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## **WUZHOU INTERNATIONAL HOLDINGS LIMITED**

### **五洲國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01369)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Wuzhou International Holdings Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017.

#### **FINANCIAL HIGHLIGHTS**

Turnover of the Group amounted to approximately RMB3,546 million, representing a decrease of 6.4% from the corresponding year in 2016.

Revenue derived from property development decreased by 7.7% to approximately RMB3,172 million for the year ended 31 December 2017. Other recurring income increased by 6.2% to approximately RMB374 million.

Gross profit decreased by 49.2% to approximately RMB683 million for the year ended 31 December 2017. Gross profit margin decreased to 19.3% from 35.5% for the corresponding year in 2016.

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB518 million as compared to a profit of approximately RMB101 million for the corresponding year in 2016.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Revenue	4	<b>3,545,671</b>	3,788,328
Cost of sales		<u><b>(2,862,858)</b></u>	<u>(2,443,681)</u>
<b>Gross profit</b>		<b>682,813</b>	1,344,647
Other income and gains		<b>253,230</b>	310,961
Selling and distribution expenses		<b>(271,081)</b>	(285,895)
Administrative expenses		<b>(353,805)</b>	(285,907)
Other expenses		<b>(21,604)</b>	(227,067)
Change in fair value of investment properties		<b>262,254</b>	294,698
Share of results of associates		<b>(6,234)</b>	(9,544)
Share of results of a joint venture		<b>(12,874)</b>	–
Finance costs	6	<u><b>(813,518)</b></u>	<u>(608,164)</u>
<b>(Loss)/profit before income tax</b>	5	<b>(280,819)</b>	533,729
Income tax	7	<u><b>(295,606)</b></u>	<u>(424,598)</u>
<b>(Loss)/profit for the year</b>		<u><b>(576,425)</b></u>	<u>109,131</u>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company	8	<b>(518,494)</b>	100,573
Non-controlling interests		<u><b>(57,931)</b></u>	<u>8,558</u>
		<u><b>(576,425)</b></u>	<u>109,131</u>
<b>(Loss)/earnings per share attributable to owners of the Company</b>		<b>RMB cents</b>	<i>RMB cents</i>
Basic and diluted	8	<u><b>(10.39)</b></u>	<u>2.02</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>(Loss)/profit for the year</b>	<b>(576,425)</b>	109,131
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale investments:		
Changes in fair value	5,099	(2,825)
Income tax effect	(745)	223
Adjustment for realisation upon disposal	(2,422)	–
	<u>1,932</u>	<u>(2,602)</u>
<i>Items that will not subsequently reclassified to profit or loss:</i>		
Gains on property revaluation	252,062	–
Income tax effect	(63,016)	–
	<u>189,046</u>	<u>–</u>
Other comprehensive income for the year	<u>190,978</u>	<u>(2,602)</u>
<b>Total comprehensive income for the year</b>	<b><u>(385,447)</u></b>	<b><u>106,529</u></b>
<b>Attributable to:</b>		
Owners of the Company	(395,148)	98,151
Non-controlling interests	9,701	8,378
	<u>(385,447)</u>	<u>106,529</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>165,206</b>	251,468
Investment properties		<b>8,970,499</b>	8,522,900
Prepaid land lease payments		–	761,085
Prepayments, deposits and other receivables		<b>90,592</b>	–
Other intangible assets		<b>620</b>	2,875
Goodwill		<b>59,633</b>	–
Long-term deferred expense		<b>2,048</b>	1,114
Interest in a joint venture		<b>87,126</b>	–
Interests in associates		<b>71,405</b>	57,640
Available-for-sale investments		<b>755,805</b>	271,850
Deferred tax assets		<b>262,583</b>	187,196
Pledged deposits		<b>90,000</b>	–
		<hr/>	<hr/>
Total non-current assets		<b>10,555,517</b>	10,056,128
<b>CURRENT ASSETS</b>			
Inventories		<b>479</b>	15,183
Properties under development		<b>3,044,677</b>	3,519,156
Completed properties held for sale		<b>3,490,315</b>	3,532,799
Trade receivables	9	<b>164,457</b>	46,451
Prepaid land lease payments		<b>2,283,575</b>	523,011
Prepayments, deposits and other receivables		<b>1,998,351</b>	1,694,834
Financial assets at fair value through profit or loss		<b>12,300</b>	–
Tax recoverable		–	75,208
Available-for-sale investments		<b>792,179</b>	246,275
Restricted cash		<b>165,302</b>	92,470
Pledged deposits		<b>1,236,199</b>	1,982,599
Cash and cash equivalents		<b>346,219</b>	1,685,744
		<hr/>	<hr/>
		<b>13,534,053</b>	13,413,730
Assets classified as held for sale		<b>755,787</b>	–
		<hr/>	<hr/>
Total current assets		<b>14,289,840</b>	13,413,730
		<hr/>	<hr/>
Total assets		<b>24,845,357</b>	23,469,858
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>2,572,629</b>	3,164,463
Other payables and accruals		<b>1,732,394</b>	1,179,277
Advances from customers		<b>3,395,321</b>	2,899,039
Derivative financial instruments		–	23,728
Interest-bearing bank and other borrowings		<b>3,240,092</b>	3,494,704
Convertible notes		<b>596,021</b>	684,840
Senior notes		<b>2,041,538</b>	–
Corporate bonds		<b>1,906,473</b>	508,689
Tax payable		<b>842,122</b>	914,134
		<b>16,326,590</b>	12,868,874
Liabilities classified as held for sale		<b>590,290</b>	–
Total current liabilities		<b>16,916,880</b>	12,868,874
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(2,627,040)</b>	544,856
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,928,477</b>	10,600,984
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>2,359,727</b>	2,285,514
Senior notes		–	2,126,449
Corporate bonds		<b>1,063,303</b>	1,515,131
Deferred tax liabilities		<b>719,550</b>	523,595
Total non-current liabilities		<b>4,142,580</b>	6,450,689
Total liabilities		<b>21,059,460</b>	19,319,563
<b>NET ASSETS</b>		<b>3,785,897</b>	4,150,295
<b>EQUITY</b>			
Capital and reserves attributable to owners of the Company			
Share capital		<b>313,354</b>	313,354
Reserves		<b>2,936,057</b>	3,331,205
		<b>3,249,411</b>	3,644,559
Non-controlling interests		<b>536,486</b>	505,736
<b>TOTAL EQUITY</b>		<b>3,785,897</b>	4,150,295

