恒大汽车
EVERGRANDE AUTO

CHINA EVERGRANDE NEW ENERGY VEHICLE GROUP LIMITED
中國恒大新能源汽車集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 708)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The Board (the "**Board**") of directors (the "**Directors**") of China Evergrande New Energy Vehicle Group Limited is pleased to present the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022 together with comparative figures stated in this announcement for reference.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*3*	**1,509,833**	817,351
Cost of sales		**(1,280,259)**	(1,208,389)
Gross profit (loss)		**229,574**	(391,038)
Other income/(costs), net		**556,884**	(1,512)
Other losses, net		**(6,643,964)**	(658,515)
Selling and marketing costs		**(258,088)**	(1,451,965)
Administrative expenses		**(1,226,589)**	(2,088,035)
Net impairment losses on financial assets		**(102,281)**	(51,721)
Fair value losses on investment properties		**—**	(29,300)

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Net impairment losses on property, plant and equipment, intangible assets and goodwill		**(500,814)**	—
Net impairment losses on properties under development, completed properties held for sale and inventories		**(1,162,872)**	—
Operating loss		**(9,108,150)**	(4,672,086)
Finance income		**13,177**	58,385
Finance costs		**(1,528,213)**	(1,049,762)
Finance costs, net		**(1,515,036)**	(991,377)
Share of losses of investments accounted for using the equity method		**(19,950)**	(412,376)
Fair value losses on financial assets at fair value through profit or loss		**(1,184,577)**	946,674
Fair value losses on derivative financial liabilities		**—**	(301,066)
Loss before income tax		**(11,827,713)**	(5,430,231)
Income tax expenses	*4*	**(1,537,200)**	(118,575)
Loss for the period		**(13,364,913)**	(5,548,806)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(1,407,980)**	(336,614)
Total comprehensive loss for the period		**(14,772,893)**	(5,885,420)

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Loss attributable to:			
Owners of the Company		**(13,361,778)**	(5,486,628)
Non-controlling interests		**(3,135)**	(62,178)
Loss for the period		**(13,364,913)**	(5,548,806)
Total comprehensive loss attributable to:			
Owners of the Company		**(14,769,758)**	(5,823,242)
Non-controlling interests		**(3,135)**	(62,178)
Total comprehensive loss for the period		**(14,772,893)**	(5,885,420)
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
— Basic loss per share	*6*	**(123.221)**	(58.810)
— Diluted loss per share	*6*	**(123.221)**	(58.810)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**21,450,123**	20,988,979
Right-of-use assets		**3,466,484**	3,910,322
Investment properties		**614,670**	614,670
Intangible assets		**6,852,569**	6,524,103
Goodwill		**—**	—
Prepayments		**271,691**	774,557
Investments accounted for using the equity method		**7,003**	258,475
Financial assets at fair value through profit or loss		**486,627**	501,493
Deferred income tax assets		**122,611**	151,035
		33,271,778	33,723,634
Current assets			
Contract acquisition costs		**733,519**	796,086
Trade and other receivables and prepaid taxes	*7*	**17,767,305**	18,812,867
Prepayments		**2,397,145**	2,570,889
Properties under development		**63,232,258**	73,355,683
Completed properties held for sale		**8,513,355**	6,593,100
Inventories		**982,873**	200,496
Financial assets at fair value through profit or loss		**1,160,298**	2,255,396
Restricted cash		**1,178,859**	2,808,700
Cash and cash equivalents		**1,609,415**	2,452,523
		97,575,027	109,845,740
Total assets		**130,846,805**	143,569,374

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**28,124,101**	28,124,101
Reserves		**2,908,165**	3,825,320
Accumulated losses		**(84,603,102)**	(71,241,322)
		(53,570,836)	(39,291,901)
Non-controlling interests		**(48,565)**	(47,081)
Total deficit		**(53,619,401)**	(39,338,982)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**650,640**	694,914
Deferred income		**2,821,150**	2,821,150
Borrowings		**11,864,517**	11,271,059
Deferred income tax liabilities		**941,170**	1,024,395
		16,277,477	15,811,518
Current liabilities			
Contract liabilities		**55,927,762**	65,249,638
Lease liabilities		**247,200**	318,818
Trade and other payables	8	**83,214,335**	71,741,863
Borrowings		**28,798,232**	29,393,849
Current income tax liabilities		**1,200**	392,670
		168,188,729	167,096,838
Total liabilities		**184,466,206**	182,908,356
Total deficit and liabilities		**130,846,805**	143,569,374

