disposal of subsidiaries   | —                            | —                            | —                                   | —                                | —                                       | —                    | 1,427  | 1,427                |
| <b>Total transactions with owners</b>  | (3)                          | (406)                        | —                                   | 11,624                           | (3,403)                                 | 7,812                | (42,179)                                     | (34,367)             |
| <b>Balance as at 31 December 2021</b>  | 930                          | 3,296                        | 835                                 | 103,515                          | (499,910)                               | (391,334)            | (81,720)                                     | (473,054)            |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Attributable to shareholders of the Company |                                 |                                     |                                  |                                      |           |                      |   |  |  |
|--|---|---------------------------------|-------------------------------------|----------------------------------|--------------------------------------|-----------|----------------------|---|--|--|
|  | Share capital<br>RMB million                | Share<br>premium<br>RMB million | Exchange<br>reserves<br>RMB million | Other<br>reserves<br>RMB million | Accumulated<br>losses<br>RMB million |           | Total<br>RMB million | Non-<br>controlling<br>interests<br>RMB million |  |  |
|  |   |                                 |                                     |                                  | Total                                | losses    |                      |   |  |  |
| <b>Balance as at 1 January 2022</b>  | 930   | 3,296                           | 835                                 | 103,515                          | (499,910)                            | (391,334) | (81,720)             | (473,054)                                       |  |  |
| <b>Comprehensive expenses</b>  |   |                                 |                                     |                                  |                                      |           |                      |   |  |  |
| Loss for the year  | —   | —                               | —                                   | —                                | (105,914)                            | (105,914) | (19,900)             | (125,814)                                       |  |  |
| <b>Other comprehensive expenses</b>  |   |                                 |                                     |                                  |                                      |           |                      |   |  |  |
| Change in value of financial assets at fair value through other comprehensive income, net of tax | —   | —                               | —                                   | 735                              | —                                    | 735       | (355)                | 380   |  |  |
| Currency translation differences   | —   | —                               | 63                                  | —                                | —                                    | 63        | —                    | 63  |  |  |
| <b>Total comprehensive expense</b>   | —   | —                               | 63                                  | 735                              | (105,914)                            | (105,116) | (20,255)             | (125,371)                                       |  |  |
| <b>Transactions with owners</b>  |   |                                 |                                     |                                  |                                      |           |                      |   |  |  |
| Transfer to statutory reserves   | —   | —                               | —                                   | 89                               | (89)                                 | —         | —                    | —   |  |  |
| Changes in ownership interests in subsidiaries without change of control                         | —   | —                               | —                                   | (3,895)                          | —                                    | (3,895)   | 2,371                | (1,524)   |  |  |
| Employee share option schemes  | —   | —                               | —                                   | 875                              | —                                    | 875       | —                    | 875   |  |  |
| <b>Total transactions with owners</b>  | —   | —                               | —                                   | (2,931)                          | (89)                                 | (3,020)   | 2,371                | (649)   |  |  |
| <b>Balance as at 31 December 2022</b>  | 930   | 3,296                           | 898                                 | 101,319                          | (605,913)                            | (499,470) | (99,604)             | (599,074)                                       |  |  |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

|  |      | Year ended 31 December |                     |
|--|------|------------------------|---------------------|
|  | Note | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Cash flows of operating activities</b>  |      |                        |                     |
| Net cash generated from operations   | 35   | 41,605                 | 36,373              |
| Income tax paid  |      | (17,029)               | (13,681)            |
| Interest paid  |      | (36,793)               | (74,293)            |
| <b>Net cash used in operating activities</b>   |      | <b>(12,217)</b>        | (51,601)            |
| <b>Cash flows of investing activities</b>  |      |                        |                     |
| Acquisition of subsidiaries, net of cash acquired  |      | —                      | (3,843)             |
| Purchases of property, plant and equipment and investment properties                           |      | (7,977)                | (26,172)            |
| Proceeds from disposal of property, plant and equipment, land use rights and intangible assets |      | 6,933                  | 5,851               |
| Proceeds from disposal of investment properties  |      | 1,979                  | 21,924              |
| Purchase of land use rights  |      | (1,010)                | (2,189)             |
| Purchase of intangible assets  |      | (2,630)                | (1,184)             |
| Investments in associates and joint ventures   |      | (17,146)               | (27,691)            |
| Proceeds from disposal of joint ventures and associates  |      | 12,310                 | 42,754              |
| Net cash received from disposal of subsidiaries  |      | 205                    | 12,121              |
| Purchase of financial assets at fair value through profit or loss                              |      | (162)                  | (18,057)            |
| Proceeds from disposal of financial assets at fair value through profit or loss                |      | 419                    | 4,581               |
| Purchase of financial assets at fair value through other comprehensive income                  |      | —                      | (2,196)             |
| Proceeds from disposal of financial assets at fair value through other comprehensive income    |      | 597                    | 1,053               |
| Repayment from associates  |      | 480                    | 591                 |
| Repayment from joint ventures  |      | 1,807                  | 3,904               |
| Repayment from non-controlling interests   |      | 3,802                  | 4,609               |
| Cash advance to associates   |      | (1,859)                | (1,758)             |
| Cash advance to joint ventures   |      | (8,416)                | (22,595)            |
| Cash advance to non-controlling interests  |      | (3,728)                | (8,529)             |
| Interest received  |      | 1,193                  | 1,836               |
| Proceeds from governments grant for construction   |      | 102                    | 583                 |
| <b>Net cash used in investing activities</b>   |      | <b>(13,101)</b>        | (14,407)            |

## CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Year ended 31 December |                     |
|---|------------------------|---------------------|
|   | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Cash flows of financing activities</b>                 |                        |                     |
| Proceeds from borrowings                                  | 15,235                 | 89,378              |
| Repayment of borrowings                                   | (15,560)               | (229,912)           |
| Repurchase of shares                                      | —                      | (441)               |
| Issue of ordinary shares under a share option scheme      | —                      | 28                  |
| Dividends paid  | —                      | (467)               |
| Acquisition of a non-controlling interest in a subsidiary | (2,053)                | (10,636)            |
| Capital injection from non-controlling interest           | —                      | 74,930              |
| Cash advances from associates                             | 8,033                  | 102                 |
| Cash advances from joint ventures                         | 22,455                 | 15,503              |
| Cash advances from non-controlling interests              | 6,112                  | 8,503               |
| Repayments to associates                                  | (158)                  | (123)               |
| Repayments to joint ventures                              | (5,015)                | (29,285)            |
| Repayment of non-controlling interest amounts             | (3,313)                | (2,280)             |
| Principal of the lease payment                            | (1,521)                | (2,601)             |
| <b>Net cash from/(used in) financing activities</b>       | <b>24,215</b>          | (87,301)            |
| <b>Net decrease cash and cash equivalents</b>             | <b>(1,103)</b>         | (153,309)           |
| Cash and cash equivalents at beginning of year            | 5,435                  | 158,752             |
| Exchange losses on cash and cash equivalents              | 2                      | (8)                 |
| <b>Cash and cash equivalents at end of year</b>           | <b>4,334</b>           | 5,435               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 and is engaged in investment holding. The Company and its subsidiaries (the "Group") are engaged in the property development, property investment, property management, new energy vehicle business, cultural tourism business and health industry business principally 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 consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 17 July 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties and derivative financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### (i) Going concern assessment

The Group incurred a net loss of approximately RMB125,814 million for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net liabilities and net current liabilities of approximately RMB599,074 million and RMB687,734 million respectively. As at 31 December 2022, the Group's current and non-current borrowings amounted to approximately RMB587,123 million and RMB25,268 million respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB14,305 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Going concern assessment (Continued)

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. Having considered the successful extension of loans during the year 2022, the Group's credit history and longstanding relationships with the relevant lenders, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the remaining borrowings progressively;
- 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 financial statements, the Group has completed the settlement arrangements with certain creditors. The Group is positive that it can continue to reach an amicable solution to the litigations which have not yet reached a definite outcome at the current stage;
- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Going concern assessment (Continued)

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 consolidated 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 (“CEG Schemes”). 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”).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Going concern assessment (Continued)

##### *CEG Schemes (Continued)*

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\$6,500 million (“SJ New Notes”) based on such SJ creditor’s entitlement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Going concern assessment (Continued)

##### *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\$800 million (“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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Going concern assessment (Continued)

##### *TJ Scheme (Continued)*

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 31 December 2022. 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 31 December 2022. Accordingly, the Board considers that the preparation of the consolidated financial statements as at 31 December 2022 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 consolidated financial statements.

#### (ii) New amendments to standards adopted by the Group as at 1 January 2022

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2022 for the Group:

|   |   |
|---|---|
| Amendment to HKFRS 16                   | Covid-19-Related Rent Concessions beyond 30 June 2021       |
| Amendments to HKFRS 3                   | Reference to the Conceptual Framework                       |
| Amendments to HKAS 16                   | Property, plant and equipment: Proceeds before intended use |
| Amendment to HKAS 37                    | Onerous Contracts — Cost of Fulfilling a Contract           |
| Annual Improvements to HKFRSs 2018–2020 | Examples accompanying HKFRS 16, HKAS 41                     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of Preparation (Continued)

|   |  |
|---|--|
| (iii) New standards and amendments to standards that have been issued but are not effective |  |
| Amendments to HKFRS 10 and HKAS 28 (2011)   | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>   |
| HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)              | Insurance Contracts and related Amendments <sup>1</sup>  |
| Amendments to HKFRS 16  | Lease liability in a Sales and Leaseback <sup>2</sup>  |
| Amendments to HKAS 1  | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup> |
| Amendments to HKAS 1  | Non-current liabilities with Covenants <sup>2</sup>  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2   | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8  | Definition of Accounting Estimates <sup>2</sup>  |
| Amendments to HKAS 12   | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>  |

<sup>1</sup> Effective for periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual period beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Consolidation (Continued)

##### (ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed off as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

##### (iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### (iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (v) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax loss of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

#### (d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the “functional currency”). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of profit or loss and other comprehensive income within ‘finance costs, net’. All other foreign exchange gain and losses are presented in the consolidated statement of profit or loss and other comprehensive income within ‘Other losses, net’.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

#### (iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- income and expenses of each income statement of the group entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

|                                  |             |
|----------------------------------|-------------|
| Buildings                        | 10–50 years |
| Machinery                        | 3–10 years  |
| Transportation equipment         | 3–10 years  |
| Furniture, fitting and equipment | 1–10 years  |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at date of each reporting periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of profit or loss and other comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

### (i) Intangible assets

#### (i) Brand names

Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives less than 10 years.

#### (ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from 3 to 5 years over the expected life of the customer relationship.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Intangible assets (Continued)

##### (iii) Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

##### (iv) Computer softwares

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

##### (v) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Research and development intangible assets acquired in an asset acquisition are capitalised if they will have future economic benefits. The price paid reflects expectations about the probability that the future economic benefits of the asset will flow to the entity.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.

##### (vi) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (k) Financial assets

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Financial assets (Continued)

##### (iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.
- Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at financial assets at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss accounts and recognised in other losses, net. Interest income from these financial assets is included in other income using the effective interest rate method.
- Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at financial assets at fair value through profit or loss ("FVPL"). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss accounts and is not part of a hedging relationship is recognised in profit or loss and presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income within "Fair value losses on financial assets at fair value through profit or loss" in the period in which it arises. Interest income from these financial assets is included in the other income.

##### (iv) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other losses, net in the profit or loss accounts as applicable. Impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Financial assets (Continued)

#### (v) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### (l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### (m) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within 'fair value losses on derivative financial instruments'.

### (n) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Completed properties held for sale

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

#### (p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### (q) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### (r) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

#### (s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

### (u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective date of reporting period.

### (v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of each reporting periods in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred income tax

###### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the date of each reporting periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

###### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

##### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the date of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after date of reporting period are discounted to present value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (i) including any market performance conditions (for example, an entity's share price);
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (z) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Provisions and contingent liabilities (Continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### (aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

#### (i) Sales of properties

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised upon acceptance of the property for the customer or when the property is deemed to be accepted by the customer under a sale contract with a certificate of completion of construction or when the property inventory has been delivered to property owners for use and the Group has a present right to receive payment and may receive consideration.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (aa) Revenue recognition (Continued)

##### (ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

##### (iii) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

##### (iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

##### (v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

##### (vi) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

##### (vii) Income from medical cosmetology and health management

Income from medical cosmetology and health management are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

#### (ab) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases various offices and commercial properties. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ab) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (ab) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

##### (i) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

##### (ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases of the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ac) Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where appropriate.

### (ad) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

Government grants relating to property, plant and equipment and intangible assets are charged against carrying amount of related assets or recognised as deferred income. If it is recognised as deferred income, it will credit to the relevant assets when it is ready for use and included in profit or loss over the useful life of related assets.

### (ae) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation of fees recognised.

Financial guarantee liabilities are derecognised from the consolidated statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, FVOCI, FVPL, trade and other payables, contingent consideration payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2022, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective dates of each reporting period are as follows:

|                      | 31 December |             |
|----------------------|-------------|-------------|
|                      | 2022        | 2021        |
|                      | RMB million | RMB million |
| Monetary assets      |             |             |
| – HK\$               | 14,215      | 17,800      |
| – US\$               | 2,821       | 1,599       |
| – EURO               | 911         | 524         |
| – Others             | 26          | 972         |
|                      | 17,973      | 20,895      |
| Monetary liabilities |             |             |
| – HK\$               | 41,639      | 36,021      |
| – US\$               | 172,225     | 159,428     |
| – EURO               | 315         | 240         |
| – Others             | 653         | –           |
|                      | 214,832     | 195,689     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of (increase)/decrease in the loss for the year is as follows:

|                                     | 31 December |             |
|-------------------------------------|-------------|-------------|
|                                     | 2022        | 2021        |
|                                     | RMB million | RMB million |
| 5% appreciation in RMB against HK\$ | 1,028       | 683         |
| 5% depreciation in RMB against HK\$ | (1,028)     | (683)       |
| 5% appreciation in RMB against US\$ | 6,353       | 5,919       |
| 5% depreciation in RMB against US\$ | (6,353)     | (5,919)     |
| 5% appreciation in RMB against EURO | (22)        | (11)        |
| 5% depreciation in RMB against EURO | 22          | 11          |

#### (ii) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2022, if interest rate on borrowings at variable rates had been 100 basis point higher/lower with all variables held constant, post-tax loss for the year ended 31 December 2022 would increase/decrease by approximately RMB1,251 million (2021: RMB1,113 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factor (Continued)

##### (iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with bank.

The carrying amounts of trade and other receivables, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

The Group has policies in place to ensure that credit sales are made to customers with an sufficient financial strength and appropriate percentage of down payment. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers and follow up action is taken to recover overdue debts, if any.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties. Detailed disclosure of these guarantees is made in note 36. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover the amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (iii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

#### *Trade receivables*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

The loss allowance provision of trade receivables as at 31 December 2022 is set out in note 12.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (iii) Credit risk (Continued)

##### *Other receivables*

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

Management considered other receivables from third parties and related parties to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be near to zero and no loss allowance provision is made for these deposits during the period.

To measure the expected credit losses of other receivables other than deposits, other receivables excluding deposits have been grouped based on shared credit risk characteristics and the days past due.

##### *Loss allowance provision movement*

As at 31 December 2022, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

|  | Trade receivables<br>RMB million | Other receivables<br>RMB million | Total<br>RMB million |
|--|----------------------------------|----------------------------------|----------------------|
| Balance as at 1 January 2021   | 241                              | 1,953                            | 2,194                |
| Provision for loss allowance recognised in profit or loss for the year | 7,250                            | 43,126                           | 50,376               |
| Receivable written off during the year as uncollectible                | (1,679)                          | —                                | (1,679)              |
| Acquisition of subsidiaries  | 67                               | —                                | 67                   |
| Disposal of subsidiaries   | (2,450)                          | (4,560)                          | (7,010)              |
| Balance as at 31 December 2021   | 3,429                            | 40,519                           | 43,948               |
| Provision for loss allowance recognised in profit or loss for the year | 289                              | 12,095                           | 12,384               |
| Receivable written off during the year as uncollectible                | (176)                            | (30)                             | (206)                |
| Balance as at 31 December 2022   | 3,542                            | 52,584                           | 56,126               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (iv) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. However, as described in note 2, the Group has certain liabilities that are not repayable on maturity at the repayment date during the year ended 31 December 2022 and thereafter due to the financial difficulties faced by the Group. The Group is undertaking a number of measures to alleviate the current liquidity difficulties.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscount cash flows.

|                              | Less than<br>1 year<br>RMB million | Between<br>1 and<br>2 years<br>RMB million | Between<br>2 and<br>5 years<br>RMB million | Over<br>5 years<br>RMB million | Total<br>RMB million |
|------------------------------|------------------------------------|--|--|--------------------------------|----------------------|
| At 31 December 2022          |                                    |  |  |                                |                      |
| Borrowings                   | 671,635                            | 33,427                                     | —  | —                              | 705,062              |
| Trade and other<br>payables* | 997,265                            | 6,343                                      | 2,576                                      | 975                            | 1,007,159            |
|                              | 1,668,900                          | 39,770                                     | 2,576                                      | 975                            | 1,712,221            |
| At 31 December 2021          |                                    |  |  |                                |                      |
| Borrowings                   | 689,418                            | 6,496                                      | —  | —                              | 695,914              |
| Trade and other<br>payables* | 888,631                            | 5,792                                      | 1,669                                      | 1,311                          | 897,403              |
|                              | 1,578,049                          | 12,288                                     | 1,669                                      | 1,311                          | 1,593,317            |

\* Excluding staff welfare benefit payable, other taxes payable and deferred income from grants.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (iv) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 36). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;
- which the Group makes for its cooperation parties, joint ventures and an associate's bank borrowings (note 36). Such guarantees terminate upon the repayment of relevant bank borrowings.

The Group considers that it is more likely than not that no amount will be payable under the arrangement.

### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated statement of financial position.

The gearing ratios as at 31 December 2022 and 2021 were as follows:

|                            | 31 December         |                     |
|----------------------------|---------------------|---------------------|
|                            | 2022<br>RMB million | 2021<br>RMB million |
| Total borrowings (note 22) | 612,391             | 607,377             |
| Total assets               | 1,838,338           | 2,107,096           |
| Gearing ratio              | 33.3%               | 28.8%               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation

- (i) The different levels of fair value estimation have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
  - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
  - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

|                                   | <b>Level 1</b><br>RMB million | <b>Level 2</b><br>RMB million | <b>Level 3</b><br>RMB million | <b>Total</b><br>RMB million |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| <b>At 31 December 2022</b>        |                               |                               |                               |                             |
| <b>Assets</b>                     |                               |                               |                               |                             |
| FVOCI                             | 684                           | —                             | 591                           | 1,275                       |
| FVPL                              | 3,640                         | —                             | 17,453                        | 21,093                      |
| Total assets                      | 4,324                         | —                             | 18,044                        | 22,368                      |
| <b>Liabilities</b>                |                               |                               |                               |                             |
| Contingent consideration payables | —                             | —                             | 51                            | 51                          |
| <b>At 31 December 2021</b>        |                               |                               |                               |                             |
| <b>Assets</b>                     |                               |                               |                               |                             |
| FVOCI                             | 970                           | —                             | 603                           | 1,573                       |
| FVPL                              | 3,915                         | —                             | 19,572                        | 23,487                      |
| Total assets                      | 4,885                         | —                             | 20,175                        | 25,060                      |
| <b>Liabilities</b>                |                               |                               |                               |                             |
| Contingent consideration payables | —                             | —                             | 58                            | 58                          |

The carrying amount less impairment provisions of trade and other receivables and the carrying amount of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Assessment of net realisable value of properties under development and completed properties held for sale

As at 31 December 2022, the carrying amounts of properties under development and completed properties held for sale amounted to RMB1,136,084 million (2021: RMB1,263,410 million) and RMB102,894 million (2021: RMB190,303 million) respectively, which in total accounted for approximately 67% (2021: 69%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB1,685 million as at 31 December 2022 (2021: RMB373,681 million).

