

Press Release

15 August 2022

FRC to Investigate Accounts and Audits of China Evergrande and Evergrande Property Services in respect of Certain Transactions

Evergrande Property Services Group Limited (Evergrande Property Services)

The FRC has initiated:

- (1) An enquiry into the financial statements of Evergrande Property Services for both the year ended 31 December 2020 (**Evergrande Property Services 2020 Annual Accounts**) and the six months ended 30 June 2021; and
- (2) An investigation of the audit carried out by PricewaterhouseCoopers (**PwC**) on the Evergrande Property Services 2020 Annual Accounts.

China Evergrande Group (China Evergrande)

The FRC has extended the scope of:

- (3) An existing enquiry into the financial statements of China Evergrande for both the year ended 31 December 2020 (**China Evergrande 2020 Annual Accounts**) and the six months ended 30 June 2021; and
- (4) An existing investigation of the audit carried out by PwC on the China Evergrande 2020 Annual Accounts.

The financial statements in items (1) and (3) and the audits in items (2) and (4) are collectively referred to as the **Accounts** and the **Audits** respectively.

Evergrande Property Services is a major subsidiary of China Evergrande. The financial position and performance of Evergrande Property Services and its subsidiaries are consolidated in the financial statements of China Evergrande.

Why we are enquiring into the Accounts and investigating the Audits

Based on public announcements made by China Evergrande and Evergrande Property Services on 22 July 2022 respectively, the FRC identified questions about the classification of restricted bank deposits and other loans, the measurement of pledge guarantees given and the disclosure of related party transactions in the Accounts, and related questions about the Audits.

Our purpose in reporting publicly

The FRC publicly announces the initiation or extension of the scope of enquiries and investigations when considered necessary in the circumstances in order to protect the interests of shareholders and the investing public so as to maintain public confidence in our financial markets and independent auditor regulation.

End

About the Financial Reporting Council

The FRC is the independent listed entity auditor regulator for Hong Kong. We are committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen investor confidence in corporate reporting.

For more information about the statutory functions of the FRC, please visit www.frc.org.hk.

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