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Evergrande New Energy Vehicle Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in technology research and development, production and sales of new energy vehicles in the People's Republic of China (the "**PRC**") and in other countries (collectively, the "**New Energy Vehicle Segment**"), as well as the "Internet+" community health management, international hospitals, and elderly care and rehabilitation (collectively, the "**Health Management Segment**") in the PRC.

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

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

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 ("**Interim Financial Information**") has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021 and any public announcements made by the Group during the interim reporting period.

The financial information relating to the year ended 31 December 2021 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2022 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The Company will deliver the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor reported on these financial statements. In the auditor's report, the independent auditor expressed a disclaimer of opinion. In the auditor's report, it did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in those annual consolidated financial statements.

(a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

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

(b) New standards, amendments, interpretation and accounting guideline not yet adopted

		Effective for annual periods beginning on or after
Amendment to HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Presentation of financial statements' on classification of liabilities	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1, HKFRS Practice Statement 2 and HKAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	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.

(c) Change in accounting treatment for timing of revenue recognition

Prior to 2021, the Group considered that the revenue is recognised when the earlier of the acceptance of the property by the customer or according to the sales contract, the property was deemed to have been accepted by the customer. However, since 2021, due to the Group gradually facing liquidity difficulties, the Group believes that including the requirement for obtaining project completion certificates or owner occupancy as an additional condition for revenue recognition would better reflect the Group's situation and have practical operability.

Cumulative Impact

According to HKAS 8, a change in accounting treatment should be applied retrospectively to historical financial statements. However, after the company experienced liquidity problems, a large number of financial and engineering staff left and the Group was unable to identify or estimate the effect of implementing the change in revenue recognition treatment on historical financial statements. Therefore, the Group decided to make the change in revenue recognition treatment effective from 1 January 2021 and apply the new treatment from this financial year onwards. At the same time, the Group will reassess revenue as of 1 January 2021 to confirm whether the new revenue recognition criteria have been met.

According to the new accounting treatment, as at 1 January 2021, included in contract liabilities, balance exclusive of value-added tax amounting to RMB18,433 million had not been recognised as revenue, and will be recognised as revenue in the reporting periods when the corresponding conditions are met. The management of the Group believes that this change in accounting treatment can better reflect the operating performance and financial condition of the Group.

The following is the impact of the change in accounting treatment:

Consolidated balance sheet	*RMB'000*
Assets	
— Trade and other receivables	(155,513)
— Prepayment	371,506
— Properties under development and completed properties held for sales	4,188,231
	4,404,224
Liabilities	
— Income tax payable	(1,388,353)
— Trade and other payables	(12,338,168)
— Contract liabilities	20,090,944
	6,364,423
Net liabilities	(1,960,199)
Equity	
— Non-controlling interests	(39,081)
— Accumulated losses	(1,921,118)
	(1,960,199)

(d) Liquidity and going concern

The Group incurred loss of RMB13.4 billion for the 6 months ended 30 June 2022. As at 30 June 2022, the accumulated losses and the net current liabilities of the Group amounted to RMB84.6 billion and RMB70.6 billion, respectively. Cash and cash equivalents as at 30 June 2022 were RMB1.6 billion.