#### (b) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 8.

#### (c) Impairment assessment on goodwill and intangible assets

##### (i) Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(i)(vi). The recoverable amounts of CGUs have been determined based on fair value less cost of disposals and value-in-use calculations. These calculations require use of estimates (note 9).

##### (ii) Intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not ready to use- not subject to amortisation, are tested annually for impairment. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates (note 10).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

### (c) Impairment assessment on goodwill and intangible assets (Continued)

#### (ii) Intangible assets (Continued)

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss and other comprehensive income.

### (d) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (e) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

### (f) Expected credit loss of financial assets

The expected credit loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(iii).

## 5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include new energy vehicle business, cultural tourism business, health industry business and investment business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains or losses on FVPL, fair value gains or losses on derivative financial liabilities, dividend income of FVOCI and finance cost and income are not included in the result for each operating segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 are as follows:

|  | Property development<br>RMB million | Property investment<br>RMB million | Property management services<br>RMB million | Other businesses<br>RMB million | Group<br>RMB million |
|--|-------------------------------------|------------------------------------|---|---------------------------------|----------------------|
| Gross segment revenue                            | 214,194                             | 549                                | 11,809                                      | 16,209                          | 242,761              |
| Inter-segment revenue                            | —                                   | —                                  | (93)  | (12,601)                        | (12,694)             |
| <b>Revenue</b>                                   | <b>214,194</b>                      | <b>549</b>                         | <b>11,716</b>                               | <b>3,608</b>                    | <b>230,067</b>       |
| Revenue from contracts with customers            |                                     |                                    |   |                                 |                      |
| — Recognised at a point in time                  | 214,194                             | —                                  | 553   | 2,771                           | 217,518              |
| — Recognised over time                           | —                                   | —                                  | 11,163                                      | 837                             | 12,000               |
| Revenue from other sources                       |                                     |                                    |   |                                 |                      |
| — Rental income                                  | —                                   | 549                                | —   | —                               | 549                  |
| Share of post-tax profits of associates          | —                                   | —                                  | 3   | —                               | 3                    |
| Share of post-tax profits of joint ventures      | 36                                  | —                                  | —   | —                               | 36                   |
| <b>Segment results</b>                           | <b>(50,746)</b>                     | <b>1,439</b>                       | <b>1,986</b>                                | <b>(4,664)</b>                  | <b>(51,985)</b>      |
| Impairment losses on financial assets            |                                     |                                    |   |                                 | (12,384)             |
| Fair value losses on financial assets at FVPL    |                                     |                                    |   |                                 | (2,041)              |
| Fair value gain on financial guarantee contracts |                                     |                                    |   |                                 | 1,129                |
| Finance costs, net                               |                                     |                                    |   |                                 | (47,482)             |
| Loss before income tax                           |                                     |                                    |   |                                 | (112,763)            |
| Income tax expenses                              |                                     |                                    |   |                                 | (13,051)             |
| <b>Loss for the year</b>                         |                                     |                                    |   |                                 | <b>(125,814)</b>     |
| Depreciation and amortisation                    | 3,843                               | —                                  | 355   | 3,445                           | 7,643                |
| Fair value gains on investment properties, net   | —                                   | 1,807                              | —   | —                               | 1,807                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 are as follows:

|  | Property development<br>RMB million | Property investment<br>RMB million | Property management services<br>RMB million | Other businesses<br>RMB million | Group<br>RMB million |
|--|-------------------------------------|------------------------------------|---|---------------------------------|----------------------|
| Gross segment revenue                                | 226,149                             | 782                                | 13,193                                      | 22,649                          | 262,773              |
| Inter-segment revenue                                | —                                   | —                                  | (2,669)                                     | (10,091)                        | (12,760)             |
| <br>Revenue  | <br>226,149                         | <br>782                            | <br>10,524                                  | <br>12,558                      | <br>250,013          |
| <br>Revenue from contracts with customers            |                                     |                                    |   |                                 |                      |
| — Recognised at a point in time                      | 226,149                             | —                                  | 726   | 2,930                           | 229,805              |
| — Recognised over time                               | —                                   | —                                  | 9,798                                       | 9,628                           | 19,426               |
| Revenue from other sources                           |                                     |                                    |   |                                 |                      |
| — Rental income                                      | —                                   | 782                                | —   | —                               | 782                  |
| <br>Share of post-tax (losses)/profits of associates | <br>(23)                            | <br>—                              | <br>3                                       | <br>(54)                        | <br>(74)             |
| Share of post-tax losses of joint ventures           | (496)                               | —                                  | —   | (19,152)                        | (19,648)             |
| Segment results                                      | (517,135)                           | (32,981)                           | (156)                                       | (603)                           | (550,875)            |
| <br>Impairment losses on financial assets            | <br>—                               | <br>—                              | <br>—                                       | <br>—                           | <br>(50,376)         |
| Fair value losses on financial assets at FVPL        | —                                   | —                                  | —   | —                               | (1,936)              |
| Fair value loss on contingent consideration payables | —                                   | —                                  | —   | —                               | (2,555)              |
| Fair value loss on financial guarantee contracts     | —                                   | —                                  | —   | —                               | (51,530)             |
| Finance costs, net                                   | —                                   | —                                  | —   | —                               | (41,623)             |
| <br>Loss before income tax                           | <br>—                               | <br>—                              | <br>—                                       | <br>—                           | <br>(698,895)        |
| Income tax credit                                    | —                                   | —                                  | —   | —                               | 12,676               |
| <br>Loss for the year                                | <br>—                               | <br>—                              | <br>—                                       | <br>—                           | <br>(686,219)        |
| <br>Depreciation and amortisation                    | <br>9,364                           | <br>—                              | <br>386                                     | <br>2,424                       | <br>12,174           |
| Fair value loss on investment properties, net        | —                                   | (31,267)                           | —   | —                               | (31,267)             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2022 are as follows:

|                            | Property development<br>RMB million | Property investment<br>RMB million | Property management services<br>RMB million | Other businesses<br>RMB million | Group<br>RMB million |
|----------------------------|-------------------------------------|------------------------------------|---|---------------------------------|----------------------|
| Segment assets             | 1,632,364                           | 63,062                             | 7,144                                       | 83,470                          | 1,786,040            |
| Unallocated assets         |                                     |                                    |   |                                 | 52,298               |
| <b>Total assets</b>        |                                     |                                    |   |                                 | <b>1,838,338</b>     |
| Segment assets include:    |                                     |                                    |   |                                 |                      |
| Interest in associates     | 9,283                               | —                                  | 16  | 1,634                           | 10,933               |
| Interest in joint ventures | 14,567                              | —                                  | —   | 393                             | 14,960               |
| <b>Segment liabilities</b> | <b>1,649,288</b>                    | <b>—</b>                           | <b>8,557</b>                                | <b>76,741</b>                   | <b>1,734,586</b>     |
| Unallocated liabilities    |                                     |                                    |   |                                 | 702,826              |
| <b>Total liabilities</b>   |                                     |                                    |   |                                 | <b>2,437,412</b>     |
| Capital expenditure        | 1,249                               | 455                                | 352   | 10,050                          | 12,106               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2021 are as follows:

|                             | Property development<br>RMB million | Property investment<br>RMB million | Property management services<br>RMB million | Other businesses<br>RMB million | Group<br>RMB million |
|-----------------------------|-------------------------------------|------------------------------------|---|---------------------------------|----------------------|
| Segment assets              | 1,888,340                           | 69,328                             | 6,528                                       | 87,677                          | 2,051,873            |
| Unallocated assets          |                                     |                                    |   |                                 | 55,223               |
| <br>Total assets            |                                     |                                    |   |                                 | <u>2,107,096</u>     |
| <br>Segment assets include: |                                     |                                    |   |                                 |                      |
| Interest in associates      | 3,679                               | —                                  | 21  | 15,346                          | 19,046               |
| Interest in joint ventures  | 13,709                              | —                                  | 8   | 498                             | 14,215               |
| <br>Segment liabilities     | 1,824,358                           | —                                  | 8,507                                       | 45,255                          | 1,878,120            |
| Unallocated liabilities     |                                     |                                    |   |                                 | 702,030              |
| <br>Total liabilities       |                                     |                                    |   |                                 | <u>2,580,150</u>     |
| <br>Capital expenditure     | 8,804                               | 2,981                              | 334   | 15,900                          | 28,019               |

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, land use rights, properties under development, completed properties held for sale, receivables, contract acquisition costs, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, FVOCI and FVPL.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings and contingent consideration payables.

Capital expenditure comprises additions to property, plant and equipment, investment properties, right-of-use assets, land use rights and intangible assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

Reportable segment assets are reconciled to total assets as follows:

|   | 31 December |             |
|---|-------------|-------------|
|   | 2022        | 2021        |
|   | RMB million | RMB million |
| Segment assets  | 1,786,040   | 2,051,873   |
| Unallocated:  |             |             |
| Income tax recoverable  | 29,864      | 30,015      |
| Deferred income tax assets                                    | 66          | 148         |
| FVOCI   | 1,275       | 1,573       |
| FVPL  | 21,093      | 23,487      |
| Total assets per consolidated statement of financial position | 1,838,338   | 2,107,096   |

Reportable segment liabilities are reconciled to total liabilities as follows:

|  | 31 December |             |
|--|-------------|-------------|
|  | 2022        | 2021        |
|  | RMB million | RMB million |
| Segment liabilities  | 1,734,586   | 1,878,120   |
| Unallocated:   |             |             |
| Current income tax liabilities                                     | 42,515      | 50,795      |
| Deferred income tax liabilities                                    | 47,869      | 43,800      |
| Borrowings   | 612,391     | 607,377     |
| Contingent consideration payables                                  | 51          | 58          |
| Total liabilities per consolidated statement of financial position | 2,437,412   | 2,580,150   |

No material revenues are derived from any single external customer (2021: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 PROPERTY, PLANT AND EQUIPMENT

|   | Buildings<br>RMB million | Machinery<br>RMB million | Transportation<br>equipment<br>RMB million | Furniture,<br>Fitting and<br>Construction<br>equipment<br>RMB million | in progress<br>RMB million | Total<br>RMB million |
|---|--------------------------|--------------------------|--|---|----------------------------|----------------------|
| Year ended 31 December 2021   |                          |                          |  |   |                            |                      |
| Opening net book amount   | 20,828                   | 2,089                    | 1,537                                      | 4,251   | 47,026                     | 75,731               |
| Additions   | 7,055                    | 2,549                    | 316  | 565   | 10,517                     | 21,002               |
| Acquisition of subsidiaries   | 1,389                    | 4                        | 27   | 233   | 3                          | 1,656                |
| Transfer from construction in progress to property, plant and equipment | 477                      | 127                      | 1  | 59  | (664)                      | —                    |
| Disposal of subsidiaries  | (206)                    | (1)                      | (3)  | (8)   | (445)                      | (663)                |
| Disposals   | (2,528)                  | (703)                    | (892)                                      | (2,646)   | (1,589)                    | (8,358)              |
| Depreciation  | (6,020)                  | (1,023)                  | (294)                                      | (965)   | —                          | (8,302)              |
| Others  | —                        | (10)                     | —  | —   | (200)                      | (210)                |
| Impairment  | (2,579)                  | (166)                    | —  | (92)  | (3,957)                    | (6,794)              |
| Currency difference   | (116)                    | (44)                     | —  | (5)   | (4)                        | (169)                |
| Closing net book amount   | 18,300                   | 2,822                    | 692  | 1,392   | 50,687                     | 73,893               |
| At 31 December 2021   |                          |                          |  |   |                            |                      |
| Cost  | 32,272                   | 4,761                    | 2,419                                      | 8,249   | 54,644                     | 102,345              |
| Accumulated depreciation and impairment                                 | (13,972)                 | (1,939)                  | (1,727)                                    | (6,857)   | (3,957)                    | (28,452)             |
| Net book amount   | 18,300                   | 2,822                    | 692  | 1,392   | 50,687                     | 73,893               |
| Year ended 31 December 2022   |                          |                          |  |   |                            |                      |
| Opening net book amount   | 18,300                   | 2,822                    | 692  | 1,392   | 50,687                     | 73,893               |
| Additions   | 77                       | 56                       | 669  | 220   | 5,492                      | 6,514                |
| Acquisition of subsidiaries   | 1,384                    | 13                       | 35   | 274   | 280                        | 1,986                |
| Transfer from construction in progress to property, plant and equipment | 422                      | 265                      | —  | 15  | (702)                      | —                    |
| Disposal of subsidiaries  | (293)                    | (2)                      | (2)  | (5)   | (1,264)                    | (1,566)              |
| Disposals   | (3,828)                  | (1,606)                  | (389)                                      | (723)   | (5,164)                    | (11,710)             |
| Depreciation  | (3,647)                  | (469)                    | (491)                                      | (478)   | —                          | (5,085)              |
| Others  | —                        | (30)                     | —  | —   | —                          | (30)                 |
| Impairment  | (1,503)                  | (271)                    | —  | —   | (5,839)                    | (7,613)              |
| Currency difference   | 26                       | 4                        | —  | 2   | —                          | 32                   |
| Closing net book amount   | 10,938                   | 782                      | 514  | 697   | 43,490                     | 56,421               |
| At 31 December 2022   |                          |                          |  |   |                            |                      |
| Cost  | 30,060                   | 3,461                    | 2,732                                      | 8,032   | 53,286                     | 97,571               |
| Accumulated depreciation and impairment                                 | (19,122)                 | (2,679)                  | (2,218)                                    | (7,335)   | (9,796)                    | (41,150)             |
| Net book amount   | 10,938                   | 782                      | 514  | 697   | 43,490                     | 56,421               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

|                             | Year ended 31 December |                     |
|-----------------------------|------------------------|---------------------|
|                             | 2022<br>RMB million    | 2021<br>RMB million |
| Cost of sales               | 2,502                  | 6,423               |
| Selling and marketing costs | 329                    | 195                 |
| Administrative expenses     | 2,254                  | 1,684               |
|                             | 5,085                  | 8,302               |

During the year ended 31 December 2022, the Group capitalised borrowing costs amounting to RMB45 million (2021: RMB308 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 10.77% (2021: 10.38%).

As at 31 December 2022, the management of the Group identified impairment indicators of certain CGUs in (i) the cultural and tourism city construction and operation and (ii) hotel operations as a result of deterioration in economic conditions in certain regions and carried out an impairment review on the CGUs' non-current assets, mainly property, plant and equipment and right-of-use assets. The recoverable amounts of those CGUs, to which these assets were belonged, were determined as the higher of fair value less cost to sell and its value-in-use.

In determining the fair value less costs of disposal of certain property, plant and equipment and right-of-use assets of the Group, either market approach or depreciated replacement cost approach, where appropriate, are adopted. The fair value measurement of the property, plant and equipment and right-of-use assets is categorised within level 3 of the fair value hierarchy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Key assumptions used include price per room (ranging from RMB232 per room to RMB1,029 per room) and occupancy rate (ranging from 25% to 74%). For individual CGUs with impairment indicators, the value-in-use calculation used cash flow projections based on financial forecasts approved by management. As a result, property, plant and equipment and right-of-use assets relating to these CGUs were written down to their recoverable amounts and impairment losses of RMB10,704 million and RMB13 million were recognised respectively. The key assumptions used in value-in-use calculation are as follow:

#### Assumptions

##### 2022

|                       |         |
|-----------------------|---------|
| Idle rate             | 10%–73% |
| Pre-tax discount rate | 7%–7.5% |

The management determined the budgeted revenue growth rate and profit rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. Cash flows beyond the forecast period are extrapolated using growth rate of 2%, which does not exceed the long-term average growth rate for the business in which the CGU operates.

For the construction-in-progress, the management determined the fair value less costs of disposal based on the market approach. The key assumptions applied in the impairment tests include the unit price per square meter, ranging from RMB338/square meter to RMB7,000/square meter.

As at 31 December 2022, property, plant and equipment of RMB29,469 million (2021: RMB35,060 million) were pledged as collateral for the Group's bank borrowings (note 22).

### 7 RIGHT-OF-USE ASSETS

|                             | Land use<br>rights<br>RMB million | Lease<br>properties<br>RMB million | Total<br>RMB million |
|-----------------------------|-----------------------------------|------------------------------------|----------------------|
| Year ended 31 December 2022 |                                   |                                    |                      |
| Opening net book amount     | 14,711                            | 1,516                              | 16,227               |
| Additions                   | 1,010                             | 753                                | 1,763                |
| Disposals                   | (887)                             | (1,206)                            | (2,093)              |
| Impairment                  | —                                 | (13)                               | (13)                 |
| Amortisation                | (1,310)                           | (109)                              | (1,419)              |
| Closing net book amount     | 13,524                            | 941                                | 14,465               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 RIGHT-OF-USE ASSETS (Continued)

|  | Land use<br>rights<br>RMB million | Lease<br>properties<br>RMB million | Total<br>RMB million |
|--|-----------------------------------|------------------------------------|----------------------|
| Year ended 31 December 2021            |                                   |                                    |                      |
| Opening net book amount                | 16,104                            | 2,457                              | 18,561               |
| Additions                              | 2,189                             | 663                                | 2,852                |
| Disposals                              | (1,358)                           | (554)                              | (1,912)              |
| Disposal of subsidiaries               | (931)                             | (13)                               | (944)                |
| Transfer to property under development | (45)                              | —                                  | (45)                 |
| Impairment                             | —                                 | (36)                               | (36)                 |
| Amortisation                           | (1,248)                           | (1,001)                            | (2,249)              |
| <br>Closing net book amount            | <br>14,711                        | <br>1,516                          | <br>16,227           |

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel buildings, self-use buildings and self-operating properties over fixed periods.

### 8 INVESTMENT PROPERTIES

|   | Year ended 31 December |                     |
|---|------------------------|---------------------|
|   | 2022<br>RMB million    | 2021<br>RMB million |
| Opening net book amount                                 | 69,328                 | 165,850             |
| Additions   | 455                    | 2,981               |
| Disposals   | (2,838)                | (18,296)            |
| Disposals of subsidiaries                               | (5,690)                | (8,766)             |
| Transfer to property under development                  | —                      | (40,940)            |
| Fair value gains/(losses) on investment properties, net | 1,807                  | (31,267)            |
| Currency translation differences                        | —                      | (234)               |
| <br>Closing net book amount                             | <br>63,062             | <br>69,328          |
| Comprise of:  |                        |                     |
| Completed   | 54,990                 | 61,087              |
| Under construction                                      | 8,072                  | 8,241               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 INVESTMENT PROPERTIES (Continued)

As at 31 December 2022, investment properties of RMB10,670 million (2021: RMB18,825 million) were pledged as collateral for the Group's borrowings (note 22).

Borrowing costs of RMB16 million (2021: RMB49 million) had been capitalised in investment properties under construction for the year ended 31 December 2021. The capitalisation rate of borrowing costs for the year ended 31 December 2022 was 10.77% (2021: 10.38%).