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 June 2013.

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group was principally involved in property development, property investment and the provision of property management services.

In the opinion of the directors, the ultimate holding company of the Company is Boom Win Holding Limited, which is incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (the "**Shu Brothers**" or "**Controlling Shareholders**").

### 2.1 BASIS OF PREPARATION

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which in collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (the "**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the International Financial Reporting Interpretation Committee (the "**IFRIC**") of the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### Basis of measurement and going concern basis

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group incurred a loss attributable to owners of the company of approximately RMB518 million for the year ended 31 December 2017 and recorded net current liabilities of approximately RMB2,627 million as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

These consolidated financial statements were prepared based on the assumption that the Group is able to operate as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2017, after taking into account the following major factors:

- (i) the Group continues to implement measures to tighten cost controls over various operating costs in order to improve its profitability and to generate positive cash inflow from its operations in the future;
- (ii) the advances from customers for pre-sale of properties of approximately RMB3,395 million which were classified under current liabilities as at 31 December 2017 should not result in any outflows of economic benefits;

- (iii) the Group is actively negotiating with the financial institutions in the People's Republic of China (the "PRC") to seek for renewal of the existing interest-bearing borrowings and to obtain new facilities. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the relevant financial institutions in the PRC which enhance the Group's ability to renew the existing interest-bearing borrowings upon expiry. The directors of the Company are of the opinion that it is likely that the financial institutions would renew such facilities upon expiry. Subsequent to the year end, the Group's unutilised facilities amounted to not less than approximately RMB4,450 million which are currently available for the Group's refinancing purpose; and
- (iv) as at 31 December 2017, the Group had unsecured investment properties located in the PRC with net carrying amount of approximately RMB4,599 million, that are available for the Group to realise a significant amount of cash upon disposal or to pledge those unsecured investment properties as securities for new borrowings when necessary.

There is material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, 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 the consolidated financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to financial statements prepared by the independent auditor, named significant accounting judgements and estimates.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards which are effective since 1 January 2017 financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

The adoption of these amendments has no material impact on the Group's financial statements.

### Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows.

Except for as discussed above, the adoption of these amendments has no material impact on the Group's financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and
- (c) the “others” segment engages in department store operation and providing consulting services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit or loss before tax except that finance costs, dividend income and share of income or losses of associates and joint venture are excluded from this measurement.

Segment assets exclude available-for-sale investments and interests in associates and joint venture as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no sales to a single customer contributed to over 10% of the Group's revenue for the years ended 31 December 2016 and 2017.