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

Should the Group be unable to continue as a going concern, adjustments would have to be made to write-down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

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

(ii) The Group is still actively in the process of negotiating with various bank, other financial institutions, third parties and related parties to renew its existing borrowings and corporate bonds which will be matured within twelve months after 30 June 2022 and to raise short-term and/or long-term financing to the Group so that the Group will be able to meet all financial obligations as and when they fall due in the coming twelve months from 30 June 2022 (the "Financing Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful execution and completion of the Business and Operation Restructuring Plan;

(ii) Successful execution and completion of the Financing Plan; and

(iii) Successful generation of operating cash flows and in obtaining of additional sources of financing to finance the settlement of its existing financial obligations, commitments and future operating and capital expenditure, as well as to maintain sufficient cash flows of the Group's operations.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3 REVENUE

Revenue by type

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Health Management		
Sales of health and living projects (i)	**1,377,893**	759,301
Income from medical cosmetology and health management (ii)	**84,602**	18,145
Rental income	**23,232**	2,921
	1,485,727	780,367
New Energy Vehicle		
Provision of technical services (ii)	**22,980**	5,426
Sales of lithium batteries (i)	**841**	26,292
Sales of vehicle components (i)	**285**	5,266
	24,106	36,984
	1,509,833	817,351

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

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

4 INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax:		
— PRC corporate income tax	**1,597,128**	258,930
— PRC land appreciation tax	**(5,127)**	15,769
	1,592,001	274,699
Deferred income tax		
— PRC corporate income tax	**(54,801)**	(111,170)
— PRC land appreciation tax	**—**	(44,954)
	(54,801)	(156,124)
	1,537,200	118,575

Hong Kong profit tax

Hong Kong profits tax is calculated at 16.5 % of the estimated assessable profit for the six months ended 30 June 2022 (2021: 16.5%). Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the six months ended 30 June 2022 (2021: nil).

PRC corporate income tax

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

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

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

PRC land appreciation tax

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

5 DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2021: nil).

6 LOSS PER SHARE

(a) Basic

Basic loss per share are calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited) (Restated)
Loss attributable to shareholders of the Company (RMB'000)	**(13,361,778)**	(5,486,628)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**10,843,793**	9,329,402
Basic loss per share (RMB cents per share)	**(123.221)**	(58.810)

(b) Diluted

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited) (Restated)
Loss attributable to shareholders of the Company (RMB'000)	**(13,361,778)**	(5,486,628)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**10,843,793**	9,329,402
Weighted average number of ordinary shares for diluted loss per share (thousands)	**10,843,793**	9,329,402
Diluted loss per share (RMB cents per share)	**(123.221)**	(58.810)

(i) The 458,615,000 (30 June 2021: 528,050,000) options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended 30 June 2022. These options could potentially dilute basic loss per share in the future.

7 TRADE RECEIVABLES

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**12,873**	39,260
Over 91 days and within 180 days	**31,559**	76,380
Over 180 days and within 365 days	**67,550**	50,493
Over 365 days	**138,319**	109,498
	250,301	275,631

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

8 TRADE PAYABLES

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**12,510,353**	13,124,375
91–180 days	**2,068,263**	6,363,128
Over 180 days	**31,437,933**	22,164,389
	46,016,549	41,651,892

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

Disclaimer of conclusion

We were engaged to review the interim financial information, which comprises the interim condensed consolidated balance sheet of China Evergrande New Energy Vehicle Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2022 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "**interim financial information**"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information described in the "Basis for Disclaimer of Conclusion" section of our report, it is not possible for us to express a conclusion on the interim financial information.

Because of the potential interaction of the multiple uncertainties related to going concern, opening balance, comparative information and their possible cumulative effect on these interim condensed consolidated financial statements described in the "Basis for Disclaimer of Conclusion" section of our report, we do not express a conclusion on the interim financial information.

Basis for disclaimer of conclusion

1. ***Multiple Uncertainties Relating to Going Concern***

   As disclosed in note 2(d) to the interim financial information, the Group incurred a net loss of approximately RMB13,365 million for the six months ended 30 June 2022 and, as at 30 June 2022, the Group had net current liabilities of approximately RMB70,614 million. The Group's current and non-current borrowings amounted to approximately RMB28,798 million and approximately RMB11,865 million as at 30 June 2022 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB2,788 million only. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, the interim financial information have been prepared on a going concern basis. The Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position, and have developed debt solutions which are set out in note 2(d) to the interim financial information. The interim condensed 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 interim condensed consolidated financial statements is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. The interim condensed 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 interim condensed 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 interim condensed 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*