### (a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

### (b) Valuation techniques

Valuations were based on either:

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.
- (ii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 INVESTMENT PROPERTIES (Continued)

### (c) Information about fair value measurements using significant unobservable inputs (level 3)

| Property category                        |                       | Fair value as at |             | Valuation techniques     | Unobservable inputs   | Range of unobservable inputs |
|--|-----------------------|------------------|-------------|--------------------------|---|------------------------------|
|  |                       | 31 December 2022 | RMB million |                          |   |                              |
| Completed investment properties          | Commercial properties | 38,795           |             | Direct Comparison Method | Market price (RMB/square meter)   | 1,654–81,157                 |
|  | Car parking space     | 16,195           |             | Direct Comparison Method | Market price (RMB/car parking space)  | 27,000–479,000               |
| Investment properties under construction | Commercial properties | 8,025            |             | Residual Method          | Market price (RMB/square meter)   | 3,784–81,157                 |
|  | Car parking space     | 47               |             | Residual Method          | Anticipated developer's profit margin<br>Market price (RMB/car parking space) | 9.2%<br>417,100              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 INVESTMENT PROPERTIES (Continued)

#### (c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

| Property category                        |                       | Fair value as at |             | Valuation techniques     | Unobservable inputs                   | Range of unobservable inputs |
|--|-----------------------|------------------|-------------|--------------------------|---------------------------------------|------------------------------|
|  |                       | 31 December 2021 | RMB million |                          |                                       |                              |
| Completed investment properties          | Commercial properties | 44,529           |             | Direct Comparison Method | Market price (RMB/square meter)       | 1,572–280,442                |
|  | Car parking space     | 16,558           |             | Direct Comparison Method | Market price (RMB/car parking space)  | 27,000–1,830,000             |
| Investment properties under construction | Commercial properties | 8,195            |             | Residual Method          | Market price (RMB/square meter)       | 3,706–79,483                 |
|  | Car parking space     | 46               |             | Residual Method          | Anticipated developer's profit margin | 9.2%                         |
|  |                       |                  |             |                          | Market price (RMB/car parking space)  | 408,500                      |
|  |                       |                  |             |                          | Anticipated developer's profit margin | 9.2%                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 INVESTMENT PROPERTIES (Continued)

#### (c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Relationship of unobservable inputs to fair value:

- The higher market price, the higher fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

#### (d) The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income:

|  | Year ended 31 December |                     |
|--|------------------------|---------------------|
|  | 2022<br>RMB million    | 2021<br>RMB million |
| Rental income  | 549                    | 782                 |
| Direct operating expenses arising from investment properties that generate rental income | (139)                  | (271)               |

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

|   | 31 December         |                     |
|---|---------------------|---------------------|
|   | 2022<br>RMB million | 2021<br>RMB million |
| Not later than one year                           | 145                 | 613                 |
| Later than one year and not later than five years | 397                 | 956                 |
| Later than five years                             | 438                 | 568                 |
|   | 980                 | 2,137               |

During the years ended 31 December 2022 and 2021, the investment properties are mainly located in the PRC .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 GOODWILL

|  | New energy vehicle business<br>RMB million | Other businesses<br>RMB million | Total<br>RMB million |
|--|--|---------------------------------|----------------------|
| <b>Year ended 31 December 2022</b>           |  |                                 |                      |
| Opening net book amount                      | —  | 1,161                           | 1,161                |
| Measurement period adjustment                | —  | (15)                            | (15)                 |
| Closing net book amount                      | —  | 1,146                           | 1,146                |
| <b>Year ended 31 December 2021</b>           |  |                                 |                      |
| Opening net book amount                      | 6,244                                      | 1,578                           | 7,822                |
| Acquired from business combination (note 39) | —  | 1,699                           | 1,699                |
| Impairment charge                            | (5,297)                                    | (1,195)                         | (6,492)              |
| Disposal of subsidiaries                     | (288)                                      | (921)                           | (1,209)              |
| Currency difference                          | (659)                                      | —                               | (659)                |
| Closing net book amount                      | —  | 1,161                           | 1,161                |

For the purpose of goodwill impairment testing, the carrying value of goodwill is allocated to the related CGU or groups of CGUs which are expected to benefit from the synergies of the business combination.

The recoverable amount of a CGU or a group of CGUs is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of a CGU or a group of CGUs will not be recognised if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

**(a)** The goodwill of other businesses mainly represents goodwill arose from acquisition of other listed companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 GOODWILL (Continued)

### (b) Impairment testing of goodwill arising on acquisition of property management service business

During the year ended 31 December 2021, the Group acquired seven property management companies for a total consideration of RMB2,168 million. The excess of the purchase consideration over the identifiable net assets acquired of RMB1,699 million is recorded as goodwill. A valuation has been carried out by an independent valuer to determine the fair value of the underlying intangible assets.

Based on management's assessment, no impairment provision of goodwill was recognised as at 31 December 2022 (2021: RMB594 million).

The value-in-use calculation has been reviewed by Greater China (Shanghai) Appraisal Limited, an independent professional valuer. The key assumptions used in the calculation are set out below:

|                              | <b>For the year ended<br/>31 December 2022</b> | For the year ended<br>31 December 2021 |
|------------------------------|--|--|
| Expected revenue growth rate | <b>-56.1%–4%</b>                               | -6.7%–14.9%                            |
| Pre-tax discount rate        | <b>14%–17%</b>                                 | 14.5%–18.5%                            |
| Final growth rate            | <b>2%</b>                                      | 2%–3%                                  |

The values assigned to the above key assumptions are consistent with external sources.

If the expected growth rate used for the cash flow projections of the cash-generating unit is 1% lower than management's estimate, the value in use of the cash-generating unit would be approximately RMB126 million (2021: RMB118 million) lower than the estimated amount.

If the pre-tax discount rate used for the cash flow projections of the cash-generating unit is 1% higher than management's estimate, the value in use of the cash-generating unit would be approximately RMB127 million (2021: RMB107 million) lower than the estimated amount.

If the ultimate growth rate used in the cash flow projections for the cash-generating unit is 1% lower than management's estimate, the value in use of the cash-generating unit would be approximately RMB61 million (2021: RMB65 million) lower than the estimated amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 INTANGIBLE ASSETS

|   | New energy vehicle business    |   |             | Other businesses |             |             |
|---|--------------------------------|---|-------------|------------------|-------------|-------------|
|   | Research and development costs | Patent, proprietary technology and franchise rights | Others      | Total            | Others      | Total       |
|   | RMB million                    | RMB million   | RMB million | RMB million      | RMB million | RMB million |
| <b>Year ended 31 December 2022</b>      |                                |   |             |                  |             |             |
| Cost                                    | 7,765                          | 5,079   | 345         | 13,189           | 2,090       | 15,279      |
| Accumulated amortisation and impairment | (3,560)                        | (4,930)   | (221)       | (8,711)          | (492)       | (9,203)     |
| Net book amount                         | 4,205                          | 149   | 124         | 4,478            | 1,598       | 6,076       |
| Opening net book amount                 | 4,568                          | 1,945   | 12          | 6,525            | 1,577       | 8,102       |
| Additions                               | 753                            | 696   | 143         | 1,592            | 1,782       | 3,374       |
| Disposals                               | —                              | (61)  | (3)         | (64)             | (1,381)     | (1,445)     |
| Amortisation                            | (100)                          | (637)   | (23)        | (760)            | (379)       | (1,139)     |
| Impairment losses (note a)              | (1,015)                        | (1,793)   | —           | (2,808)          | (6)         | (2,814)     |
| Reclassification                        | —                              | (1)   | (4)         | (5)              | 5           | —           |
| Currency difference                     | (1)                            | —   | (1)         | (2)              | —           | (2)         |
| Closing book amount                     | 4,205                          | 149   | 124         | 4,478            | 1,598       | 6,076       |
| <b>Year ended 31 December 2021</b>      |                                |   |             |                  |             |             |
| Cost                                    | 7,013                          | 5,515   | 217         | 12,745           | 2,804       | 15,549      |
| Accumulated amortisation and impairment | (2,445)                        | (3,570)   | (205)       | (6,220)          | (1,227)     | (7,447)     |
| Net book amount                         | 4,568                          | 1,945   | 12          | 6,525            | 1,577       | 8,102       |
| Opening net book amount                 | 6,318                          | 3,788   | 138         | 10,244           | 452         | 10,696      |
| Acquired from business combination      | —                              | —   | —           | —                | 1,133       | 1,133       |
| Additions                               | 103                            | 10  | 53          | 166              | 1,018       | 1,184       |
| Disposals                               | —                              | (183)   | (3)         | (186)            | (109)       | (295)       |
| Amortisation                            | (349)                          | (340)   | (17)        | (706)            | (917)       | (1,623)     |
| Impairment losses (note a)              | (1,462)                        | (1,314)   | (159)       | (2,935)          | —           | (2,935)     |
| Currency difference                     | (42)                           | (16)  | —           | (58)             | —           | (58)        |
| Closing book amount                     | 4,568                          | 1,945   | 12          | 6,525            | 1,577       | 8,102       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 INTANGIBLE ASSETS (Continued)

#### (a) Impairment loss

The Group made impairment to intangible assets that were un-utilised and not able to generate future economic benefits. The whole amount was recognised as administrative expense in the consolidated statement of profit or loss and other comprehensive income. Based on management's assessment, an impairment loss of RMB2,808 million was recognised for the new energy vehicle business for the year ended 31 December 2022 (2021: RMB2,935 million).

Amortisation charge of the Group was included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

|                             | Year ended 31 December |                     |
|-----------------------------|------------------------|---------------------|
|                             | 2022<br>RMB million    | 2021<br>RMB million |
| Cost of sales               | 530                    | 1,015               |
| Selling and marketing costs | 441                    | 243                 |
| Administrative expenses     | 168                    | 365                 |
|                             | <b>1,139</b>           | 1,623               |

### 11 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

#### (a) Properties under development

|  | 31 December         |                     |
|--|---------------------|---------------------|
|  | 2022<br>RMB million | 2021<br>RMB million |
| Properties under development expected to be completed with one operating cycle included under current assets | <b>1,136,084</b>    | 1,263,410           |
| Properties under development comprise:   |                     |                     |
| — Construction costs and capitalised expenditures  | 498,314             | 563,650             |
| — Interests capitalised  | 143,606             | 133,129             |
| — Land use rights  | 494,164             | 566,631             |
|  | <b>1,136,084</b>    | 1,263,410           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (Continued)

#### (a) Properties under development (Continued)

All the properties under development are expected to be completed within one operating cycle.

The properties under development include costs of acquiring rights to use certain lands, which are principally located in the PRC, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2022, properties under development of approximately RMB278,617 million (2021: RMB275,439 million) were pledged as collateral for the Group's borrowings (note 22).

The capitalisation rate of borrowing costs for the year ended 31 December 2022 is 10.77% (2021: 10.38% )

#### (b) Completed properties held for sale

All completed properties held for sale are located in the PRC.

As at 31 December 2022, completed properties held for sale of approximately RMB17,321 million (2021: RMB17,345 million) were pledged as collateral for the Group's borrowings (note 22).

During the year ended 31 December 2022, a provision of RMB1,685 million (2021: RMB373,681 million) was made to write down the properties under development and completed properties held for sale.

### 12 TRADE AND OTHER RECEIVABLES

|  | 31 December    |             |
|--|----------------|-------------|
|  | 2022           | 2021        |
|  | RMB million    | RMB million |
| Trade receivables (a)  | 18,143         | 15,969      |
| Other receivables (b)  | 212,095        | 191,665     |
|  | <b>230,238</b> | 207,634     |
| Less: non-current portion of trade receivables and other receivables | (1,327)        | (2,825)     |
| Current portion  | <b>228,911</b> | 204,809     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 TRADE AND OTHER RECEIVABLES (Continued)

#### (a) Trade receivables

|  | 31 December |             |
|--|-------------|-------------|
|  | 2022        | 2021        |
|  | RMB million | RMB million |
| Trade receivables                        | 21,685      | 19,398      |
| Less: allowance provision for impairment | (3,542)     | (3,429)     |
| Trade receivables — net                  | 18,143      | 15,969      |
| Less: non-current portion                | (1,327)     | (2,825)     |
| Current portion                          | 16,816      | 13,144      |

During the year ended 31 December 2022, impairment provision of RMB289 million (2021: RMB7,250 million) was made against the gross amount of trade receivables (note 3(a)(iii)).

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 as at the respective dates of reporting period is as follows:

|                                   | 31 December |             |
|-----------------------------------|-------------|-------------|
|                                   | 2022        | 2021        |
|                                   | RMB million | RMB million |
| Within 90 days                    | 10,881      | 1,932       |
| Over 90 days and within 180 days  | 1,479       | 4,675       |
| Over 180 days and within 365 days | 1,184       | 7,144       |
| Over 365 days                     | 8,141       | 5,647       |
|                                   | 21,685      | 19,398      |

The maximum exposure to credit risk at each date of reporting period is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 TRADE AND OTHER RECEIVABLES (Continued)

#### (b) Other receivables

|  | 31 December     |             |
|--|-----------------|-------------|
|  | 2022            | 2021        |
|  | RMB million     | RMB million |
| Other receivables                        |                 |             |
| – associates (note 38 (b))               | 4,051           | 2,672       |
| – joint ventures (note 38 (b))           | 58,596          | 51,987      |
| – non-controlling interests (note (i))   | 19,943          | 20,017      |
| – third parties (note (ii))              | 182,089         | 157,508     |
|  | <b>264,679</b>  | 232,184     |
| Less: allowance provision for impairment | <b>(52,584)</b> | (40,519)    |
| Other receivables – net                  | <b>212,095</b>  | 191,665     |

- (i) Amounts are unsecured, interest free and repayable on demand.
- (ii) Amounts mainly represented the deposits for acquisition of land use rights, deposits for construction projects and borrowings, receivables of cooperation parties.

During the year ended 31 December 2022, impairment provision of RMB12,095 million (2021: RMB43,126 million) was made against the gross amount of other receivables (note 3(a)(iii)).

The carrying amounts of the Group's other receivables are mainly denominated in RMB.

The maximum exposure to credit risk at each date of reporting period is the carrying value of each class of receivables mentioned above.

As at 31 December 2022 and 2021, the fair value of trade and other receivables approximated their carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 PREPAYMENTS

|  | 31 December    |             |
|--|----------------|-------------|
|  | 2022           | 2021        |
|  | RMB million    | RMB million |
| Prepaid value added taxes and other taxes  | 42,047         | 26,953      |
| Prepayments to third parties   | 89,852         | 128,045     |
| – for acquisition of land use rights   | 82,657         | 98,815      |
| – for acquisition of subsidiaries  | –              | 146         |
| – others   | 7,195          | 29,084      |
|  | <b>131,899</b> | 154,998     |
| Less: non-current portion  |                |             |
| – prepayments for acquisition of property, plant and equipment and land use rights | (456)          | (1,668)     |
|  | <b>131,443</b> | 153,330     |

### 14 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                | 31 December   |             |
|----------------|---------------|-------------|
|                | 2022          | 2021        |
|                | RMB million   | RMB million |
| Associates     | 10,933        | 19,046      |
| Joint ventures | 14,960        | 14,215      |
|                | <b>25,893</b> | 33,261      |

The amounts recognised in profit and loss are as follows:

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2022                   | 2021        |
|   | RMB million            | RMB million |
| Share of profits/(losses) of associates     | 3                      | (74)        |
| Share of profits/(losses) of joint ventures | 36                     | (19,648)    |
|   | <b>39</b>              | (19,722)    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

#### Investments in associates (Continued)

The movements of the investments in associates are as follows:

|  | Year ended 31 December |                     |
|--|------------------------|---------------------|
|  | 2022<br>RMB million    | 2021<br>RMB million |
| Balance as at 1 January                          | 19,046                 | 56,457              |
| Additions  | 9,338                  | 18,128              |
| Disposals  | (5,639)                | (53,137)            |
| Share of post-tax profits/(losses) of associates | 3                      | (74)                |
| Impairment                                       | (11,815)               | (2,351)             |
| Other comprehensive loss                         | —                      | 23                  |
| Balance as at 31 December                        | 10,933                 | 19,046              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### Investments in associates (Continued)

Set out below is the summarised financial information for the associate that is material to the Group.

#### (i) Shengjing Bank

Shengjing Bank is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlements, treasury businesses and etc. As at 31 December 2021, the Group held 14.57% equity interest in Shengjing Bank. During the year ended 31 December 2022, the Group disposed all of its interest in Shengjing Bank.

#### Summarised statement of financial position

|                                     | 2021<br>RMB million |
|-------------------------------------|---------------------|
| Cash and balances with central bank | 72,331              |
| Other assets                        | 933,795             |
| <b>Total assets</b>                 | <b>1,006,126</b>    |
| Financial liabilities               | 921,804             |
| Other liabilities                   | 3,819               |
| <b>Total liabilities</b>            | <b>925,623</b>      |
| <b>Net assets</b>                   | <b>80,503</b>       |
| <b>Net assets attributable to:</b>  |                     |
| Shareholders of the Shengjing Bank  | 79,879              |
| Non-controlling interests           | 624                 |
|                                     | 80,503              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

#### Investments in associates (Continued)

##### (i) Shengjing Bank (Continued)

###### Summarised statement of profit or loss and other comprehensive income

|  | 2021<br>RMB million |
|--|---------------------|
| Interest income  | 40,916              |
| Interest expenses  | (28,528)            |
| <b>Profit before tax</b>                                     | <b>104</b>          |
| Income tax credit  | 367                 |
| <b>Profit for the year</b>                                   | <b>431</b>          |
| <b>Other comprehensive income</b>                            | <b>26</b>           |
| <b>Total comprehensive income</b>                            | <b>457</b>          |
| <b>Total comprehensive income attributable to:</b>           |                     |
| Shareholders of the Shengjing Bank                           | 428                 |
| Non-controlling interests                                    | 29                  |
|  | 457                 |
| <b>Share of post-tax profits of Shengjing Bank</b>           | <b>63</b>           |
| <b>Share of other comprehensive income of Shengjing Bank</b> | <b>67</b>           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

#### Investments in associates (Continued)

##### (i) Shengjing Bank (Continued)

###### Reconciliation of summarised financial information

|                                     | 2021<br>RMB million |
|-------------------------------------|---------------------|
| <b>Net assets as at 1 January</b>   | 82,154              |
| Profit for the year                 | 1,086               |
| Other comprehensive income          | (307)               |
| <b>Net assets as at 31 December</b> | <b>82,933</b>       |
| Interest in the associate           | 30,188              |
| Goodwill                            | —                   |
| <b>Carrying value</b>               | <b>30,188</b>       |

#### Investments in joint ventures

The movements of the interests in joint ventures are as follows:

|  | Year ended 31 December<br>2022<br>RMB million | 2021<br>RMB million |
|--|---|---------------------|
| Balance as at 1 January                              | 14,215  | 35,813              |
| Additions  | 7,808   | 9,498               |
| Disposals  | (908)   | (5,710)             |
| Share of post-tax profits/(losses) of joint ventures | 36  | (19,648)            |
| Impairment   | (6,191)                                       | (5,746)             |
| Other comprehensive income                           | —   | 8                   |
| <br>Balance as at 31 December                        | <br>14,960                                    | <br>14,215          |

The Group does not have any no material joint venture as at 31 December 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

|                             | Year ended 31 December |                     |
|-----------------------------|------------------------|---------------------|
|                             | 2022<br>RMB million    | 2021<br>RMB million |
| Listed equity securities    | 471                    | 390                 |
| Unlisted equity investments | 804                    | 1183                |
|                             | 1,275                  | 1,573               |

As at 31 December, FVOCI are denominated in US\$ and RMB.

### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

|                             | 31 December         |                     |
|-----------------------------|---------------------|---------------------|
|                             | 2022<br>RMB million | 2021<br>RMB million |
| Listed equity securities    | 3,640               | 3,915               |
| Unlisted equity investments | 17,453              | 19,572              |
|                             | 21,093              | 23,487              |

As at 31 December 2022 and 2021, the listed equity securities of FVPL represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange Limited (the "Shanghai Stock Exchange"), the Shenzhen Stock Exchange Limited (the "Shenzhen Stock Exchange") and the Stock Exchange, which are quoted in an active market.

As at 31 December 2022 and 2021, the unlisted equity investments of FVPL mainly represented the Group's equity investments in high technology, media companies and an automobile group, and the fair value of these investments has been determined by reference to the valuation carried out by independent and professionally qualified valuers.

