

REAL ESTATE

# Evergrande rejects report it artificially ‘inflated revenue,’ court delays liquidation hearing

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## KEY POINTS

Shares of Evergrande rose 9.2% Monday as a court hearing over liquidating the company was postponed to Jan. 29, 2024.

Shares in the firm that was once China’s largest private sector developer by sales have plummeted almost 85% so far this year.

“Evergrande inflated revenue and profits,” according to research firm GMT.



NANJING, CHINA - AUGUST 18, 2023 - Aerial photo shows a residential area of Evergrande in Nanjing, East China’s Jiangsu province, Aug 18, 2023. (Photo by Costfoto/NurPhoto via Getty Images)

Getty Images



[Evergrande Group](#) on Monday rejected a report alleging the beleaguered Chinese property firm had been “artificially inflating its revenue” and said the claims were “without basis.”

A court hearing on the company’s possible liquidation was also postponed to Jan. 29, sending its shares up over 9% on Monday.

On Friday, [a report released by research firm GMT Research](#) alleged that Evergrande had “inflated revenue and profits for years,” adding the company was “never profitable.”

Evergrande said in a [filing to the Hong Kong stock exchange](#) on Monday that it noted “an institution” issued a report “without basis,” alleging the company has never been profitable. Evergrande said it would offer a clarification in due course.

GMT explained in its report that in 2021, [Evergrande made changes](#) to the way it recognized revenue from property sales, adding that this had a substantial impact on the company’s reported revenue and profit.

Following the changes, Evergrande’s recorded revenue of 664 billion yuan (\$93.74 billion) and net profit of 102 billion yuan had to be reversed, GMT said.

This was “equal to 27% of Evergrande’s entire revenue since 2004, the earliest year for which we have financial information, and 38% of cumulative net profits,” the report alleged.

While GMT said it was unclear how long Evergrande had been “artificially inflating” its revenue, the report highlighted the property giant’s low contract liabilities before 2021 suggest Evergrande “may have been pulling forward revenue for up to a decade.”

The report said that at the end of 2020, Country Garden reported contract liabilities equal to 61% of total properties under development, compared with just 15% for Evergrande. Both firms reported about 50% in liabilities in 2010, the report said.

“However, on restatement after the change in revenue recognition, Evergrande’s contract liabilities jumped to 57% of properties under development at start-2021, similar to Country Garden,” GMT highlighted.

GMT also reiterated its view from its 2016 report that “Evergrande is insolvent, in that the value of its assets is less than its liabilities.”





**VIDEO** 08:54

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## Liquidation hearing deferred

The firm was originally scheduled to face a Hong Kong court hearing on Monday over a petition from a creditor seeking to wind up the company.