In relation to the consolidated financial statements for the year ended 31 December 2021 (the basis of the comparative amounts presented in the interim condensed consolidated financial statements for the period ended 30 June 2022), we 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 period figures in the interim condensed consolidated statements for the period ended 30 June 2022. However, the comparative figures presented in the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed 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 disclaim our opinion on the accompanying interim condensed consolidated financial statements of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The principal business activities of China Evergrande New Energy Vehicle Group Limited (the "**Company**") and its subsidiaries (the "**Group**") include the technology research and development ("**R&D**") and manufacturing of, and sales services in respect of new energy vehicles (collectively, the "**New Energy Vehicle Segment**"), as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation (collectively, the "**Health Management Segment**").

New Energy Vehicle Segment

The Group actively responds to the national strategy of building a strong country through science and technology, and forayed into the new energy automobile industry with a huge market scale by forward planning. Through the closed loop of technology and data, the Group aims to create an intelligently connected mobile space of "car and home integration", and establish Hengchi as a world-renowned Chinese automobile brand.

Dedicated to the global R&D and promotion of new energy vehicles applications, the Group adheres to its core technology vision of "achieving world-class core technology and proprietary intellectual property rights" and its quality goal of "achieving world-class product quality", and has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging and other aspects.

The New Energy Vehicle Segment of the Group achieved promising progress for the six months ended 30 June 2022 (the "**Reporting Period**"), especially in relation to the completion of the relevant development and testing work on the Hengchi 5 model, paving the Group's way forward to beginning mass production.

Health Management Segment

During the Reporting Period, the Group continued to uphold the innovative service concept of integrating medical insurance with health management, medical care, rehabilitation and elderly care. It provided, through a membership platform, a full cycle of high quality and multi-dimensional health services to its members. It has also developed and formulated an all-rounded and all-age healthcare service standard, and proceeded with the development of Evergrande Elderly Care Valley. However, due to strategic considerations of the Group, in August 2021, it was decided that this business segment would be phased out from the Group, and resources shall be focused on the development of the Group's New Energy Vehicle Segment moving forward.

Financial Review

I. *Liabilities*

The total liabilities as at 30 June 2022 were RMB184,466.21 million, and the liabilities after excluding the receipts in advance of RMB55,927.76 million were RMB128,538.45 million, representing an increase of RMB10,879.73 million compared to RMB117,658.72 million, the liabilities after excluding receipts in advance as at 31 December 2021. Among which:

1. *Borrowings*

   As at 30 June 2022, the Group's borrowings amounted to RMB40,662.75 million, representing a decrease of RMB2.16 million compared to RMB40,664.91 million as at 31 December 2021.

   Part of the borrowings is secured by the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and equity interests of several subsidiaries within the Group. As at 30 June 2022, the average annual interest rate of the borrowings was 7.99% (31 December 2021: 8.56%).

2. *Trade and Other Payables*

   As at 30 June 2022, the Group's trade and other payables amounted to RMB83,214.34 million, representing an increase of RMB11,472.48 million compared to RMB71,741.86 million as at 31 December 2021.

3. *Other Liabilities*

   As at 30 June 2022, the Group's other liabilities amounted to RMB4,661.36 million.

II. *Operating Loss during the Reporting Period*

Revenue

During the Reporting Period, the Group's turnover amounted to RMB1,509.83 million, representing a sharp increase of 84.72% as compared to RMB817.35 million in the six months ended 30 June 2021. The increase in turnover was mainly attributable to the increase in revenue generated by the Health Management Segment. The revenue of such segment had increased by 90.39% from RMB780.37 million in the six months ended 30 June 2021 to RMB1,485.73 million in the six months ended 30 June 2022, primarily due to the increase in revenue from sales of health and living projects from RMB759.30 million to RMB1,377.89 million and the increase in revenue from medical cosmetology and health management from RMB18.15 million to RMB84.60 million.