Changes in fair values of these investments are recorded in "Fair value losses on financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 FINANCIAL INSTRUMENTS BY CATEGORY

#### Assets as per consolidated statement of financial position

|                               | 31 December    |             |
|-------------------------------|----------------|-------------|
|                               | 2022           | 2021        |
|                               | RMB million    | RMB million |
| <b>At amortised cost</b>      |                |             |
| <b>Loans and receivables</b>  |                |             |
| – Trade and other receivables | 230,238        | 207,634     |
| – Restricted cash             | 9,971          | 23,341      |
| – Cash and cash equivalents   | 4,334          | 5,435       |
|                               | <b>244,543</b> | 236,410     |
| <b>At fair value</b>          |                |             |
| – FVPL                        | 21,093         | 23,487      |
| – FVOCI                       | 1,275          | 1,573       |
|                               | <b>266,911</b> | 261,470     |

#### Liabilities as per consolidated statement of financial position

|  | 31 December      |             |
|--|------------------|-------------|
|  | 2022             | 2021        |
|  | RMB million      | RMB million |
| <b>At amortised cost</b>   |                  |             |
| <b>Other financial liabilities</b>   |                  |             |
| – Borrowings   | 612,391          | 607,377     |
| – Trade and other payables excluding other taxes, payroll payable and deferred income from government grants | 1,004,639        | 895,390     |
|  | <b>1,617,030</b> | 1,502,767   |
| <b>At fair value</b>   |                  |             |
| – Contingent consideration payable   | 51               | 58          |
|  | <b>1,617,081</b> | 1,502,825   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 RESTRICTED CASH

The restricted cash is denominated in the following currencies:

|                                   | 31 December  |             |
|-----------------------------------|--------------|-------------|
|                                   | 2022         | 2021        |
|                                   | RMB million  | RMB million |
| — Denominated in RMB              | 9,889        | 23,233      |
| — Denominated in other currencies | 82           | 108         |
|                                   | <b>9,971</b> | 23,341      |

The Group's restricted cash mainly comprised of guarantee deposits for bank acceptance notes and loans and guarantee deposits for sale.

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

### 19 CASH AND CASH EQUIVALENTS

|                                   | 31 December  |             |
|-----------------------------------|--------------|-------------|
|                                   | 2022         | 2021        |
|                                   | RMB million  | RMB million |
| Cash at bank and in hand:         |              |             |
| — Denominated in RMB              | 3,156        | 4,790       |
| — Denominated in other currencies | 1,178        | 645         |
|                                   | <b>4,334</b> | 5,435       |

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 SHARE CAPITAL AND PREMIUM

|   | Number of<br>ordinary shares<br>share | Nominal value<br>of ordinary<br>shares<br>US\$ | nominal value<br>of ordinary<br>share<br>RMB million | Equivalent                      |                      |
|---|---------------------------------------|--|--|---------------------------------|----------------------|
|   |                                       |  |  | Share<br>premium<br>RMB million | Total<br>RMB million |
| As at 1 January 2021                                | 13,239,284,900                        | 132,392,849                                    | 933  | 3,702                           | 4,635                |
| Issuance of shares pursuant<br>to the option scheme | 11,100,000                            | 111,000  | 1  | 35                              | 36                   |
| Proceeds from shares placement (note (a))           |                                       |  |  |                                 |                      |
| Repurchase of shares (note (b))                     | (46,084,000)                          | (460,840)                                      | (4)  | (441)                           | (445)                |
| As at 31 December 2021                              | 13,204,300,900                        | 132,043,009                                    | 930  | 3,296                           | 4,226                |
| As at 1 January 2022 and<br>31 December 2022        | <b>13,204,300,900</b>                 | <b>132,043,009</b>                             | <b>930</b>   | <b>3,296</b>                    | <b>4,226</b>         |

During the year ended 31 December 2021, the Company repurchased a total of 46,084,000 of its own shares through the Stock Exchange at an aggregate consideration of HK\$529.3 million (equivalent to approximately RMB440.4 million). The above repurchased shares have been cancelled on 26 November 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 EMPLOYEE SHARE OPTION

#### (i) Employee share option scheme of the Company

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 9 October 2014, 530,000,000 share options (the “2014 Options”) were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK\$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

On 24 April 2020, 623,000,000 share options (the “2020 Option”) were granted to directors and employees with an exercise price of HK\$13.11 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

|                                      | <b>Year ended 31 December</b> |               |
|--------------------------------------|-------------------------------|---------------|
|                                      | <b>2022</b>                   | <b>2021</b>   |
| Balance at 1 January                 | <b>778,355,000</b>            | 1,007,123,000 |
| Exercised during the year            | —                             | (11,100,000)  |
| Cancelled and lapsed during the year | <b>(120,406,000)</b>          | (217,668,000) |
| <br>Balance at 31 December           | <br><b>657,949,000</b>        | 778,355,000   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 EMPLOYEE SHARE OPTION (Continued)

### (i) Employee share option scheme of the Company (Continued)

Particulars of share options of the Company as at 31 December 2022 and 2021 are as follows:

| Date of grant        | Vesting period | Exercise period                   | Exercise price | Number of outstanding shares as at 31 December |             |
|----------------------|----------------|-----------------------------------|----------------|--|-------------|
|                      |                |                                   |                | 2022   | 2021        |
| <b>2014 Options:</b> |                |                                   |                |  |             |
| 9 October 2014       | 5 year         | 9 October 2019—<br>8 October 2024 | HK\$3.05       | <b>800,000</b>                                 | 5,391,000   |
| <b>2017 Options:</b> |                |                                   |                |  |             |
| 6 October 2017       | 1 year         | 6 October 2018—<br>5 October 2023 | HK\$30.20      | <b>27,217,000</b>                              | 31,924,000  |
| 6 October 2017       | 2 year         | 6 October 2019—<br>5 October 2024 | HK\$30.20      | <b>69,743,000</b>                              | 81,795,000  |
| 6 October 2017       | 3 year         | 6 October 2020—<br>5 October 2025 | HK\$30.20      | <b>69,743,000</b>                              | 81,795,000  |
| 6 October 2017       | 4 year         | 6 October 2021—<br>5 October 2026 | HK\$30.20      | <b>69,743,000</b>                              | 81,795,000  |
| 6 October 2017       | 5 year         | 6 October 2022—<br>5 October 2027 | HK\$30.20      | <b>69,743,000</b>                              | 81,795,000  |
| <b>2020 Options:</b> |                |                                   |                |  |             |
| 24 April 2020        | 1 year         | 24 April 2021—<br>24 April 2022   | HK\$13.11      | <b>70,192,000</b>                              | 82,772,000  |
| 24 April 2020        | 2 year         | 24 April 2022—<br>24 April 2023   | HK\$13.11      | <b>70,192,000</b>                              | 82,772,000  |
| 24 April 2020        | 3 year         | 24 April 2023—<br>24 April 2024   | HK\$13.11      | <b>70,192,000</b>                              | 82,772,000  |
| 24 April 2020        | 4 year         | 24 April 2024—<br>24 April 2025   | HK\$13.11      | <b>70,192,000</b>                              | 82,772,000  |
| 24 April 2020        | 5 year         | 24 April 2025—<br>24 April 2026   | HK\$13.11      | <b>70,192,000</b>                              | 82,772,000  |
|                      |                |                                   |                | <b>657,949,000</b>                             | 778,355,000 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 EMPLOYEE SHARE OPTION (Continued)

#### (ii) Employee share option scheme of Evergrande Auto

Evergrande Auto approved and adopted a share option scheme on 6 June 2018 (the “2018 Share Option Plan”).

On 6 November 2020, Evergrande Auto granted 298,820,000 share options under 2018 Share Option Plan to certain of its directors and other selected employees with an exercise price of HK\$23.05 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting. When exercisable, each option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of share options are as follows:

|                           | Year ended 31 December |               |
|---------------------------|------------------------|---------------|
|                           | 2022                   | 2021          |
| Balance at 1 January      | 528,050,000            | 294,880,000   |
| Granted during the year   | —                      | 453,380,000   |
| Forfeited during the year | (138,370,000)          | (220,210,000) |
| Balance at 31 December    | 389,680,000            | 528,050,000   |

Particulars of share options of Evergrande Auto as at 31 December 2021 and 2020 are as follows:

| Date of grant        | Vesting period | Exercise period                     | Exercise price | Number of outstanding shares as at 31 December |             |
|----------------------|----------------|-------------------------------------|----------------|--|-------------|
|                      |                |                                     |                | 2022   | 2021        |
| <b>2020 Options:</b> |                |                                     |                |  |             |
| 6 November 2020      | 1 year         | 6 November 2021—<br>5 November 2026 | HK\$23.05      | 35,044,000                                     | 44,252,000  |
| 6 November 2020      | 2 year         | 6 November 2022—<br>5 November 2027 | HK\$23.05      | 35,044,000                                     | 44,252,000  |
| 6 November 2020      | 3 year         | 6 November 2023—<br>5 November 2028 | HK\$23.05      | 35,044,000                                     | 44,252,000  |
| 6 November 2020      | 4 year         | 6 November 2024—<br>5 November 2029 | HK\$23.05      | 35,044,000                                     | 44,252,000  |
| 6 November 2020      | 5 year         | 6 November 2025—<br>5 November 2030 | HK\$23.05      | 35,044,000                                     | 44,252,000  |
|                      |                |                                     |                | 175,220,000                                    | 221,260,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 EMPLOYEE SHARE OPTION (Continued)

### (ii) Employee share option scheme of Evergrande Auto (Continued)

| Date of grant                  | Vesting period | Exercise period                                    | Exercise price | Number of outstanding shares as at 31 December |             |
|--------------------------------|----------------|--|----------------|--|-------------|
|                                |                |  |                | 2022   | 2021        |
| <b>June 2021 Options:</b>      |                |  |                |  |             |
| 15 June 2021                   | 1 year         | 15 June 2022 to<br>14 June 2027<br>15 June 2023 to | HK\$32.82      | <b>8,966,000</b>                               | 13,890,000  |
| 15 June 2021                   | 2 years        | 14 June 2028<br>15 June 2024 to                    | HK\$32.82      | <b>8,966,000</b>                               | 13,890,000  |
| 15 June 2021                   | 3 years        | 14 June 2029<br>15 June 2025 to                    | HK\$32.82      | <b>8,966,000</b>                               | 13,890,000  |
| 15 June 2021                   | 4 years        | 14 June 2030<br>15 June 2026 to                    | HK\$32.82      | <b>8,966,000</b>                               | 13,890,000  |
| 15 June 2021                   | 5 years        | 14 June 2031                                       | HK\$32.82      | <b>8,966,000</b>                               | 13,890,000  |
|                                |                |  |                | <b>44,830,000</b>                              | 69,450,000  |
| <b>September 2021 Options:</b> |                |  |                |  |             |
| 20 September 2021              | 0.5 years      | 20 March 2022 to<br>19 March 2027                  | HK\$3.90       | <b>42,282,500</b>                              | 59,335,000  |
| 20 September 2021              | 1 year         | 20 September 2022 to<br>19 September 2027          | HK\$3.90       | <b>42,282,500</b>                              | 59,335,000  |
| 20 September 2021              | 1.5 years      | 20 March 2023 to<br>19 March 2028                  | HK\$3.90       | <b>42,282,500</b>                              | 59,335,000  |
| 20 September 2021              | 2 years        | 20 September 2023 to<br>19 September 2028          | HK\$3.90       | <b>42,282,500</b>                              | 59,335,000  |
|                                |                |  |                | <b>169,130,000</b>                             | 237,340,000 |

(iii) The weighted average fair value of the aforesaid options granted were determined by reference to valuation prepared by independent valuers, using the Binomial Model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 BORROWINGS

|   | 2022<br>RMB million | 2021<br>RMB million |
|---|---------------------|---------------------|
| Borrowings included in non-current liabilities:                   |                     |                     |
| Senior notes (note (a))   | 139,539             | 127,300             |
| PRC corporate bonds (note (b))                                    | 53,262              | 53,056              |
| Convertible bonds (note (c))                                      | 72                  | 66                  |
| Bank and other borrowings (note (d))                              | 364,231             | 342,100             |
|   | <b>557,104</b>      | 522,522             |
| Less: current portion of non-current borrowings                   | <b>(531,836)</b>    | (517,798)           |
|   | <b>25,268</b>       | 4,724               |
| Borrowings included in current liabilities:                       |                     |                     |
| Bank and other borrowings   | 55,287              | 84,855              |
| Current portion of non-current borrowings                         | 531,836             | 517,798             |
| — Senior notes (note (a))   | 139,539             | 127,300             |
| — PRC corporate bonds (note (b))                                  | 53,262              | 53,056              |
| — Convertible bonds (note (c))                                    | 72                  | 66                  |
| — Bank and other borrowings (note (d))                            | 338,963             | 337,376             |
|   | <b>587,123</b>      | 602,653             |
| Total borrowings  | <b>612,391</b>      | 607,377             |
| The total borrowings are denominated in the following currencies: |                     |                     |
| RMB   | 445,169             | 453,497             |
| US\$  | 154,344             | 143,210             |
| HK\$  | 12,878              | 10,670              |
|   | <b>612,391</b>      | 607,377             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 BORROWINGS (Continued)

### (a) Senior notes

|                                    | 2022<br>US\$ million | 2021<br>US\$ million |
|------------------------------------|----------------------|----------------------|
| Par value                          |                      |                      |
| 2017 issued 2022 Notes             | 997                  | 997                  |
| 2017 issued 2024 Notes             | 951                  | 951                  |
| 2017 issued 2023 Notes             | 1,332                | 1,332                |
| 2017 issued 2025 Notes             | 4,633                | 4,633                |
| 2018 issued 2022 Notes             | 644                  | 644                  |
| 2018 issued 2023 Notes             | 589                  | 589                  |
| 2019 issued 2022 Notes I           | 1,025                | 1,025                |
| 2019 issued 2021 Notes III         | 260                  | 260                  |
| 2019 issued 2022 Notes II          | 1,450                | 1,450                |
| 2019 issued 2023 Notes             | 834                  | 834                  |
| 2019 issued 2024 Notes             | 691                  | 691                  |
| 2019 issued 2022 Notes III         | 300                  | 300                  |
| 2020 issued 2022 Notes             | 1,999                | 1,999                |
| 2020 issued 2023 Notes I           | 1,994                | 1,994                |
| 2020 issued 2023 Notes II          | 999                  | 999                  |
| 2020 issued 2024 Notes             | 995                  | 995                  |
| 2021 issued 2023 Notes I           | 314                  | 314                  |
| 2021 issued 2023 Notes II          | 110                  | 110                  |
| <br>Total                          | <br>20,117           | <br>20,117           |
| <br>Unrecognised financing charges | <br>(61)             | <br>(163)            |
| <br>Amortised cost — US\$          | <br>20,056           | <br>19,954           |
| <br>Amortised cost — RMB           | <br>139,539          | <br>127,300          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 BORROWINGS (Continued)

#### (a) Senior notes (Continued)

On 23 March 2017, the Company issued 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2022 Notes").

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2024 Notes").

On 28 June 2017, the Company issued 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value ("2017 issued 2023 Notes") and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value ("2017 issued 2025 Note").

On 6 November 2018 the Group has issued 13.0% four-year senior notes with an aggregated principal amount of US\$645 million (equivalent to approximately RMB4,419 million) at 100% of the face value ("2018 issued 2022 Notes"), and 13.75% five-year senior notes with an aggregated principal amount of US\$590 million (equivalent to approximately RMB4,042 million) at 100% of the face value ("2018 issued 2023 Notes").

On 25 January 2019, the Company issued 8.25%, 42-month senior notes with an aggregated principal amount of US\$1,025 million (equivalent to approximately RMB6,964 million) at 94.054% of the face value ("2019 issued 2022 Notes I").

On 6 March 2019, a subsidiary of the Company issued 9.00%, 2-year senior notes with an aggregated principal amount of US\$ 600 million (equivalent to approximately RMB4,023 million) at 100% of the face value ("2019 issued 2021 Notes II").

On 11 April 2019, the Company issued 9.50%, 3-year senior notes with an aggregated principal amount of US\$1,450 million (equivalent to approximately RMB9,728 million) at 100% of the face value ("2019 issued 2022 Notes II"), 10.00% , 4-year senior notes with an aggregated principal amount of US\$850 million (equivalent to approximately RMB5,702 million) at 100% of the face value ("2019 issued 2023 Notes"), and 10.50%, 5-year senior notes with an aggregated principal amount of US\$700 million (equivalent to approximately RMB4,696 million) at 100% of the face value ("2019 issued 2024 Notes").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 BORROWINGS (Continued)

### (a) Senior notes (Continued)

On 30 April 2019, the Company issued 9.50%, 33-month senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB2,019 million) at 100% of the face value ("2019 issued 2022 Notes III").

On 22 January 2020, the Company issued 11.5%, 3-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2023 Notes II"), and 12.0%, 4-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2024 Notes").

On 24 January 2020, a subsidiary of the Company issued 11.5%, 33-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2022 Notes"), and 12.0%, 45-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2023 Notes I").

On 22 January 2021, the Company issued 9.00%, 2-years senior notes with an aggregated principal amount of US\$314 million (equivalent to approximately RMB2,209 million) at 100% of the face value ("2021 issued 2023 Notes I").

On 1 March 2021, the Company issued 9.00%, 1.89-year senior notes with an aggregated principal amount of US\$110 million (equivalent to approximately RMB712 million) at 100% of the face value ("2021 issued 2023 Notes II")

All senior notes contain various early redemption options. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2022 and 2021.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 BORROWINGS (Continued)

#### (b) PRC corporate bonds

On 7 July 2015, a subsidiary of the Company issued 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 6 May 2019, a subsidiary of the Company issued 6.27%, four-year public PRC corporate bonds with an aggregated principal amount of RMB15,000 million at 100% of the face value, and 6.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 8 January 2020, a subsidiary of the Company issued 6.98%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,500 million at 100% of the face value.

On 26 May 2020, a subsidiary of the Company issued 5.90%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 5 June 2020, a subsidiary of the Company issued 5.60%, three-year public PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 23 September 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 19 October 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB2,100 million at 100% of the face value.

On 27 April 2021, a subsidiary of the Company issued 7.00%, five-year public PRC corporate bonds with an aggregated principal amount of RMB200 million of 100% of the face value.

Except for the PRC corporate bonds amounting to RMB8,200 million issued on 7 July 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2022 and 2021.

#### (c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible bonds") in an aggregate principal amount of HK\$18,000 million at the face value.

The Convertible bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 BORROWINGS (Continued)

### (c) Convertible bonds (Continued)

On 14 February 2018 (the "Issuance Day"), the Group received the net proceeds from issuance of the Convertible Bonds of HK\$17,736 million (equivalent to RMB14,383 million).

The Convertible bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible bonds to require the Company to redeem the Convertible bonds; and the fair value of the option of the Company to redeem the Convertible bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.
- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The Company redeemed the Convertible bonds in the aggregate principal amount of HK\$1,799 million at an average purchase price of approximately 99.0% of such principal amount on 16 December 2020. After completion of the redemption, the repurchased Convertible Bonds was cancelled.

The Company has redeemed the Convertible Bonds in the aggregate amount of HK\$16,201 million and pay the related accrued interest in February 2021. After completion of the redemption, the repurchased Convertible Bonds was cancelled.

### (d) Bank and other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

In September 2021, the Group publicly committed to honoring the financial products issued by a subsidiary of the Group, Evergrande Financial Wealth Management (Shenzhen) Co., Ltd.\* (hereinafter referred to as "Evergrande Wealth"), through third parties. These financial products' funds were previously invested in the Group's projects in the form of equity in previous years. As at 31 December 2021, in accordance with the public commitment, the Group reclassified the relevant amount of RMB34,445 million from non-controlling shareholders' equity to borrowings due within one year. As at 31 December 2022, the corresponding amounts of the borrowings due within one year was RMB31,523 million.