▼

### China Evergrande Group

\*Data is delayed | Exchange | HKD

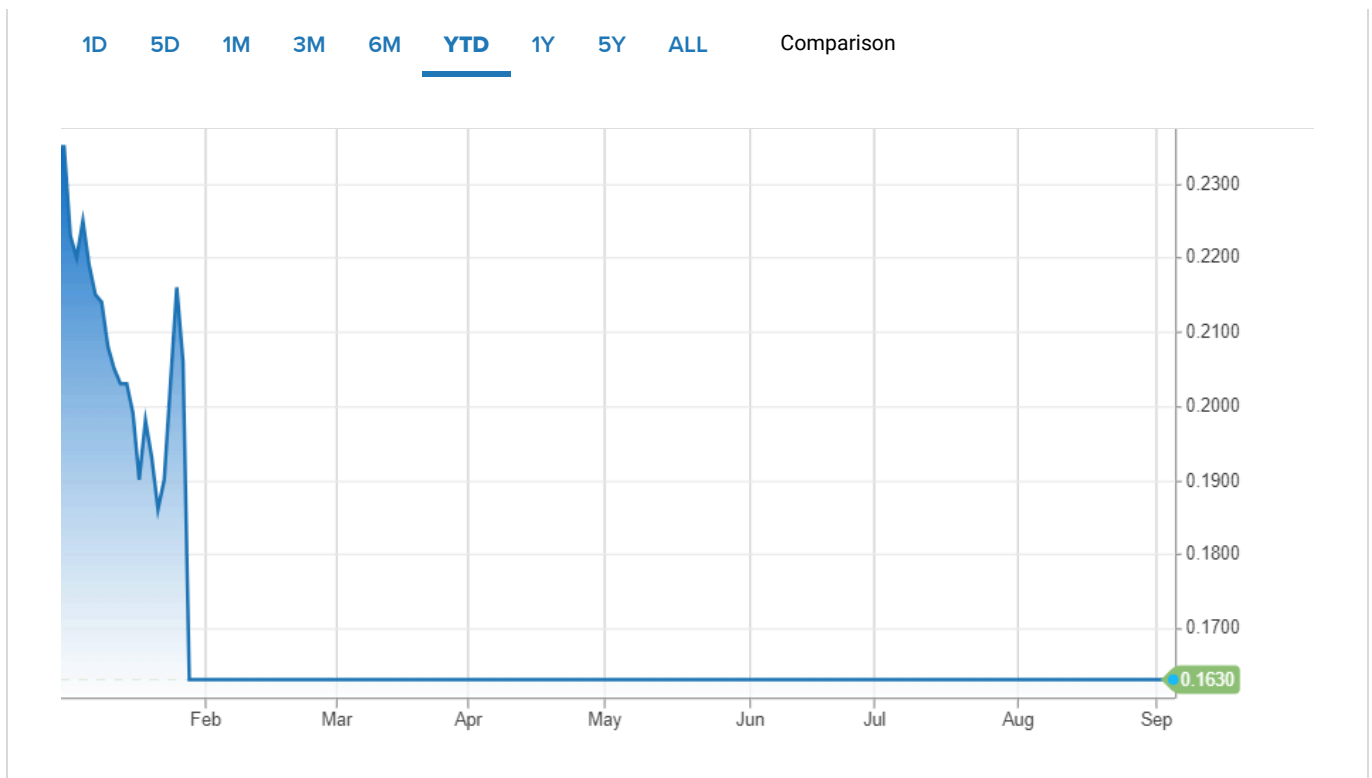
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QUOTE DETAILS





Justice Linda Chan from Hong Kong's High Court had earlier pushed back the hearing from Oct. 30 to Dec. 4, while warning Evergrande to come up with a revised restructuring proposal before the hearing date or else the company could be wound up.

Top Shine, an investor in Evergrande unit Fangchebao, [had filed a petition](#) in June 2022 seeking to wind up the property firm.

A group of offshore creditors has been demanding controlling equity stakes in the property developer and its two Hong Kong subsidiaries as part of its revamped restructuring proposal, Bloomberg reported on Friday, citing sources with knowledge of the matter.

[Reuters](#) had reported on Thursday that Evergrande's new proposal offers creditors a 17.8% stake in the group, in addition to 30% stake in each of its Hong Kong units —

[Evergrande Property Services Group](#) and [Evergrande New Energy Vehicle Group](#).

The agency, however, reported that creditors were unlikely to accept Evergrande's new proposal, given low recovery prospects and growing concerns about its future.

Shares in Evergrande, once China's largest private sector developer by sales, have crashed by almost 85% so far this year.

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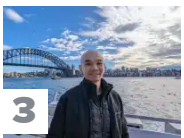
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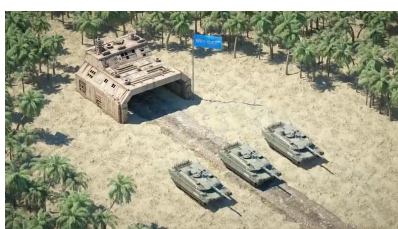
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