During the Reporting Period, there was a decrease in the revenue generated by the New Energy Vehicle Segment of the Group, by 34.81% from RMB36.98 million in the six months ended 30 June 2021 to RMB24.11 million in the six months ended 30 June 2022, mainly because new battery products are expected to be in the process of further modification and upgrade, and the Group aimed to clear out the remaining small amount of existing battery stock and raw materials. On the other hand, the revenue generated from the provision of technical services was RMB22.98 million, mainly for services provided by NEVS.

Gross profit

The gross profit of the Group increased by 158.71% from a loss of RMB391.04 million in the six months ended 30 June 2021 to a profit of RMB229.57 million in the six months ended 30 June 2022.

Other income (costs), net

Other income during the Reporting Period was RMB556.88 million.

Sales and marketing expenses

Sales and marketing expenses decreased by 82.22% from RMB1,451.97 million in the six months ended 30 June 2021 to RMB258.09 million in the six months ended 30 June 2022, which was due to a reduction in brand promotion expenses for the New Energy Vehicle Segment and a drop in sales commissions from the Health Management Segment.

Administrative expenses

Administrative expenses decreased by 41.26% from RMB2,088.04 million in the six months ended 30 June 2021 to RMB1,226.59 million in the six months ended 30 June 2022, which was due to decreases in headcount and salary reductions for some of the employees.

Finance costs

The finance cost, net of the Group during the Reporting Period was RMB1,515.04 million.

Operating losses

In summary, the operating loss during the Reporting Period was RMB2,213.27 million.

III. *Non-operating Loss during the Reporting Period*

Other losses

Other losses during the Reporting Period were RMB7,848.49 million, due to losses related to the recovery of land, losses from joint investments, provisions for liquidated damages and other losses.

Impairment loss on completed properties for sale and properties under development

During the Reporting Period, the provision for impairment of inventory was RMB1,162.87 million, which was mainly due to the overall downward market environment. The Group will regularly update the valuation of inventory. If the market recovers, the corresponding valuation may rebound.

Impairment loss on property, plant and equipment and intangible assets

During the Reporting Period, the Group's impairment losses on property, plant and equipment and intangible assets were RMB500.81 million.

Impairment losses on financial assets

The impairment losses on financial assets during the Reporting Period were RMB102.28 million, which was mainly due to the Group's corresponding provisions for other receivables and prepayments of associates, joint ventures and third parties.

In summary, the non-operating loss for the Reporting Period was RMB9,614.45 million.

During the Reporting Period, the Group recorded a loss of RMB13,364.91 million, representing an increase of over 140.86% as compared to the loss made in the first half of 2021, which was mainly due to the decline in the gross profit of the Health Management Segment and the increase in expenses, and the accrual of inventory, plant and equipment and intangible assets based on the principle of prudence.

IV. *Liquidity and Financial Resources*

As at 30 June 2022, the total amount of cash, cash equivalents and restricted cash of the Group was RMB2,788.27 million.

Business Review

New Energy Vehicle Segment

According to the data published by the China Association of Automobile Manufacturers, in the first half of 2022, the global production and sales volume of new energy vehicles were 2.661 million vehicles and 2.60 million vehicles respectively, representing both an increase of 120% and a market share of 21.6%.

In terms of government policies launched in support of the industry, in 2022, the government departments issued the "Notice on Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles by Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, Development and Reform Commission" (《財政部工業和信息化部科技部發展改革委關於完善新能源汽車推廣應用財政補貼政策的通知》) and the "Development Plan for Modern Comprehensive Transportation System in 14th Five-Year Plan Period" (《"十四五"現代綜合交通運輸體系發展規劃》), to support industry development of new energy vehicles.

Considering the market potential and the support received from both the industry and government policies, the Group will strive to seize the once-in-a-century industry development opportunities, strengthen its technology R&D and innovation, further improve product layout and fully promote the continuous development and growth of the New Energy Vehicle Segment.

R&D aspects:

During the Reporting Period, the Group further focused on R&D, fully ensured the software development of the first mass-produced model Hengchi 5, promoted the development and testing of subsequent models, and continuously optimized operation platforms such as software management, the Internet of vehicles, smart charging, etc., which gradually formed Hengchi big data platform. During the Reporting Period, the Group had 952 scientific research personnel.