As at 31 December 2022, the Group's bank and other borrowings of RMB460,516 million (2021: RMB506,792 million) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totaling RMB605,179 million (2021: RMB602,152 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 BORROWINGS (Continued)

#### (d) Bank and other borrowings (Continued)

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

|                     | 6 months<br>or less<br>RMB million | 6–12 months<br>RMB million | 1–5 years<br>RMB million | Total<br>RMB million |
|---------------------|------------------------------------|----------------------------|--------------------------|----------------------|
| At 31 December 2022 | 234,325                            | 352,798                    | 25,268                   | 612,391              |
| At 31 December 2021 | 36,393                             | 566,260                    | 4,724                    | 607,377              |

The maturity of the borrowings is as follows:

|  | 31 December<br>2022<br>RMB million | 2021<br>RMB million |
|--|------------------------------------|---------------------|
| Bank borrowings, other borrowings, senior notes and PRC bonds: |                                    |                     |
| Within 1 year  | 587,123                            | 602,653             |
| 1–2 years  | 25,268                             | 4,574               |
| 2–5 years  | —                                  | 150                 |
|  | 612,391                            | 607,377             |

The effective interest rates were as follows:

|                           | 31 December 2022<br>RMB million | Effective<br>weighted<br>average rate | 31 December 2021<br>RMB million | Effective<br>weighted<br>average rate |
|---------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
| Bank and other borrowings | 419,518                         | 7.88%                                 | 426,955                         | 8.00%                                 |
| Senior notes              | 139,539                         | 9.96%                                 | 127,300                         | 10.77%                                |
| PRC bonds                 | 53,262                          | 5.14%                                 | 53,056                          | 5.72%                                 |
| Convertible bonds         | 72                              | 10.71%                                | 66                              | 10.71%                                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 BORROWINGS (Continued)

(e) The carrying amounts and fair value of the non-current borrowings are as follows:

|                           | 31 December 2022               |                           | 31 December 2021               |                           |
|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|                           | Carrying amount<br>RMB million | Fair value<br>RMB million | Carrying amount<br>RMB million | Fair value<br>RMB million |
| Bank and other borrowings | 364,231                        | 364,231                   | 342,100                        | 342,100                   |
| Senior notes              | 139,539                        | 139,539                   | 127,300                        | 127,300                   |
| PRC bonds                 | 53,262                         | 53,262                    | 53,056                         | 53,056                    |
| Convertible bonds         | 72                             | 72                        | 66                             | 66                        |

The fair value of the Group's senior notes, PRC bonds, bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the date of reporting periods for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

### 23 CONTINGENT CONSIDERATION PAYABLE

|                                  | 31 December<br>2022<br>RMB million | 2021<br>RMB million |
|----------------------------------|------------------------------------|---------------------|
| Contingent consideration payable | 51                                 | 58                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

|   | 31 December |             |
|---|-------------|-------------|
|   | 2022        | 2021        |
|   | RMB million | RMB million |
| Deferred income tax assets to be recovered within 12 months             | (2)         | (115)       |
| Deferred income tax assets to be recovered after more than 12 months    | (64)        | (33)        |
|   |             |             |
| Deferred income tax assets  | (66)        | (148)       |
|   |             |             |
| Deferred income tax liabilities to be settled after more than 12 months | 47,869      | 43,800      |
|   |             |             |
| Deferred income tax liabilities   | 47,869      | 43,800      |
|   |             |             |
|   | 47,803      | 43,652      |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 DEFERRED INCOME TAX (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

### Deferred income tax assets

|                                       | Temporary difference on unrealised profit of intercompany transactions | Tax losses and expenses | Temporary difference on recognition of cost of sales | Revaluation of financial assets | Carrying amount of land | use rights smaller than the tax bases | Impairment losses on financial assets, write-down of properties under development and held for sale | Total       |
|---------------------------------------|--|-------------------------|--|---------------------------------|-------------------------|---------------------------------------|---|-------------|
|                                       | RMB million  | RMB million             | RMB million  | RMB million                     | RMB million             | RMB million                           | RMB million   | RMB million |
| As at 1 January 2021                  | (3,117)  | (5,011)                 | (1,516)  | (406)                           | (12)                    | (1,356)                               | (11,418)  |             |
| Charged to other comprehensive income | —  | —                       | —  | (246)                           | —                       | —                                     | (246)   |             |
| Credited to the income tax expenses   | 3,116  | 4,931                   | 1,516  | 652                             | 12                      | 1,289                                 | 11,516  |             |
| As at 31 December 2021                | (1)  | (80)                    | —  | —                               | —                       | (67)                                  | (148)   |             |
| As at 1 January 2022                  | (1)  | (80)                    | —  | —                               | —                       | (67)                                  | (148)   |             |
| Credited to the income tax expenses   | 1  | 43                      | —  | —                               | —                       | 38                                    | 82  |             |
| As at 31 December 2022                | —  | (37)                    | —  | —                               | —                       | (29)                                  | (66)  |             |

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2022, the Group did not recognise deferred tax assets of RMB6,075 million (2021: RMB42,283 million) in respect of tax losses amounting to RMB24,298 million (2021: RMB10,571 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. In the opinion of the Directors, the Group's tax losses for which no deferred tax assets have been recognised are not material at the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 DEFERRED INCOME TAX (Continued)

#### Deferred income tax liabilities

|                                     | Excess of carrying amount of land use right and intangible asset over the tax bases<br>RMB million | Temporary difference on recognition of fair value gain of investment properties<br>RMB million | Withholding tax on profit to be distributed in future<br>RMB million | Revaluation of financial assets<br>RMB million | Total<br>RMB million |
|-------------------------------------|--|--|--|--|----------------------|
| As at 1 January 2021                | 40,021   | 18,005   | 588  | 3  | 58,617               |
| Acquisition of subsidiaries         | 5,401  | —  | —  | —  | 5,401                |
| Credited to the income tax expenses | (12,761)   | (7,817)  | 360  | —  | (20,218)             |
| As at 31 December 2021              | 32,661   | 10,188   | 948  | 3  | 43,800               |
| As at 1 January 2022                | <b>32,661</b>  | <b>10,188</b>  | <b>948</b>   | <b>3</b>                                       | <b>43,800</b>        |
| Disposal of subsidiaries            | (2,528)  | —  | (12)   | —  | (2,540)              |
| Credited to the income tax expenses | 6,160  | 452  | —  | (3)  | 6,609                |
| As at 31 December 2022              | <b>36,293</b>  | <b>10,640</b>  | <b>936</b>   | <b>—</b>                                       | <b>47,869</b>        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

### (i) Trade and other payables

|   | 31 December |             |
|---|-------------|-------------|
|   | 2022        | 2021        |
|   | RMB million | RMB million |
| Trade payables — third parties (note (c))                 | 603,324     | 614,208     |
| Other payables:   |             |             |
| — associates (note 38(b))                                 | 8,868       | 993         |
| — joint ventures (note 38(b))                             | 54,627      | 37,187      |
| — non-controlling interests (note (a))                    | 22,393      | 19,594      |
| — payables for acquisition of land use rights             | 16,507      | 25,312      |
| — payables for acquisition of subsidiaries and associates | 24,685      | 25,244      |
| — Strategic Investors                                     | 15,875      | 15,875      |
| — third parties (note (b))                                | 164,978     | 73,951      |
| Accrued expenses  | 35,315      | 28,503      |
| Payroll payable   | 1,132       | 1,263       |
| Deferred income from grants                               | 3,207       | 3,226       |
| Lease liabilities   | 1,158       | 1,250       |
| Provision for financial guarantee contracts               | 50,401      | 51,530      |
| Provision for litigations                                 | 6,508       | 1,743       |
| Other taxes payable                                       | 4,587       | 3,894       |
|   | 1,013,565   | 903,773     |
| Less: non-current portion                                 |             |             |
| Other payables:   |             |             |
| — non-controlling interests (note (a))                    | (7,538)     | (6,197)     |
| — joint ventures  | (7,538)     | (4,312)     |
| —   | —           | (1,885)     |
| Deferred income from government grants                    | (3,207)     | (3,226)     |
| Lease liabilities   | (556)       | (1,009)     |
|   | (11,301)    | (10,432)    |
| Current portion   | 1,002,264   | 893,341     |

- (a) Amounts included certain cash advances from non-controlling interests of approximately RMB7,538 million (2021: RMB4,312 million) which bear average interest at 15% per annum (2021: 15%) and are repayable according to respective agreements.
- (b) Amounts mainly represented value-added-tax received in advance from customers, deposits and temporary receipts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

#### (i) Trade and other payables (Continued)

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

|                 | 31 December    |             |
|-----------------|----------------|-------------|
|                 | 2022           | 2021        |
|                 | RMB million    | RMB million |
| Within one year | 103,145        | 177,610     |
| Over one year   | 500,179        | 436,598     |
|                 | <b>603,324</b> | 614,208     |

The trade and other payables are denominated in the following currencies:

|                                   | 31 December      |             |
|-----------------------------------|------------------|-------------|
|                                   | 2022             | 2021        |
|                                   | RMB million      | RMB million |
| — Denominated in RMB              | 978,268          | 873,235     |
| — Denominated in other currencies | 35,297           | 30,538      |
|                                   | <b>1,013,565</b> | 903,773     |

#### (ii) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

|                      | 31 December    | 31 December | 1 January   |
|----------------------|----------------|-------------|-------------|
|                      | 2022           | 2021        | 2021        |
|                      | RMB million    | RMB million | RMB million |
| Property development | 664,244        | 906,017     | 159,556     |
| Others               | 56,777         | 68,330      | 26,190      |
| <b>Total</b>         | <b>721,021</b> | 974,347     | 185,746     |

The significant decrease in contract liabilities in the current year is mainly due to the decrease in sales in the year and disposal of subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

|                             | 31 December   |             |
|-----------------------------|---------------|-------------|
|                             | 2022          | 2021        |
|                             | RMB million   | RMB million |
| Income tax payables         |               |             |
| – PRC corporate income tax  | 16,818        | 26,499      |
| – PRC land appreciation tax | 25,697        | 24,296      |
|                             | <b>42,515</b> | 50,795      |

### 27 OTHER (LOSSES)/GAINS, NET

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2022                   | 2021        |
|   | RMB million            | RMB million |
| Gains/(losses) on disposal of joint ventures, associates and subsidiaries | (564)                  | (2,008)     |
| Net foreign exchange gain/(loss)  | 3,508                  | (2,522)     |
| Impairment loss on intangible asset                                       | (2,814)                | (2,935)     |
| Impairment loss on goodwill   | —                      | (6,492)     |
| Impairment loss on property, plant and equipment                          | (7,613)                | (6,794)     |
| Impairment loss on right-of-use assets                                    | (13)                   | (36)        |
| Loss of land withdrawal   | (22,853)               | (21,373)    |
| Litigation losses   | (5,394)                | (2,537)     |
| Late delivery loss  | (2,487)                | (1,288)     |
|   | <b>(38,230)</b>        | (45,985)    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 OTHER INCOME

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2022                   | 2021        |
|   | RMB million            | RMB million |
| Interest income                                   | 1,279                  | 2,456       |
| Forfeited customer deposits                       | 61                     | 901         |
| Gains/(loss) on disposal of investment properties | 859                    | (3,628)     |
| Project management and consulting service income  | 6                      | 225         |
| Others  | (218)                  | 2,332       |
|   | 1,987                  | 2,286       |

### 29 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2022                   | 2021        |
|   | RMB million            | RMB million |
| Cost of properties sold — including construction costs, land costs and interest costs   | 218,516                | 264,663     |
| Tax and other levies  | 1,042                  | 1,590       |
| Employee benefit expenses (note 30)   | 1,253                  | 8,477       |
| Employee benefit expenditure — including directors' emoluments  | 4,625                  | 14,064      |
| Less: capitalised in properties under development, investment properties under construction, construction in progress and intangible assets | (3,372)                | (5,587)     |
| Advertising expenses  | 1,162                  | 14,031      |
| Sales commissions   | 2,653                  | 4,777       |
| Depreciation  | 5,085                  | 8,302       |
| Amortisation  | 2,558                  | 3,872       |
| Auditors' remunerations   | 53                     | 41          |
| — Audit services  | 38                     | 37          |
| — Non-audit services  | 15                     | 4           |
| Operating lease expenses  | 227                    | 893         |
| Impairment losses on goodwill (note 9) and intangible assets (note 10)  | 2,814                  | 9,427       |
| Impairment losses on financial assets   | 12,384                 | 50,376      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 EMPLOYEE BENEFIT EXPENSES

|  | Year ended 31 December |                     |
|--|------------------------|---------------------|
|  | 2022<br>RMB million    | 2021<br>RMB million |
| Wages, salaries and bonus  | 2,851                  | 8,995               |
| Pension costs — statutory pension (note (a))   | 349                    | 1,027               |
| Staff welfare  | 342                    | 2,172               |
| Medical benefits   | 208                    | 525                 |
| Employee share option schemes  | 875                    | 1,345               |
|  | 4,625                  | 14,064              |
| Less: capitalised in properties under development, investment properties under construction and construction in progress | (3,372)                | (5,587)             |
|  | 1,253                  | 8,477               |

#### (a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income of the Group, are as follows:

|                            | Year ended 31 December |                     |
|----------------------------|------------------------|---------------------|
|                            | 2022<br>RMB million    | 2021<br>RMB million |
| Gross scheme contributions | 349                    | 1,027               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 EMPLOYEE BENEFIT EXPENSES (Continued)

#### (b) Five highest paid individuals

During the year ended 31 December 2022, the five highest paid individuals include 5 directors (2021: 3), whose emoluments are reflected in the analysis presented in note 43. The aggregate amounts of emoluments of the other 2 highest paid individuals for the year ended 31 December 2021 are set out below:

|                             | Year ended 31 December |             |
|-----------------------------|------------------------|-------------|
|                             | 2022                   | 2021        |
|                             | RMB million            | RMB million |
| Salaries and other benefits | —                      | 51          |

The emoluments fell within the following bands:

|                                    | Year ended 31 December |      |
|------------------------------------|------------------------|------|
|                                    | 2022                   | 2021 |
| HK\$20,000,000 to HK\$30,000,000   | —                      | 1    |
| HK\$30,000,000 to HK\$40,000,000   | —                      | 1    |
| HK\$90,000,000 to HK\$100,000,000  | —                      | —    |
| HK\$120,000,000 to HK\$130,000,000 | —                      | —    |

During the year ended 31 December 2022, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 FINANCE COSTS, NET

|   | Year ended 31 December |                     |
|---|------------------------|---------------------|
|   | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Interest expenses</b>                |                        |                     |
| – Bank and other borrowings             | 56,641                 | 61,456              |
| – Senior notes and convertible bonds    | 11,956                 | 16,590              |
| – PRC bonds                             | 2,737                  | 3,033               |
| – Less: interest capitalised            | (37,160)               | (35,957)            |
| Exchange (gains)/losses from borrowings | 34,174                 | 45,122              |
| Other finance costs                     | 13,096                 | (3,716)             |
|   | 212                    | 217                 |
|   | <b>47,482</b>          | 41,623              |

### 32 INCOME TAX EXPENSE/(CREDIT)

|                               | Year ended 31 December |                     |
|-------------------------------|------------------------|---------------------|
|                               | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Current income tax</b>     |                        |                     |
| – Hong Kong profits tax       | 3                      | 66                  |
| – PRC corporate income tax    | 3,871                  | 6,995               |
| – PRC land appreciation tax   | 2,650                  | (11,035)            |
| Deferred income tax (note 24) | 6,524                  | (3,974)             |
|                               | 6,527                  | (8,702)             |
|                               | <b>13,051</b>          | (12,676)            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 INCOME TAX EXPENSE/(CREDIT) (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

|  | Year ended 31 December |                     |
|--|------------------------|---------------------|
|  | 2022<br>RMB million    | 2021<br>RMB million |
| Profit before income tax   | (112,763)              | (698,895)           |
| Adjusted: share of (profits)/losses of investments in joint ventures and associates, net | (39)                   | 19,722              |
|  | (112,802)              | (679,173)           |
| Calculated at PRC corporate income tax rate  | (28,201)               | (169,793)           |
| PRC land appreciation tax deductible for PRC corporate income tax purposes               | (1,257)                | (4,048)             |
| Income not subject to tax (note (a))   | (7)                    | (560)               |
| Expenses not deductible for tax purposes (note (b))                                      | 24,758                 | 144,165             |
| Utilisation of previously unrecognised tax losses  | (7,191)                | (1,008)             |
| Tax losses for which no deferred income tax asset was recognised                         | 19,902                 | 34,474              |
| Effect of different tax rates of subsidiaries  | —                      | (3)                 |
| PRC corporate income tax   | 8,004                  | 3,227               |
| PRC withholding income tax   | 18                     | 287                 |
| PRC land appreciation tax  | 5,029                  | (16,190)            |
|  | 13,051                 | (12,676)            |

- (a) Income not subject to tax for the year ended 31 December 2022 and 2021 mainly comprised fair value gain on derivative financial liabilities.
- (b) Expenses not deductible for tax purpose for the year ended 31 December 2022 comprised mainly: (i) costs of land premium without official invoices resulted from acquisition of land through acquisition of companies; and (ii) borrowing costs and administrative expenses incurred by off-shore group companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 INCOME TAX EXPENSE/(CREDIT) (Continued)

### Overseas income tax

The Company was incorporated in the Cayman Islands 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 and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2021: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

### 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 properties less deductible expenditures including land use rights and property development expenditures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 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 year.

|  | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2022                   | 2021      |
| Loss attributable to shareholders of the Company (RMB million) | (105,914)              | (476,035) |
| Weighted average number of ordinary shares in issue (millions) | 13,204                 | 13,221    |
| Basic loss per share (RMB)                                     | (8.02)                 | (36.01)   |

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options of the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share is the same as basic loss per share for the years ended 31 December 2022 and 2021, as the share options had no dilutive effect on ordinary shares for the year because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the year.

### 34 DIVIDENDS

The Company has not declared dividends for the years ending 2021 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 CASH FLOW INFORMATION

#### (a) Net cash generated from operations

|   | Year ended 31 December |                     |
|---|------------------------|---------------------|
|   | 2022<br>RMB million    | 2021<br>RMB million |
| Loss for the year   | (125,814)              | (686,219)           |
| Adjustments for:  |                        |                     |
| Income tax expenses/(credit)  | 13,051                 | (12,676)            |
| Interest income (note 28)   | (1,279)                | (2,456)             |
| Finance costs (note 31)   | 47,482                 | 41,623              |
| Exchange losses/(gains) (note 27, note 31)  | 9,588                  | (1,194)             |
| Depreciation (note 6)   | 5,085                  | 8,302               |
| Amortisation (note 29)  | 2,558                  | 3,872               |
| Employee share option schemes (note 30)   | 875                    | 1,345               |
| Fair value (gains)/losses on investment properties, net (note 8)                            | (1,807)                | 31,267              |
| Fair value losses on FVPL (note 16)   | 2,041                  | 1,936               |
| Fair value losses on derivative financial liabilities                                       | —                      | 2,555               |
| (Gains)/losses on disposal of investment properties (note 28)                               | (859)                  | 3,628               |
| Share of (profits)/losses of investments accounted for<br>using equity method (note 14)     | (39)                   | 19,722              |
| (Gain)/loss on disposal of joint ventures, associates and subsidiaries<br>(note 27)         | 564                    | 2,008               |
| (Gain)/loss on disposal of property and equipment and intangible assets                     | (28)                   | 2,227               |
| Impairment losses on joint ventures and associates  | 18,006                 | 8,097               |
| Impairment losses on property, plant and equipment (note 6)                                 | 7,613                  | 7,050               |
| Impairment losses on right-of-use assets (note 7)   | 13                     | 36                  |
| Impairment losses on goodwill and intangible assets   | 2,814                  | 9,427               |
| Changes in working capital:   |                        |                     |
| Properties under development and completed properties held for sale                         | 205,949                | 371,033             |
| Inventories   | (329)                  | 155                 |
| Restricted cash as guarantee for construction of projects and<br>other operating activities | 12,146                 | (125)               |
| Trade and other receivables, contract acquisition costs and prepayments                     | (9,839)                | 29,801              |
| Trade and other payables and contract liabilities   | (146,186)              | 194,959             |
| Net cash generated from operations  | 41,605                 | 36,373              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 CASH FLOW INFORMATION (Continued)

(b) The reconciliation of liabilities arising from financial activities is as follows:

|                                     | Borrowings<br>RMB million | Other<br>payables<br>(note (i))<br>RMB million | Total<br>RMB million |
|-------------------------------------|---------------------------|--|----------------------|
| As at 1 January 2022                | 607,377                   | 59,024   | 666,401              |
| Cash flows                          |                           |  |                      |
| – Inflow from financing activities  | 15,235                    | 36,600   | 51,835               |
| – Outflow from financing activities | (15,560)                  | (10,007)                                       | (25,567)             |
| Non-cash changes                    |                           |  |                      |
| – Acquisition — leases              | —                         | 753  | 753                  |
| – Foreign exchange adjustments      | 13,096                    | —  | 13,096               |
| – Other non-cash movement           | (7,757)                   | 676  | (7,081)              |
| As at 31 December 2022              | 612,391                   | 87,046   | 699,437              |
|                                     |                           |  |                      |
|                                     | Borrowings<br>RMB million | Other<br>payables<br>(note (i))<br>RMB million | Total<br>RMB million |
| As at 1 January 2021                | 716,532                   | 68,544   | 785,076              |
| Cash flows                          |                           |  |                      |
| – Inflow from financing activities  | 89,378                    | 24,108   | 113,486              |
| – Outflow from financing activities | (229,912)                 | (34,289)                                       | (264,201)            |
| Non-cash changes                    |                           |  |                      |
| – Acquisition — leases              | —                         | 663  | 663                  |
| – Foreign exchange adjustments      | (3,176)                   | —  | (3,176)              |
| – Other non-cash movement           | 35,095                    | (2)  | 35,093               |
| As at 31 December 2021              | 607,377                   | 59,024   | 666,401              |

(i) Amounts represent cash advances from associates, joint ventures, non-controlling interests, unit holders of consolidated investment entities and lease liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 FINANCIAL GUARANTEES

|  | 31 December    |             |
|--|----------------|-------------|
|  | 2022           | 2021        |
|  | RMB million    | RMB million |
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a)) | 491,529        | 489,367     |
| Guarantees for borrowings of cooperation parties (note (b))  | 65,821         | 70,364      |
| Guarantees for borrowings of joint ventures and associates (note 38(c))                                      | 49,117         | 50,102      |
|  | <b>606,467</b> | 609,833     |

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

- (b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The management believes it is highly probable that impairment losses on the expected credit risk of such guarantees will be incurred and therefore a provision is made for such guarantees in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 COMMITMENTS

#### (a) Commitments for property development and acquisition of subsidiaries

|  | 31 December    |             |
|--|----------------|-------------|
|  | 2022           | 2021        |
|  | RMB million    | RMB million |
| Contracted but not provided for                          |                |             |
| Property development activities                          | 176,666        | 291,550     |
| Acquisition of land use rights                           | 59,802         | 84,973      |
| Acquisition of plant and equipment and intangible assets | 14,294         | 14,578      |
| Acquisition of subsidiaries                              | 300            | 300         |
|  | <b>251,062</b> | 391,401     |

#### (b) Lease Commitments

As at 31 December 2022, the Group did not have any material short-term lease commitments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 RELATED PARTY TRANSACTIONS

Professor Hui Ka Yan is the ultimate controlling shareholder and also the director of the Company.