In terms of Smart Internet and In-Vehicle Software design, during the Reporting Period, the Group completed the development of the first model Hengchi 5, as well as various tests and calibrations, and entered the stage of performance optimization and experience improvement before mass production.

In terms of intelligent cabin and intelligent driving, the Group completed the development of the main functions in H-Smart 1.0, including cabin domain control software, cabin ecosystem, 5G Internet of vehicles software, etc., and continued to improve functions; completed the development of the Telematics Service Provider (TSP) cloud platform for Internet of vehicles management, and continued with the test and verification stages of remote vehicle control and data upload; completed the function development and calibration of the H-Pilot 1.0 parking and driving system.

The Group also cooperated with world-renowned parts companies such as Aptiv (安波福), Bosch (博世) and United Automotive Electronic (聯合汽車電子) to complete the software and hardware development of various electronic control parts. At the same time, the Group also cooperated with well-known domestic testing service providers Jingwei Hirain (經緯恒潤) and China Automotive Technology & Research Center (中汽研) to complete the vehicle functional safety test and information security test, completing the necessary preparations for the mass production of the first model in the second half of the year.

Manufacturing aspects:

In the first half of 2022, the Tianjin manufacturing base mainly carried out the craft trial production of Hengchi 5 and preparations for mass production of the production line.

Both the Shanghai manufacturing base and the Guangzhou manufacturing base had formulated an equipment management plan based on the downtime management system. The equipment in each workshop should be turned on once a quarter for dynamic test runs and equipment maintenance.

In terms of power batteries, according to the Group's capital position, during the Reporting Period, the Group focused more on the development of complete vehicles and mass production work, and the investment in R&D and base construction for power batteries gradually slowed down.

Sales of new energy vehicles:

The Group adopts the direct + authorised agent model to build the sales channel network of Hengchi, with sales shops set up in key cities such as Shanghai, Guangzhou, Tianjin, Beijing, Shenzhen and Hangzhou. At the same time, it has signed strategic cooperation agreements with Huasheng and Bosch automobile maintenance chain brands to lay out after-sales service outlets nationwide.

Charging services:

By connecting to the Xingluo (星絡) charging platform, Hengchi APP has access to the State Grid, Southern Power Grid, Teld (特來電) and Star Charging (星星充電), etc., providing customers with intelligent functions such as one-click charging station enquiry, guidance for staggered charging, route navigation and charging reservation.

Sales of vehicle living projects:

Under the New Energy Vehicle Segment, as a continuation of the previous year's operations, the Group also conducted the sales of vehicle living projects during the Reporting Period. The Group had operated 23 vehicle living projects and achieved a sales volume of 78 units, representing a gross floor area of 6,000 sq.m.. The types of properties sold include residential, apartment, commercial and parking spaces. Among them, residential properties accounted for the largest proportion of sales, with 43 units sold, representing a gross floor area of 6,000 sq.m.. The average discount given to purchasers was 30%, which was on par with 2021.

Health Management Segment

As it was decided that the Group will eventually phase out and discontinue its operations in the Health Management Segment, business expansion and further development of this segment had not been the priority of the Group. This segment, during the Reporting Period, operated a total of 26 projects, achieving a sales volume of 486 units, representing a gross floor area of 33,000 sq.m.. There were certain plans to develop and construct the Four Major Parks around the living projects in order to enhance the experience of residents in the development. During the Reporting Period, an aggregate gross floor area of 427,200 sq.m. or 624 single buildings were under construction, of which 291 buildings had been decorated, 196 buildings had completed facade construction, 39 buildings had constructed a main body, eight buildings had pile foundations constructed, 90 buildings were undergoing facade and decoration construction; and a gross floor area of 18,300 sq.m. or 26 single buildings had not yet started any construction. During the Reporting Period, the Health Management Segment also provided medical cosmetology and health management to customers, which also included out-patient services provided to patients at the Group's hospitals, most notably the Evergrande International Hospital, and health institutions.