### (a) Transactions with related parties

Save as disclosed in note 12, 25 and 36, during the years ended 31 December 2022 and 2021, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

| Nature of transactions   | Year ended 31 December |                     |
|--|------------------------|---------------------|
|  | 2022<br>RMB million    | 2021<br>RMB million |
| <b>Associates</b>  |                        |                     |
| Provision of services to associates  | —                      | 8                   |
| Sales of goods to associates   | —                      | 3                   |
| Purchase of goods from an associate  | —                      | 9                   |
| Loan interest charged by an associate  | —                      | 263                 |
| Interest income from an associate  | —                      | 4                   |
| <b>Joint ventures</b>  |                        |                     |
| Management and consulting service to joint ventures                              | —                      | 590                 |
| Sales of goods to joint ventures   | 16                     | 438                 |
| Provision of services to joint ventures  | 145                    | 1,556               |
| Rental income from joint ventures  | 4                      | 11                  |
| Interest income from joint ventures  | 1,051                  | 1,064               |
| Rental fee charged by joint ventures   | 14                     | 118                 |
| Purchase of goods from joint ventures  | —                      | 20                  |
| Integrated insurance procurement   | 9                      | 1                   |
| Payment of integrated insurance procurement to a joint venture (note (i))        | —                      | 58                  |
| Loan interest charged by joint ventures  | 129                    | 324                 |
| <b>Shareholders of the Company and Key management</b>                            |                        |                     |
| Interest of senior notes charged by Professor Hui Ka Yan (note 38(b)(iii))       | 40                     | 39                  |
| Interest of senior notes charged by Mr. Xia Haijun ("Mr. Xia") (note 38(b)(iii)) | 58                     | 56                  |
| Interest of senior notes charged by Mr. Lai Lixin ("Mr. Lai") (note 38(b)(iii))  | 2                      | 2                   |

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

- (i) The nature of integrated insurance's promise represented that the Group performed as an agent to arrange for the insurance services for members of elderly care valley to be provided by a joint venture.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

As at 31 December 2022 and 2021, the Group had the following significant non-trade balances with related parties:

|  | 31 December |             |
|--|-------------|-------------|
|  | 2022        | 2021        |
|  | RMB million | RMB million |
| <b>Due from related parties</b>          |             |             |
| Included in cash and cash equivalents:   |             |             |
| – An associate                           | 1,178       | 1,197       |
| Included in trade receivables            |             |             |
| – Associates                             | 5           | 5           |
| – Joint ventures                         | 818         | 1,375       |
|  | 823         | 1,380       |
| Included in other receivables (note (i)) |             |             |
| – Associates                             | 4,051       | 2,672       |
| – Joint ventures                         | 58,596      | 51,987      |
|  | 62,647      | 54,659      |
| Included in prepayments                  |             |             |
| – Associates                             | 1           | –           |
| – Joint ventures                         | 18          | –           |

- (i) Except for the amounts due from joint ventures of RMB12,983 million (2021: RMB13,241 million), which carry interest ranging from 4% to 15% (2021: 4% to 15%) per annum and receivable according to respective agreements, the remaining balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties (Continued)

| Due to related parties                          | 31 December         |                     |
|---|---------------------|---------------------|
|   | 2022<br>RMB million | 2021<br>RMB million |
| Included in trade and other payables (note (i)) |                     |                     |
| — Joint ventures                                | 54,627              | 37,187              |
| — Associates                                    | 8,868               | 993                 |
| — Professor Hui Ka Yan                          | 19                  | 17                  |
| — Mr. Xia                                       | 18                  | 17                  |
| — Mr. Lai                                       | —                   | 1                   |
|   | 63,532              | 38,215              |
| Included in lease liabilities                   |                     |                     |
| — A joint venture                               | —                   | 459                 |
| Included in borrowings (note (ii))              |                     |                     |
| — Joint ventures                                | 1,064               | 524                 |
| — An associate                                  | 1,525               | 5,188               |
| — Holding companies                             | 1,117               | 1,022               |
| — Professor Hui Ka Yan (note (iii))             | 2,135               | 1,954               |
| — Ms. Ding Yu Mei (note (iii))                  | 1,721               | 114                 |
| — Mr. Xia (note (iii))                          | 544                 | 495                 |
| — Mr. Lai (note (iii))                          | 26                  | 23                  |
|   | 8,132               | 9,320               |
| Included in dividend payables                   |                     |                     |
| — Professor Hui Ka Yan                          | 1,998               | 1,829               |
| — Ms. Ding Yu Mei                               | 200                 | 183                 |
|   | 2,198               | 2,012               |

- (i) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (ii) The balances are borrowings in nature, which are secured, carry interest ranging from 6.00% to 12.00% per annum and repayable according to respective loan agreements.
- (iii) The balances represented Professor Hui Ka Yan subscribed for US\$50 million 2020 issued 2024 Notes and loans of HKD 2,000 million provided to the Group by Professor Hui Ka Yan respectively.
- The balances represented loans of HKD1,927 million provided to the Group by Ms. Ding Yu Mei.
- The balances represented Mr. Xia subscribed for US\$28 million 2017 issued 2025 Notes and US\$50 million 2020 issued 2023 Notes II, respectively.
- The balances represented Mr. Lai subscribed for US\$200 thousand 2017 issued 2025 Notes, US\$300 thousand 2019 issued 2022 Notes II, US\$300 thousand 2020 issued 2023 Notes II, US\$900 thousand 2020 issued 2022 Notes, US\$1 million 2017 issued 2023 Notes and US\$900 thousand 2017 issued 2022 Notes, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Financial guarantees to joint ventures and associates

|                                 | 31 December   |             |
|---------------------------------|---------------|-------------|
|                                 | 2022          | 2021        |
|                                 | RMB million   | RMB million |
| — Joint ventures and associates | <b>49,117</b> | 50,102      |

#### (d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

|                                      | Year ended 31 December |             |
|--------------------------------------|------------------------|-------------|
|                                      | 2022                   | 2021        |
|                                      | RMB million            | RMB million |
| Salaries and other employee benefits | 171                    | 803         |
| Retirement scheme contributions      | 6                      | 8           |
|                                      | <b>177</b>             | 811         |

### 39 BUSINESS COMBINATIONS

During the year ended 31 December 2021, the Group acquired seven property management companies for a total consideration of RMB2,168 million. Identifiable property management contracts and customer relationships of RMB1,133 million were recognised as intangible assets. The excess of the purchase consideration over the net identifiable assets acquired of RMB1,699 million was recognised as goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 BUSINESS COMBINATIONS (Continued)

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

|                                  | RMB million  |
|----------------------------------|--------------|
| Cash consideration               | 2,110        |
| Contingent consideration payable | 58           |
|                                  | <b>2,168</b> |

#### **Recognised amounts of identifiable assets acquired and liabilities assumed**

|                                   |           |
|-----------------------------------|-----------|
| Cash and cash equivalents         | 217       |
| Intangible assets                 | 1,136     |
| Other assets                      | 961       |
| Other liabilities                 | (1,419)   |
| <br>Total identifiable net assets | <br>895   |
| <br>Non-controlling interests     | <br>(426) |
| Identifiable net assets acquired  | 469       |
| <br>Goodwill                      | <br>1,699 |

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

|   | RMB million |
|---|-------------|
| Cash considerations   | 2,168       |
| Contingent consideration payable                              | (58)        |
| Cash and cash equivalents acquired                            | (217)       |
| <br>Payment for business combinations conducted in the year   | <br>1,893   |
| <br>Payment for business combinations conducted in prior year | <br>(791)   |
| <br>Cash outflow on acquisitions                              | <br>1,102   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40 NON-CONTROLLING INTERESTS

The movements of non-controlling interests were as follows:

|  | 31 December |             |
|--|-------------|-------------|
|  | 2022        | 2021        |
|  | RMB million | RMB million |
| At 1 January   | (81,720)    | 203,530     |
| Adjustment for change in accounting treatment                                      | —           | (32,532)    |
| Loss for the year  | (19,900)    | (210,184)   |
| Change in value of FVOCI   | (355)       | (355)       |
| Capital injection  | —           | 50,512      |
| Acquisition of subsidiaries  | —           | 425         |
| Changes in ownership interests in subsidiaries without change of controls (note a) | 2,371       | (42,218)    |
| Reclassification   | —           | (50,945)    |
| Dividends  | —           | (1,380)     |
| Disposal of subsidiaries   | —           | 1,427       |
| At 31 December   | (99,604)    | (81,720)    |

#### (a) Changes in ownership interests in subsidiaries without change of control

During the year ended 31 December 2022, the Group disposed certain equity interests of certain subsidiaries amounting to RMB2,371 million from non-controlling shareholders, the difference between consideration received and the carrying amount of equity interest acquired amounting to RMB3,895 million was recognised as a decrease in reserves.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

### Statement of financial position of the Company

|   | Note | 31 December | 2022<br>RMB million | 2021<br>RMB million |
|---|------|-------------|---------------------|---------------------|
| <b>ASSETS</b>   |      |             |                     |                     |
| <b>Non-current assets</b>   | (a)  |             |                     |                     |
| Investments in subsidiaries   |      | —           | —                   | —                   |
| Property, plant and equipment   | 1    | 1           | 2                   | 2                   |
|   |      | 1           | 2                   | 2                   |
| <b>Current assets</b>   |      |             |                     |                     |
| Amounts due from subsidiaries   | (b)  | 98,434      | 105,932             |                     |
| Other receivables   |      | 392         | 306                 |                     |
| Cash and cash equivalents   | 7    | 7           | 6                   |                     |
|   |      | 98,833      | 106,244             |                     |
| <b>Total assets</b>   |      | 98,834      | 106,246             |                     |
| <b>EQUITY</b>   |      |             |                     |                     |
| <b>Capital and reserves attributable to shareholders of the Company</b> |      |             |                     |                     |
| Share capital and premium   |      | 4,226       | 4,226               |                     |
| Other reserves  |      | 6,544       | 6,100               |                     |
| Accumulated losses  |      | (109,389)   | (89,394)            |                     |
| <b>Deficiency in equity</b>   |      | (98,619)    | (79,068)            |                     |
| <b>LIABILITIES</b>  |      |             |                     |                     |
| <b>Non-current liability</b>  |      |             |                     |                     |
| Borrowings  |      | 99,621      | 90,806              |                     |
|   |      | 99,621      | 90,806              |                     |
| <b>Current liabilities</b>  |      |             |                     |                     |
| Amounts due to subsidiaries   |      | 93,876      | 90,887              |                     |
| Borrowings  |      | 2,304       | 2,109               |                     |
| Dividend payables   |      | 1,652       | 1,512               |                     |
|   |      | 97,832      | 94,508              |                     |
| <b>Total liabilities</b>  |      | 197,453     | 185,314             |                     |
| <b>Total equity and liabilities</b>                                     |      | 98,834      | 106,246             |                     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

#### Reserve movement of the Company

|  | Other reserves<br>RMB million | Retained earnings/<br>(accumulated losses)<br>RMB million |
|--|-------------------------------|---|
| At 1 January 2021                                | 5,478                         | 1,604   |
| Loss for the year                                | —                             | (88,986)  |
| Dividends  | —                             | (2,012)   |
| Issuance of shares pursuant to the option scheme | (8)                           | —   |
| Repurchase of shares                             | 4                             | —   |
| Employee share option schemes                    | 626                           | —   |
| <b>At 31 December 2021</b>                       | <b>6,100</b>                  | <b>(89,394)</b>   |
| At 1 January 2022                                | 6,100                         | (89,394)  |
| Loss for the year                                | —                             | (19,995)  |
| Employee share option schemes                    | 444                           | —   |
| <b>At 31 December 2022</b>                       | <b>6,544</b>                  | <b>(109,389)</b>  |

#### Share capital and premium of the Company

As at 31 December 2022, the share capital and share premium of the Company amounted to RMB930 million and RMB3,296 million, respectively.

Notes:

- (a) As at 31 December 2022, investments in subsidiaries are carried at a cost of nil (31 December 2021: nil), impairment loss of approximately RMB390 million (2021: RMB9,940 million) in respect of investments in subsidiaries has been recognised in profit or loss.
- (b) The amount is unsecured, non-interest bearing and repayable on demand. During the years ended 31 December 2022 and 2021, the Directors have performed an impairment assessment based on the expected credit loss model. As at 31 December 2022, the carrying amount of amounts due from subsidiaries was approximately RMB98,434 million (2021: RMB105,932 million), net of accumulated allowance for impairment loss of approximately RMB115,878 million (2021: RMB85,772 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 42 SUBSEQUENT EVENTS

- (a) In relation to the pledge of deposits of approximately RMB13.4 billion of Evergrande Properties, a subsidiary of the Group, which was enforced by the relevant banks, and the Board of the Company has set up an independent investigation committee to investigate the matter. The Board of Directors of the Company has established an independent investigation committee to investigate the deposit pledge incident. The relevant independent committee has completed its independent investigation and the results have been published in the announcement dated 15 February 2023.
- (b) On 3 April 2023, the Company entered into an RSA with AHG on the terms of the Reorganisation, which comprises (i) the CEG Scheme of Arrangement; (ii) the SJ Scheme of Arrangement and (iii) the TJ Scheme of Arrangement. Please refer to Note 2 to these consolidated financial statements for further details.

## 43 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2022 is set out below:

|                           | Fees<br>RMB'000 | Salary<br>RMB'000 | Contribution<br>to pension<br>scheme<br>RMB'000 | Employees<br>share option<br>scheme<br>RMB'000<br>(note) |
|---------------------------|-----------------|-------------------|---|--|
| Professor Hui Ka Yan      | 120             | —                 | 6   | —  |
| Mr. Siu Shawn             | —               | 300               | —   | 24,220   |
| Mr. Shi Junping           | 240             | 960               | 60  | 7,466  |
| Mr. Liu Zhen              | —               | 840               | 45  | 3,827  |
| Mr. Qian Cheng            | —               | 813               | 45  | 3,702  |
| Mr. Xia HaiJun            | 134             | 7                 | 7   | 21,083   |
| Mr. Pan Darong            | —               | 905               | 42  | 7,838  |
| Mr. Lai Lixin             | 14              | —                 | 1   | 1,492  |
| Mr. Huang Xiangui         | 14              | 2,061             | 58  | 2,572  |
| Mr. Liang Senlin          | —               | —                 | —   | —  |
| Mr. Chau Shing Yim, David | 360             | —                 | —   | —  |
| Mr. He Qi                 | 360             | —                 | —   | —  |
| Ms. Xie Hongxi            | 360             | —                 | —   | —  |
|                           | 1,602           | 5,886             | 264   | 72,200   |

Note: The share option was issued by the Group in 2020 and previous years. The value is the amortization of the share option for future years which does not involve cash income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 43 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (a) Directors' and chief executives' emoluments (Continued)

The remuneration of directors of the Company for the year ended 31 December 2021 is set out below:

|                          | Fees<br>RMB'000 | Salary<br>RMB'000 | Contribution<br>to pension<br>scheme<br>RMB'000 | Employees<br>share option<br>scheme<br>RMB'000<br>(note) |
|--------------------------|-----------------|-------------------|---|--|
| Professor Hui Ka Yan     | 240             | —                 | 12  | —  |
| Mr. Siu Shawn            | —               | 9,040             | —   | 35,100   |
| Mr. Shi Junping          | 240             | 8,424             | 54  | 10,973   |
| Mr. Liu Zhen             | —               | 3,485             | 39  | 5,694  |
| Mr. Qian Cheng           | —               | 3,099             | 39  | 5,417  |
| Mr. Xia HaiJun           | 240             | 149,848           | 15  | 52,235   |
| Mr. Pan Darong           | —               | 3,629             | 36  | 12,723   |
| Mr. Lai Lixin            | 240             | 4,307             | 12  | 9,398  |
| Mr. Huang Xiangui        | 240             | 5,549             | 51  | 3,842  |
| Mr. Liang Senlin         | —               | —                 | —   | —  |
| Mr. Chau Shing Yim,David | 360             | —                 | —   | —  |
| Mr. He Qi                | 360             | —                 | —   | —  |
| Ms. Xie Hongxi           | 360             | —                 | —   | —  |
|                          | 2,280           | 187,381           | 258   | 135,382  |

Note: The share option was issued by the Group in 2020 and previous years. The value is the amortization of the share option for future years which does not involve cash income.

During the year ended 31 December 2022, no emolument was paid by the group entities to any of the above directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 43 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (b) Directors' retirement benefits

During the year ended 31 December 2022, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2021: same).

#### (c) Directors' termination benefits

During the year ended 31 December 2022, there was no termination benefits received by the directors (2021: same).

#### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, no consideration was paid for making available the services of the directors of the Company (2021: same).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During year ended 31 December 2022, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

#### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the particulars of principal subsidiaries at 31 December 2022:

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                            |
|--|---|--|--|------------|---|
|  |   |  | Directly   | Indirectly |   |
| <i>Incorporated in the BVI with limited liability and operating in Hong Kong</i>   |   |  |  |            |   |
| Scenery Journey Limited  | 12 February 2018                        | US\$ 1   | —  | 100%       | Investment holding                              |
| <i>Incorporated in the Cayman Islands with limited liability and operating in Hong Kong</i>  |   |  |  |            |   |
| Evergrande Property Services Group Limited   | 13 March 2020                           | US\$ 10,000,000  | —  | 60.84%     | Investment holding                              |
| <i>Incorporated and operating in Hong Kong with limited liability</i>  |   |  |  |            |   |
| China Evergrande New Energy Vehicle Group Limited  | 8 October 2007                          | HK\$ 4,281,808,018   | —  | 74.95%     | Investment holding                              |
| <i>Incorporated and operating in Sweden with limited liability</i>   |   |  |  |            |   |
| National Electric Vehicle Sweden AB  | 15 January 2019                         | SEK1,279,870,800   | —  | 100%       | Sales and<br>manufacturing of<br>smart mobility |
| <i>Incorporated and operating in the Mainland with limited liability and registered as wholly-owned foreign enterprise under the PRC Law</i> |   |  |  |            |   |
| 恒大地產集團有限公司<br>Hengda Real Estate Group Company<br>Limited  | 24 June 1996                            | RMB3,939,796,387   | —  | 63%        | Property development                            |
| 恒大地產集團重慶有限公司<br>Hengda Real Estate Group (Chongqing)<br>Company Limited  | 17 July 2006                            | RMB4,821,000,000   | —  | 100%       | Property development                            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 恒大地產集團江津有限公司<br>Hengda Real Estate Group (Jiangjin)<br>Company Limited                   | 27 July 2006                            | RMB1,330,000,000   | —  | 100%       | Property development |
| 鄂州恒大房地產開發有限公司<br>Ezhou Hengda Real Estate<br>Development Company Limited                 | 11 July 2008                            | RMB390,000,000   | —  | 100%       | Property development |
| 恒大鑫豐(彭山)置業有限公司<br>Hengda Xinfeng (Pengshan)<br>Property Company Limited                  | 23 April 2010                           | RMB1,187,904,000   | —  | 70%        | Property development |
| 啟東勤盛置業有限公司<br>Qinsheng (Qidong) Property Company<br>Limited                              | 1 January 2007                          | US\$141,100,000  | —  | 100%       | Property development |
| 金碧物業有限公司<br>Jinbi Property Management Company<br>Limited                                 | 10 September 1997                       | RMB177,600,000   | —  | 100%       | Property management  |
| 恒大地產集團洛陽有限公司<br>Hengda (Luoyang) Real Estate Group<br>Property Company Limited           | 5 September 2007                        | RMB457,000,000   | —  | 100%       | Property development |
| 恒大地產集團包頭有限公司<br>Hengda Real Estate Group (Baotou)<br>Company Limited                     | 9 August 2008                           | RMB525,000,000   | —  | 100%       | Property development |
| 長沙寶瑞房地產開發有限公司<br>Baorui (Changsha) Real Estate<br>Development Company Limited            | 13 July 2004                            | RMB470,000,000   | —  | 99%        | Property development |
| 海南東方明珠房地產有限公司<br>Dongfang Mingzhu (Hainan) Real<br>Estate Development Company<br>Limited | 8 June 2004                             | RMB70,000,000  | —  | 100%       | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 天津市津麗湖投資有限公司<br>Jinli Lake (Tianjin) Investment Company Limited                       | 13 November 2009                        | RMB690,000,000   | —  | 100%       | Property development |
| 濟南恒大綠洲置業有限公司<br>Jinan Hengdalvzhou Property Corporation Limited                       | 18 January 2010                         | RMB870,000,000   | —  | 100%       | Property development |
| 上海穗華置業有限公司<br>Shanghai Suihua Real Estate Co., Ltd.                                   | 22 November 2002                        | RMB414,562,763   | —  | 100%       | Property development |
| 成都天府水城房地產開發有限公司<br>Tianfu Shuicheng (Chengdu) Real Estate Development Company Limited | 22 March 2010                           | RMB1,824,105,800   | —  | 84%        | Property development |
| 濟南恒大金碧房地產開發有限公司<br>Hengda Jinbi (Jinan) Real Estate Development Company Limited       | 18 May 2010                             | RMB740,000,000   | —  | 100%       | Property development |
| 石家莊地益嘉房地產開發有限公司<br>Shijiazhuang Diyijia Real Estate Company Limited                   | 5 April 2010                            | RMB5,000,000   | —  | 100%       | Property development |
| 哈爾濱市恒大偉業房地產開發有限公司<br>Harbin Hengda Weiye Real Estate Development Company Limited      | 26 January 2011                         | RMB780,000,000   | —  | 100%       | Property development |
| 清遠市銀湖城投資有限公司<br>Yinhucheng (Qingyuan) Investment Company Limited                      | 28 September 2009                       | RMB1,463,000,000   | —  | 100%       | Property development |
| 南昌中電投高新置業有限公司<br>Zhongdiantou Gaoxin (Hefei) Property Company Limited                 | 10 May 2011                             | RMB963,000,000   | —  | 100%       | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 六安粵通置業有限公司<br>Luan Yuetong Property Corporation Limited                  | 13 July 2011                            | RMB290,000,000   | —  | 100%       | Property development |
| 恩平市鮚尚房地產開發有限公司<br>Enping Ooshang Real Estate Development Co., Ltd.       | 21 February 2012                        | RMB1,020,000,000   | —  | 100%       | Property development |
| 新鄉御景置業有限公司<br>Yujing (Xinxiang) Property Corporation Limited             | 23 May 2012                             | RMB100,000,000   | —  | 100%       | Property development |
| 城博(寧波)置業有限公司<br>Chengbo (Ningbo) Property Company Limited                | 18 January 2011                         | RMB2,098,020,019   | —  | 100%       | Property development |
| 潮州市恒大置業有限公司<br>Chaozhou Hengda Property Company Limited                  | 10 July 2012                            | RMB280,000,000   | —  | 100%       | Property development |
| 無錫盛東房產開發有限公司<br>Shengdong (Wuxi) Real Estate Development Company Limited | 6 May 2010                              | RMB200,000,000   | —  | 100%       | Property development |
| 海口外灘城房地產有限公司<br>Waitancheng (Haikou) Real Estate Company Limited         | 5 September 2012                        | RMB906,855,112   | —  | 90%        | Property development |
| 鄭州御邦置業有限公司<br>Zhengzhou Yubang Real Estate Co., Ltd.                     | 16 February 2013                        | RMB30,000,000  | —  | 100%       | Property development |
| 濟南俊匯置業有限公司<br>Junhui (Jinan) Property Company Limited                    | 13 May 2013                             | RMB288,000,000   | —  | 100%       | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 長沙鑫芙置業有限公司<br>Xinfu (Changsha) Property Company Limited                | 13 May 2013                             | RMB663,265,300   | —  | 100%       | Property development |
| 廣州市鑫誠置業有限公司<br>Xincheng (Guangzhou) Property Company Limited           | 23 May 2013                             | RMB720,000,000   | —  | 100%       | Property development |
| 重慶恒大鑫泉置業有限公司<br>Hengda Xinquan (Chongqing) Property Company Limited    | 6 June 2013                             | RMB2,000,000,000   | —  | 100%       | Property development |
| 恒大地產集團河源有限公司<br>Hengda Real Estate Group (Heyuan) Company Limited      | 17 June 2013                            | RMB20,000,000  | —  | 100%       | Property development |
| 北京沙河恒大置業有限公司<br>Shahe Hengda (Beijing) Property Company Limited        | 12 July 2013                            | RMB1,330,000,000   | —  | 100%       | Property development |
| 合肥粵誠置業有限公司<br>Yuecheng (Hefei) Property Company Limited                | 09 September 2013                       | RMB1,920,000,000   | —  | 100%       | Property development |
| 恒大地產集團北京有限公司<br>Hengda (Beijing) Real Estate Group Company Limited     | 11 September 2013                       | RMB1,830,000,000   | —  | 100%       | Property development |
| 杭州穗華置業有限公司<br>Hangzhou Suihua Property Company Limited                 | 25 September 2013                       | RMB1,500,000,000   | —  | 100%       | Property development |
| 南京美旭房地產開發有限公司<br>Nanjing Meixu Real Estate Development Company Limited | 20 November 2013                        | RMB1,503,000,000   | —  | 100%       | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 呼和浩特市金碧天下房地產開發有限公司<br>Hohhot Jinbitianxia Real Estate Development Co., Ltd. | 11 November 2013                        | RMB1,380,000,000   | —  | 100%       | Property development |
| 北京恒興盛房地產開發有限公司<br>Hengxingsheng (Beijing) Real Estate Company Limited       | 8 November 2013                         | RMB3,520,000,000   | —  | 100%       | Property development |
| 天津帝景房地產開發有限公司<br>Tianjin Dijing Real Estate Development Company Limited     | 23 December 2013                        | RMB30,000,000  | —  | 100%       | Property development |
| 太原市俊恒房地產開發有限公司<br>Taiyuan Junheng Real Estate Company Limited               | 16 January 2014                         | RMB1,160,000,000   | —  | 100%       | Property development |
| 恒大集團有限公司<br>Evergrande Group Co., Ltd                                       | 8 January 2014                          | RMB53,000,000,000  | —  | 100%       | Property development |
| 北京正浩置業有限公司<br>Zhenghao (Beijing) Property Company Limited                   | 4 March 2014                            | RMB1,750,000,000   | —  | 100%       | Property development |
| 北京恒龍置業有限公司<br>Henglong (Beijing) Property Company Limited                   | 12 March 2014                           | RMB1,719,090,500   | —  | 96%        | Property development |
| 長沙金霞開發建設有限公司<br>Jinxia (Changsha) Real Estate Development Company Limited   | 5 September 2014                        | RMB122,450,000   | —  | 51%        | Property development |
| 鄭州恒林置業有限公司<br>Henglin (Zhengzhou) Property Company Limited                  | 6 September 2013                        | RMB500,239,600   | —  | 51%        | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 成都恒大新東城置業有限公司<br>Hengda New East City Property<br>Company Limited                       | 15 January 2015                         | RMB1,620,000,000   | —  | 100%       | Property development |
| 前海君臨實業發展(深圳)有限公司<br>Qianhai Junlin Industrial Development<br>(Shenzhen) Company Limited | 17 April 2015                           | RMB2,065,306,100   | —  | 100%       | Property development |
| 重慶永利置業有限公司<br>Yongli (Chongqing) Property<br>Company Limited                            | 22 April 2015                           | RMB703,320,000   | —  | 100%       | Property development |
| 恒大童世界集團有限公司<br>Evergrande Children's World Group<br>Co., Ltd                            | 19 May 2015                             | RMB20,000,000,000  | —  | 100%       | Property development |
| 廈門恒大置業有限公司<br>Xiamen Hengda Property<br>Company Limited                                 | 4 June 2015                             | RMB20,000,000  | —  | 100%       | Property development |
| 重慶恒大鑫溉置業有限公司<br>Chongqing Hengda Xingai Property<br>Company Limited                     | 21 August 2014                          | RMB1,000,000,000   | —  | 100%       | Property development |
| 雲南恒雲置業有限公司<br>Yunnan Hengyun Property<br>Company Limited                                | 26 May 2015                             | RMB214,000,000   | —  | 51%        | Property development |
| 武漢三江航天投資發展有限公司<br>Sanjiang Hangtian (Wuhan) Investment<br>Company Limited               | 11 November 2015                        | RMB10,000,000  | —  | 100%       | Property development |
| 湖北三江航天商業經營有限公司<br>Sanjiang Hangtian (Wuhan)<br>Business Operation Company<br>Limited    | 11 December 2015                        | RMB10,000,000  | —  | 100%       | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 重慶中渝物業發展有限公司<br>Zhongyu (Chongqing) Property Management Company Limited              | 10 July 2015                            | US\$131,000,000  | —  | 60%        | Property development |
| 愛美高實業(成都)有限公司<br>Avergo (Chengdu) Industrial Company Limited                         | 14 July 2015                            | RMB2,708,705,103   | —  | 100%       | Property development |
| 儋州中潤旅遊開發有限公司<br>Zhongrun (Danzhou) Tourism Development Company Limited               | 19 August 2015                          | RMB20,000,000  | —  | 100%       | Property development |
| 儋州信恒旅遊開發有限公司<br>Xinheng (Danzhou) Tourism Development Company Limited                | 19 August 2015                          | RMB800,000,000   | —  | 100%       | Property development |
| 柳州市兆福地產置業有限公司<br>Zhaofu (Liuzhou) Property Company Limited                           | 18 September 2015                       | RMB163,265,300   | —  | 100%       | Property development |
| 懷來恒天房地產開發有限公司<br>Hengtian (Huailai) Real Estate Development Company Limited          | 18 September 2015                       | RMB871,008,700   | —  | 100%       | Property development |
| 重慶尖置房地產有限公司<br>Jianzhi (Chongqing) Real Estate Company Limited                       | 10 July 2015                            | HKD5,880,000,000   | —  | 100%       | Property development |
| 深圳市鴻騰投資管理有限公司<br>Shenzhen Hongteng Investment Management Company Limited             | 30 January 2015                         | RMB2,161,428,600   | —  | 100%       | Property development |
| 南京臨江御景房地產開發有限公司<br>Linjiang Yujing (Nanjing) Real Estate Development Company Limited | 11 December 2015                        | RMB1,471,650,000   | —  | 100%       | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 杭州晶立置業有限公司<br>Hangzhou Jingli Property Company Limited                         | 2 February 2016                         | RMB3,101,415,779   | —  | 80%        | Property development |
| 貴州集成房地產開發有限公司<br>Guizhou Integrated Real Estate Development Co., Ltd.          | 14 April 1993                           | RMB50,000,000  | —  | 100%       | Property development |
| 貴陽新世界房地產有限公司<br>New World (Guiyang) Real Estate Company Limited                | 18 February 2016                        | RMB2,054,752,705   | —  | 100%       | Property development |
| 武漢新世界康居發展有限公司<br>New World Peaceful Living (Wuhan) Development Company Limited | 5 January 2016                          | RMB96,000,000  | —  | 60%        | Property development |
| 上海豐濤置業有限公司<br>Fengtao (Shanghai) Property Company Limited                      | 14 March 2016                           | RMB316,949,620   | —  | 100%       | Property development |
| 青島金灣置業有限公司<br>Qingdao Jinwan Property Company Limited                          | 25 January 2016                         | RMB1,000,000,000   | —  | 100%       | Property development |
| 北京富華房地產開發有限公司<br>Fuhua (Beijing) Real Estate Development Company Limited       | 11 January 2016                         | US\$66,500,000   | —  | 100%       | Property development |
| 佛山市裕朗通房地產開發有限公司<br>Yulangtong (Foshan) Real Estate Development Company Limited | 26 February 2016                        | RMB1,600,000,000   | —  | 100%       | Property development |
| 甘肅恒源房地產開發有限公司<br>Hengyuan (Gansu) Real Estate Development Company Limited      | 25 March 2016                           | RMB61,823,200  | —  | 74%        | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 哈爾濱高登置業有限公司<br>Gaodeng (Harbin) Property Company Limited                              | 31 March 2016                           | RMB941,200,000   | —  | 100%       | Property development |
| 三亞哈達農副產品交易有限公司<br>Sanya Hada Agricultural Products Company Limited                    | 1 April 2016                            | RMB1,380,000,000   | —  | 100%       | Property development |
| 成都心怡房地產開發有限公司<br>Xinyi (Chengdu) Real Estate Development Company Limited              | 3 May 2016                              | US\$99,500,000   | —  | 100%       | Property development |
| 建滔數碼發展(深圳)有限公司<br>Jiantao Digital Development (Shenzhen) Company Limited              | 5 July 2016                             | RMB25,323,200  | —  | 100%       | Property development |
| 開封國際城一號實業開發有限公司<br>Guojicheng Yihao (Kaifeng) Industrial Development Company Limited  | 17 May 2010                             | RMB788,247,873   | —  | 100%       | Property development |
| 鄭州玖智房地產開發有限公司<br>Jiuzhi (Zhengzhou) Real Estate Development Company Limited           | 5 July 2016                             | RMB500,000,000   | —  | 72%        | Property development |
| 貴陽中渝置地房地產開發有限公司<br>Zhongyu (Guiyang) Property Real Estate Development Company Limited | 26 December 2016                        | RMB838,092,073   | —  | 100%       | Property development |
| 梅州大百匯品牌產業園有限公司<br>Big Parkway (Meizhou) Brand Industrial Park Company Limited         | 8 June 2016                             | RMB1,122,000,000   | —  | 100%       | Property development |
| 來水利華房地產開發有限公司<br>Laishui Lihua Real Estate Development Company Limited                | 8 July 2016                             | RMB142,857,000   | —  | 65%        | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|--|---|--|--|------------|----------------------|
|  |   |  | Directly   | Indirectly |                      |
| 濟南源浩置業有限公司<br>Jinan Yuanhao Property Company Limited                                   | 18 July 2016                            | RMB900,000,000   | —  | 100%       | Property development |
| 濟南西業置業有限公司<br>Jinan Xiye Property Company Limited                                      | 16 August 2016                          | RMB18,000,000  | —  | 100%       | Property development |
| 威海華府置業有限公司<br>Huafu (Weihai) Property Company Limited                                  | 6 September 2016                        | RMB300,000,000   | —  | 100%       | Property development |
| 佛山市三水盈盛房地產發展有限公司<br>Sanshui Yingsheng (Foshan) Real Estate Development Company Limited | 8 September 2016                        | RMB1,560,000,000   | —  | 100%       | Property development |
| 成都裕龍壹號房地產開發有限公司<br>Yulong Yihao (Chengdu) Real Estate Development Company Limited      | 18 September 2012                       | RMB525,000,000   | —  | 100%       | Property development |
| 海南金萃房地產開發有限公司<br>Jincui (Hainang) Real Estate Company Limited                          | 25 November 2016                        | RMB169,380,000   | —  | 100%       | Property development |
| 汕頭市恒合置業有限公司<br>Henghe (Shantou) Property Company Limited                               | 3 December 2015                         | RMB200,000,000   | —  | 100%       | Property development |
| 昆明恒海房地產開發有限公司<br>Henghai (Kunming) Real Estate Development Company Limited             | 24 October 2016                         | RMB180,000,000   | —  | 100%       | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 長沙恒大童世界旅遊開發有限公司<br>Hengda Tongshijie (Changsha) Real Estate Company Limited | 20 October 2016                         | RMB2,120,000,000   | —  | 91%        | Property development |
| 成都萬浩置業有限公司<br>Wanhao (Chengdu) Property Company Limited                     | 29 September 2016                       | RMB19,600,000  | —  | 100%       | Property development |
| 無錫盛建置業有限公司<br>Wuxi Shengjian Real Estate Company Limited                    | 2 December 2016                         | RMB1,600,000,000   | —  | 100%       | Property development |
| 太原恒林房地產開發有限公司<br>Taiyuan Henglin Real Estate Development Co., Ltd.          | 14 December 2016                        | RMB19,608,000  | —  | 100%       | Property development |
| 重慶同景宏航置地有限公司<br>Tongjing Honghang (Chongqing) Land Limited                  | 22 December 2016                        | RMB220,000,000   | —  | 100%       | Property development |
| 重慶同景共好置地有限公司<br>Tongjing Gonghao (Chongqing) Property Company Limited       | 22 December 2016                        | RMB610,000,000   | —  | 100%       | Property development |
| 哈爾濱市振業房地產開發有限公司<br>Zhenye (Haerbin) Real Estate Company Limited             | 28 September 2016                       | RMB20,000,000  | —  | 100%       | Property development |
| 瀋陽金道房地產開發有限公司<br>Shenyang Jindao Real Estate Development Company Limited    | 13 January 2018                         | RMB1,749,600,897   | —  | 100%       | Property development |
| 靖江新時代房地產開發有限公司<br>Jingjiang New Times Real Estate Development Co., Ltd.     | 01 March 2012                           | RMB50,000,000  | —  | 100%       | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities |
|---|---|--|--|------------|----------------------|
|   |   |  | Directly   | Indirectly |                      |
| 淄博高新正承房地產開發有限公司<br>Zibo Gaoxin Zhengcheng Real Estate Development Company Limited       | 31 October 2017                         | RMB250,000,000   | —  | 60%        | Property development |
| 深圳市萬京投資有限公司<br>Wanjing (Shenzhen) Investment Company Limited                            | 28 March 2017                           | RMB30,000,000  | —  | 100%       | Property development |
| 佛山市三水區能潤置地房地產開發有限公司<br>Sanshui Nengrun (Foshan) Real Estate Development Company Limited | 4 April 2007                            | RMB752,000,000   | —  | 100%       | Property development |
| 成都津金江房地產開發有限公司<br>Chengdu Jinjinjiang Real Estate Development Co., Ltd.                 | 26 September 2003                       | RMB49,000,000  | —  | 100%       | Property development |
| 南京東潤置業有限公司<br>Dongrun (Nanjing) Property Company Limited                                | 1 April 2017                            | RMB640,000,000   | —  | 83%        | Property development |
| 無錫恒瑞置業有限公司<br>Wuxi Hengrui Real Estate Co., Ltd.  | 06 April 2017                           | RMB20,000,000  | —  | 100%       | Property development |
| 嵊州盛建置業有限公司<br>Shengzhou Shengjian Real Estate Co., Ltd.                                 | 05 April 2017                           | RMB320,000,000   | —  | 100%       | Property development |
| 杭州豐濤置業有限公司<br>Hangzhou Fengtao Real Estate Co., Ltd.                                    | 25 April 2017                           | RMB1,532,194,720   | —  | 100%       | Property development |
| 哈爾濱市駿業房地產開發有限公司<br>Harbin Junye Real Estate Development Co., Ltd.                       | 22 May 2017                             | RMB257,100,000   | —  | 100%       | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                |
|--|---|--|--|------------|---|
|  |   |  | Directly   | Indirectly |   |
| 泰州周山河房地產開發有限公司<br>Taizhou Zhoushanhe Real Estate Development Company Limited         | 7 June 2017                             | RMB441,176,471   | —  | 100%       | Property development                                |
| 鎮江盛耀房地產開發有限公司<br>Zhenjiang Shengyao Real Estate Development Co., Ltd.                | 08 June 2017                            | RMB40,000,000  | —  | 100%       | Property development                                |
| 貴安新區恒大華鼎旅遊開發有限公司<br>Gui'an New District Hengda Huading Tourism Development Co., Ltd. | 21 June 2017                            | RMB10,000,000  | —  | 100%       | Property development                                |
| 滄州益聚房地產開發有限公司<br>Cangzhou Yiju Real Estate Development Co., Ltd.                     | 02 June 2017                            | RMB1,504,000,000   | —  | 100%       | Property development                                |
| 鄭州恒澤通健康置業有限公司<br>Zhengzhou Hengzetong Health Properties Co., Ltd.                    | 27 June 2019                            | RMB1,300,000,000   | —  | 100%       | Development and sales of health and living projects |
| 溫州國鵬置業有限公司<br>Guopeng (Wenzhou) Property Company Limited                             | 31 October 2017                         | RMB1,090,000,000   | —  | 100%       | Property development                                |
| 許昌裕豐房地產有限公司<br>Xuchang Yufeng Real Estate Company Limited                            | 26 July 2017                            | RMB20,000,000  | —  | 75%        | Property development                                |
| 唐山恒瀚邑房地產開發有限公司<br>Tangshan Henghanyi Real Estate Development Company Limited         | 17 November 2017                        | RMB878,179,300   | —  | 92%        | Property development                                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                |
|--|---|--|--|------------|---|
|  |   |  | Directly   | Indirectly |   |
| 太原恒大鴻博房地產開發有限公司<br>Taiyuan Evergrande Hongbo Real Estate Development Co., Ltd. | 20 November 2017                        | RMB10,000,000  | —  | 100%       | Property development                                |
| 寧波穗華置業有限公司<br>Ningbo Suihua Real Estate Company Limited                        | 20 November 2017                        | RMB1,691,400,000   | —  | 100%       | Property development                                |
| 大同俊軒房地產開發有限公司<br>Datong Junxuan Real Estate Development Co., Ltd.              | 20 December 2017                        | RMB990,000,000   | —  | 100%       | Property development                                |
| 眉山隆和旅遊開發有限公司<br>Meishan Longhe Tourism Development Company Limited             | 31 October 2019                         | RMB953,064,800   | —  | 100%       | Property development                                |
| 武漢巴登城投資有限公司<br>Wuhan Baden City Investment Company Limited                     | 31 October 2019                         | RMB880,000,000   | —  | 100%       | Property development                                |
| 深圳市永恒置業有限公司<br>Shenzhen Yongheng Real Estate Co., Ltd.                         | 16 December 1992                        | RMB40,000,000  | —  | 100%       | Property development                                |
| 西安誠銘旅遊開發有限公司<br>Xi'an Chengming Tourism Development Co., Ltd.                  | 11 January 2018                         | RMB450,000,000   | —  | 100%       | Property development                                |
| 南京恒康置業有限公司<br>Nanjing Hengkang Properties Co., Ltd.                            | 27 December 2017                        | RMB1,000,000,000   | —  | 100%       | Development and sales of health and living projects |
| 天階雲台(修武)投資有限公司<br>Tianjie Yuntai (Xiuwu) Investment Co., Ltd.                  | 21 April 2011                           | RMB30,000,000  | —  | 100%       | Development and sales of health and living projects |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                      |
|--|---|--|--|------------|---|
|  |   |  | Directly   | Indirectly |   |
| 貴陽恒大雲景房地產開發有限公司<br>Guizhou Evergrande Yunjing Real Estate Development Co., Ltd.        | 18 July 2018                            | RMB80,000,000  | —  | 100%       | Property development                      |
| 公主嶺弘盛房地產開發有限公司<br>Gongzhuling Hongsheng Real Estate Development Co., Ltd.              | 23 August 2018                          | RMB670,000,000   | —  | 100%       | Property development                      |
| 安徽省陽光半島文化發展有限公司<br>Yangguang Bandao (Anhui) Real Estate Company Limited                | 31 August 2018                          | RMB7,186,050,000   | —  | 100%       | Property development                      |
| 恒大智能汽車(廣東)有限公司<br>Evergrande Smart Automobile (Guangdong) Co., Ltd.                    | 12 February 2018                        | RMB2,052,000,000   | —  | 100%       | Sales and manufacturing of smart mobility |
| 儀徵市恒昇房地產開發有限公司<br>Yizheng Hengsheng Real Estate Development Co., Ltd.                  | 23 January 2019                         | RMB60,000,000  | —  | 100%       | Property development                      |
| 舟山市新誠瑞豐房地產開發有限公司<br>Zhoushan Xincheng Rui Feng Real Estate Development Company Limited | 27 June 2019                            | RMB25,028,000  | —  | 100%       | Property development                      |
| 恒大新能源汽車(廣東)有限公司<br>Evergrande National Energy New Energy Vehicle (Guangdong) Co., Ltd. | 28 January 2019                         | RMB3,500,000,000   | —  | 100%       | Sales and manufacturing of smart mobility |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name  | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                 |
|---|---|--|--|------------|--|
|   |   |  | Directly   | Indirectly |  |
| 恒大恒馳新能源汽車(上海)有限公司<br>Hengda Hengchi New Energy Vehicle (Shanghai) Co., Ltd. | 18 May 2018                             | RMB2,500,000,000   | —  | 100%       | Sales and manufacturing of smart mobility            |
| 恒大新能源汽車(天津)有限公司<br>National New Energy Vehicle Co., Ltd.                    | 15 January 2019                         | RMB3,100,000,000   | —  | 100%       | Sales and manufacturing of smart mobility            |
| 金浩生活服務(江蘇)有限公司<br>Jinbao Life Service (Jiangsu) Co., Ltd.                   | 13 March 2019                           | RMB20,000,000  | —  | 100%       | Development and sales of vehicle and living projects |
| 金馳生活服務(河南)有限公司<br>Jinchi Life Service (Henan) Co., Ltd.                     | 12 March 2019                           | RMB20,000,000  | —  | 100%       | Development and sales of vehicle and living projects |
| 咸寧恒陽置業有限公司<br>Xianning Hengyang Health Property Co., Ltd.                   | 12 April 2019                           | RMB50,000,000  | —  | 100%       | Development and sales of health and living projects  |
| 濤永生活服務(安徽)有限公司<br>Taoyong Life Service (Anhui) Co., Ltd.                    | 5 June 2019                             | RMB20,000,000  | —  | 100%       | Real estate development and operation                |
| 瀋陽超豐生活服務有限公司<br>Shenyang Chaofeng Life Service (Anhui) Co., Ltd.            | 23 June 2019                            | RMB8,000,000   | —  | 100%       | Real estate development and operation                |
| 湖北恒祥旅遊開發有限公司<br>Hubei Hengxiang Tourism Development Co., Ltd.               | 25 June 2019                            | RMB20,000,000  | —  | 100%       | Property development                                 |
| 杭州桐恒置業有限公司<br>Hangzhou Tongheng Real Estate Co., Ltd.                       | 15 August 2019                          | RMB720,000,000   | —  | 100%       | Property development                                 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                 |
|--|---|--|--|------------|--|
|  |   |  | Directly   | Indirectly |  |
| 遼鵬生活服務(遼寧)有限公司<br>Liaopeng Life Service (Liaoning) Co., Ltd.                 | 19 July 2019                            | RMB50,000,000  | —  | 100%       | Development and sales of vehicle living projects     |
| 岳陽恒駿置業有限公司<br>Yueyang Hengjun Property Co., Ltd.                             | 31 July 2019                            | RMB20,000,000  | —  | 100%       | Development and sales of health and living projects  |
| 重慶市恒盈健康產業有限公司<br>Chongqing Hengying Health Industry Co., Ltd.                | 5 August 2019                           | RMB10,000,000  | —  | 100%       | Development and sales of health and living projects  |
| 武漢楚水雲山農業開發有限公司<br>Wuhan Chushui Yunshan Agricultural Development Co., Ltd.   | 03 August 2018                          | RMB20,408,200  | —  | 100%       | Property development                                 |
| 貴州永浩企業管理有限公司<br>Guizhou Yonghao Enterprise Management Co., Ltd.              | 19 August 2019                          | RMB20,000,000  | —  | 100%       | Development and sales of vehicle and living projects |
| 雲南御行中天房地產開發有限公司<br>Yunnan Yuxing Zhongtian Real Estate Development Co., Ltd. | 17 March 2008                           | RMB180,000,000   | —  | 70%        | Property development                                 |
| 昆明嘉麗澤旅遊文化有限公司<br>Kunming Jialize Travel Culture Co., Ltd.                    | 13 March 2008                           | RMB2,244,900,000   | —  | 100%       | Development and sales of vehicle and living projects |
| 揚州超松置業有限公司<br>Yangzhou Chaosong Property Co., Ltd.                           | 1 November 2019                         | RMB8,000,000   | —  | 100%       | Development and sales of health and living projects  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                |
|--|---|--|--|------------|---|
|  |   |  | Directly   | Indirectly |   |
| 肇東市恒鵬房地產開發有限公司<br>Zhaodong Hengpeng Health Industry Co., Ltd.                | 27 December 2019                        | RMB780,000,000   | —  | 100%       | Development and sales of health and living projects |
| 溫州盛建置業有限公司<br>Wenzhou Shengjian Real Estate Co., Ltd.                        | 05 January 2018                         | RMB950,000,000   | —  | 100%       | Property development                                |
| 湛江市恒揚房地產開發有限公司<br>Zhanjiang Hengyang Real Estate Development Co., Ltd.       | 18 December 2017                        | RMB10,000,000  | —  | 93%        | Property development                                |
| 昆明航匯投資有限公司<br>Kunming Hanghui Investment Co., Ltd.                           | 13 November 2013                        | RMB100,000,000   | —  | 100%       | Property development                                |
| 雲南尚居地產有限公司<br>Yunnan Shangju Real Estate Company Limited                     | 31 October 2019                         | RMB300,000,000   | —  | 70%        | Property development                                |
| 瀋陽航遠置業有限公司<br>Shenyang Hangyuan Real Estate Company Limited                  | 31 October 2019                         | RMB50,000,000  | —  | 100%       | Property development                                |
| 陝西航華投資管理有限公司<br>Shanxi Hanghua Investment Management Company Limited         | 31 October 2019                         | RMB30,000,000  | —  | 51%        | Property development                                |
| 重慶盛懷房地產開發有限公司<br>Chongqing Shenghuai Real Estate Development Company Limited | 31 October 2019                         | RMB20,000,000  | —  | 100%       | Property development                                |
| 重慶航悅置業有限公司<br>Chongqing Hangyue Real Estate Company Limited                  | 31 October 2019                         | RMB190,000,000   | —  | 100%       | Property development                                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The following is a list of the particulars of principal subsidiaries at 31 December 2022: (Continued)

| Name   | Date of incorporation/<br>Establishment | Nominal value of<br>issued and fully<br>paid share capital/<br>paid-in capital | Percentage<br>of attributable<br>equity interest |            | Principal activities                                 |
|--|---|--|--|------------|--|
|  |   |  | Directly   | Indirectly |  |
| 遼寧恒陽健康置業有限公司<br>Liaoning Hengyang Health Property Co., Ltd.        | 15 June 2018                            | RMB40,820,000  | —  | 100%       | Development and sales of health and living projects  |
| 新世界中國地產(海口)有限公司<br>New WORLD China LAND (Haikou) Limited           | 24 October 2005                         | RMB4,921,699,700   | —  | 100%       | Property development                                 |
| 烏魯木齊恒隆置業有限公司<br>Urumqi Henglong Properties Co., Ltd.               | 4 February 2020                         | RMB10,000,000  | —  | 100%       | Development and sales of health and living projects  |
| 內蒙古魯橋置業有限公司<br>Inner Mongolia Luqiao Real Estate Co., Ltd.         | 11 July 2011                            | RMB200,000,000   | —  | 100%       | Property development                                 |
| 房車寶集團有限公司<br>Fangchebao Group Co., Ltd                             | 28 February 2020                        | RMB3,173,024,855   | —  | 100%       | Property agent                                       |
| 瀋陽恒達房地產開發有限公司<br>Shenyang Hengda Real Estate Development Co., Ltd. | 24 May 2019                             | RMB753,800,000   | —  | 100%       | Property development                                 |
| 深永生活服務(江蘇)有限公司<br>Shenyong Life Service (Jiangsu) Co., Ltd.        | 14 May 2020                             | RMB20,000,000  | —  | 100%       | Development and sales of vehicle and living projects |

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

# FIVE YEARS FINANCIAL SUMMARY

## CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

(as at 31 December)

|  | 2018<br>RMB Million | 2019<br>RMB Million | 2020<br>RMB Million | 2021<br>RMB Million | 2022<br>RMB Million |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>                              |                     |                     |                     |                     |                     |
| Non-current assets                         | 304,277             | 359,763             | 396,225             | 213,275             | <b>173,149</b>      |
| Current assets                             | 1,575,751           | 1,846,814           | 1,904,934           | 1,893,821           | <b>1,665,189</b>    |
| <b>Total assets</b>                        | <b>1,880,028</b>    | <b>2,206,577</b>    | <b>2,301,159</b>    | <b>2,107,096</b>    | <b>1,838,338</b>    |
| <b>Total equity/(deficiency in equity)</b> | <b>308,626</b>      | <b>358,537</b>      | <b>350,431</b>      | <b>(473,054)</b>    | <b>(599,074)</b>    |
| <b>LIABILITIES</b>                         |                     |                     |                     |                     |                     |
| Non-current liabilities                    | 411,946             | 498,005             | 443,475             | 59,014              | <b>84,489</b>       |
| Current liabilities                        | 1,159,456           | 1,350,035           | 1,507,253           | 2,521,136           | <b>2,352,923</b>    |
| <b>Total liabilities</b>                   | <b>1,571,402</b>    | <b>1,848,040</b>    | <b>1,950,728</b>    | <b>2,580,150</b>    | <b>2,437,412</b>    |
| <b>Total equity and liabilities</b>        | <b>1,880,028</b>    | <b>2,206,577</b>    | <b>2,301,159</b>    | <b>2,107,096</b>    | <b>1,838,338</b>    |

## FIVE YEARS FINANCIAL SUMMARY

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(for the year ended 31 December)

|  | 2018<br>RMB Million | 2019<br>RMB Million | 2020<br>RMB Million<br>(Restated) | 2021<br>RMB Million | 2022<br>RMB Million |
|--|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| Revenue  | 466,196             | 477,561             | 507,248                           | 250,013             | <b>230,067</b>      |
| Cost of sales  | (297,249)           | (344,624)           | (383,744)                         | (268,461)           | <b>(205,080)</b>    |
| <b>Gross profit/(loss)</b>   | <b>168,947</b>      | <b>132,937</b>      | <b>123,504</b>                    | <b>(18,448)</b>     | <b>24,987</b>       |
| Write-down of properties under development and completed properties held for sale  | —                   | —                   | (899)                             | (373,681)           | <b>(1,685)</b>      |
| Fair value gains/(losses) on investment properties, net                            | 1,343               | 1,516               | 1,278                             | (31,267)            | <b>1,807</b>        |
| Impairment losses on financial assets  | (137)               | (194)               | (288)                             | (50,376)            | <b>(12,384)</b>     |
| Other gains/(losses), net  | 2,645               | 1,729               | (5,051)                           | (45,985)            | <b>(38,230)</b>     |
| Other income   | 6,694               | 6,997               | 10,253                            | 2,286               | <b>1,987</b>        |
| Selling and marketing costs  | (18,086)            | (23,287)            | (31,962)                          | (31,945)            | <b>(6,068)</b>      |
| Administrative expenses  | (14,813)            | (19,811)            | (21,064)                          | (16,527)            | <b>(6,678)</b>      |
| Impairment loss of investments accounted for using equity method                   | —                   | —                   | —                                 | (8,097)             | <b>(18,006)</b>     |
| Other operating expenses   | (5,179)             | (5,037)             | (6,059)                           | (7,489)             | <b>(10,138)</b>     |
| <b>Operating profit/(loss)</b>   | <b>141,414</b>      | <b>94,850</b>       | <b>69,712</b>                     | <b>(581,529)</b>    | <b>(64,408)</b>     |
| Share of (losses)/gains of investments accounted for using equity method           | (874)               | 2,967               | (1,379)                           | (19,722)            | <b>39</b>           |
| Fair value gains/(losses) on financial assets at fair value through profit or loss | 51                  | (1,863)             | (31)                              | (1,936)             | <b>(2,041)</b>      |
| Fair value gains on derivative financial liabilities                               | 797                 | 981                 | 2,183                             | —                   | —                   |
| Fair value losses on contingent consideration payables                             | —                   | —                   | —                                 | (2,555)             | —                   |
| Fair value gains/(losses) on financial guarantee contracts                         | —                   | —                   | —                                 | (51,530)            | <b>1,129</b>        |
| Finance costs, net   | (14,623)            | (22,763)            | (2,240)                           | (41,623)            | <b>(47,482)</b>     |
| <b>Profit/(loss) before income tax</b>   | <b>126,765</b>      | <b>74,172</b>       | <b>68,245</b>                     | <b>(698,895)</b>    | <b>(112,763)</b>    |
| Income tax (expenses)/credit   | (60,218)            | (40,630)            | (36,845)                          | 12,676              | <b>(13,051)</b>     |
| <b>Profit/(loss) for the year</b>  | <b>66,547</b>       | <b>33,542</b>       | <b>31,400</b>                     | <b>(686,219)</b>    | <b>(125,814)</b>    |
| Other comprehensive (loss)/income, net of tax                                      | 155                 | (239)               | (365)                             | (415)               | <b>443</b>          |
| Total comprehensive income/(loss) for the year                                     | 66,702              | 33,303              | 31,035                            | (686,634)           | <b>(125,371)</b>    |
| <b>Profit/(loss) attributable to:</b>  |                     |                     |                                   |                     |                     |
| Shareholders of the Company  | 37,390              | 17,280              | 8,076                             | (476,035)           | <b>(105,914)</b>    |
| Non-controlling interests  | 29,157              | 16,262              | 23,324                            | (210,184)           | <b>(19,900)</b>     |
| Profit/(loss) for the year   | 66,547              | 33,542              | 31,400                            | (686,219)           | <b>(125,814)</b>    |



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