OUTLOOK

New Energy Vehicle Segment

At present, the Group's New Energy Vehicle Segment is progressing steadily. In the future, the Group will make every effort to promote the mass production and delivery of Hengchi 5. The Group will continue to consolidate R&D foundation. While accelerating the R&D of core technologies to lead the technology innovation and development of smart electric vehicles, the Group will also stay focused on the R&D of new models, so as to provide users with more forward-looking smart electric vehicle products integrating technological aesthetics. At the same time, the Group will strive to upgrade the manufacturing level and improve the quality system in the Tianjian manufacturing base to ensure quality production and delivery. In the area of sales, sales channels will be further expanded, and the sales and after-sales service system will be improved.

OTHER ANALYSIS

Capital Institutions, Liquidity and Financial Resources

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

As at 30 June 2022, the Group had borrowings and lease liabilities (collectively "**total borrowings**") amounting to RMB41,560.59 million (as at 31 December 2021: RMB41,678.64 million).

As at 30 June 2022, the Group's gearing ratio was 31.76% (as at 31 December 2021: 29.03%). Gearing ratio was calculated as total borrowings divided by total assets.

Capital Commitments, Significant Investments, Pledge of Assets

As at 30 June 2022, the Group had capital commitments of RMB16.646 billion for the construction of the Group's bases and the purchase of fixed assets in Tianjin, Shanghai, Guangzhou and other regions across the country.

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

As at 30 June 2022, the Group's borrowings of RMB16.441 billion were secured by pledge of the Group's property, plant and equipment, right-of-use assets, properties under development, completed properties held for sale and equity interests of certain subsidiaries, totalling at RMB26.164 billion.

Material Litigation

As at 30 June 2022, the Group had a total of 23 pending litigation cases which involved more than RMB30 million each, and the total amount involved was approximately RMB6,022 million.

Failure to Repay Debts Due

As at 30 June 2022, the Group's unpaid debts due amounted to approximately RMB8,769 million. In addition, as at 30 June 2022, the Group's overdue commercial bills amounted to approximately RMB17,936 million.

Employee and Share Option Scheme

As at 30 June 2022, the Group had a total of 5,292 employees, and staff with a bachelors' degree or above accounted for approximately 88%. It incurred a total staff cost (including Directors' remuneration) of approximately RMB937.98 million during the Reporting Period (the first half of 2021: RMB2,636.12 million).

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "**Share Option Scheme**") on 6 June 2018. Since its adoption and up to 30 June 2022 and save as disclosed in the announcements of the Company published on 6 November 2020, 15 June 2021 and 21 September 2021 regarding the respective grants of share options, the Company has not granted any other new share option under such Share Option Scheme or adopted any other share option scheme.

As at 30 June 2022, a total of 752,200,000 share options were granted under the Share Option Scheme, amongst which: (i) a total of 452,610,000 share options granted under the Share Option Scheme had not been exercised; (ii) a total of 299,590,000 share options granted under the Share Option Scheme had lapsed; and (iii) no share option granted under the Share Option Scheme had been cancelled.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (as at 30 June 2021: Nil).

SUBSEQUENT EVENTS AFTER THE REPORTING DATE

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

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

Save as disclosed above, up to the date of this announcement, no significant events occurred after the Reporting Period.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Interim Results Review

The condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been reviewed by the audit committee of the Company (the "**Audit Committee**"), which comprises three independent non-executive Directors of the Company.

CORPORATE GOVERNANCE

Corporate Governance Code

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

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

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, since the Company did not have any officer with the title of Chief Executive Officer. During such period, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution was vested in the Board itself.

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

Model Code for Securities Transactions

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

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

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

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND REPORTS OF THE COMPANY

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

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

CONTINUED SUSPENSION OF TRADING

The Company has made submission to the Stock Exchange in relation to the resumption progress and will provide further updates by way of announcement as and when appropriate.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

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

Hong Kong, 26 July 2023

As at the date of this announcement, the executive Directors of the Company are Mr. SIU Shawn, Mr. LIU Yongzhuo and Mr. QIN Liyong; and the independent non-executive Directors of the Company are Mr. CHAU Shing Yim David, Mr. GUO Jianwen and Mr. XIE Wu.