Year ended 31 December 2017	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue</b>				
Sales to external customers	3,327,553	187,774	30,344	3,545,671
<b>Segment results</b>	461,073	75,614	15,120	551,807
<i>Reconciliation:</i>				
Finance costs				(813,518)
Share of results of associates				(6,234)
Share of results of a joint venture				(12,874)
Loss before income tax				(280,819)
<b>Segment assets</b>	13,347,253	9,559,980	231,609	23,138,842
<i>Reconciliation:</i>				
Available-for-sale investments				1,547,984
Interests in associates				71,405
Interest in a joint venture				87,126
Total assets				24,845,357
<b>Segment liabilities</b>	18,965,417	1,886,712	207,331	21,059,460
Total liabilities				21,059,460
<b>Other segment information</b>				
Interest income	11,039	3,979	5,100	20,118
Depreciation and amortisation	39,058	1,902	419	41,379
Change in fair value of investment properties	-	262,254	-	262,254

Year ended 31 December 2016	Property development <i>RMB'000</i>	Property management and investment <i>RMB'000</i>	Others <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers	3,436,475	224,656	172,422	(45,225)	3,788,328
<b>Segment results</b>	576,100	322,814	207,298	45,225	1,151,437
<i>Reconciliation:</i>					
Finance costs					(608,164)
Share of results of associates					(9,544)
Profit before tax					533,729
<b>Segment assets</b>	13,576,604	9,066,351	251,138	–	22,894,093
<i>Reconciliation:</i>					
Available-for-sale investments					518,125
Interests in associates					57,640
Total assets					23,469,858
<b>Segment liabilities</b>	18,679,409	589,753	50,401	–	19,319,563
Total liabilities					19,319,563
<b>Other segment information</b>					
Depreciation and amortisation	10,907	2,865	6,226	–	19,998
Change in fair value of investment properties	–	294,698	–	–	294,698

#### 4. REVENUE

Revenue, represents income from the sale of properties, rental income, commercial management service income, property management service income and property consulting service income during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue</b>		
Sale of properties	3,172,047	3,436,475
Rental income	105,761	116,887
Commercial management service income	147,670	101,287
Property consulting service income	57,951	79,854
Property management service income	24,311	5,339
Others	37,931	48,486
	3,545,671	3,788,328

## 5. (LOSS)/PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Cost of properties sold	2,587,002	2,309,594
Cost of property management service provided	22,160	1,498
Cost of property consulting service provided	13,374	19,570
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties and commercial management service provided	58,714	65,170
Impairment loss recognised for properties under development and completed properties held for sale	24,602	30,575
Depreciation	39,016	17,486
Amortisation of intangible assets	1,144	1,066
Amortisation of long-term deferred expenses	1,219	1,446
Auditor's remuneration	6,447	7,089
Employee benefit expense (excluding directors and chief executive's remuneration):		
Wages and salaries	103,402	166,837
Equity-settled share-based payment expenses	171	(2,361)
Pension and social welfare*	16,261	37,089
	<b>119,834</b>	<b>201,565</b>

*Note:*

\* At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2016: Nil).

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on bank and other borrowings	297,472	459,018
Interest on senior notes	297,375	291,205
Interest on convertible notes	91,347	120,656
Interest on corporate bonds	222,458	48,955
Less: Interest capitalised	(95,134)	(311,670)
	<b>813,518</b>	<b>608,164</b>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11% (2016: 11%) to expenditure on qualifying assets.

## 7. INCOME TAX

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax:		
PRC corporate income tax	85,821	157,341
PRC LAT	158,358	173,552
Deferred tax	51,427	93,705
	<u>          </u>	<u>          </u>
Total tax charge for the year	<u><u>295,606</u></u>	<u><u>424,598</u></u>

## 8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,990,259,914 (2016: 4,990,259,914) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/earnings for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible notes, where applicable (see below). No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the convertible notes had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The computation of diluted earnings per share for the year ended 31 December 2016 and 2017 does not assume the conversion of potential ordinary shares in relation to share options granted and the convertible note as they are anti-dilutive.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purposes of basic and diluted earnings per share	(518,494)	100,573
	<u><u>          </u></u>	<u><u>          </u></u>

## 9. TRADE RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	164,457	46,451
	<u><u>          </u></u>	<u><u>          </u></u>

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables receivable approximate to their fair values.

An aged analysis of the trade receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 3 months	<b>98,767</b>	25,904
4 to 6 months	<b>65,391</b>	20,253
6 to 12 months	<b>130</b>	189
1 to 2 years	<b>169</b>	105
	<u><b>164,457</b></u>	<u>46,451</u>

#### **10. TRADE AND BILLS PAYABLES**

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 1 year	<b>1,723,424</b>	2,472,956
Over 1 year	<b>849,205</b>	691,507
	<u><b>2,572,629</b></u>	<u>3,164,463</u>

## **EXTRACT FROM INDEPENDENT AUDITORS' REPORT**

The following is an extract of the independent auditors' report on the Group's audited financial statements for the year ended 31 December 2017:

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB518 million for the year ended 31 December 2017 and net current liabilities of approximately RMB2,627 million as at 31 December 2017. As stated in Note 2.1, these conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

China's gross domestic product (“GDP”) grew by 6.9% in 2017 as compared to 2016, demonstrating a concrete progress made in supply-side reform. The property market was regulated in 2017 to an unprecedented extent in terms of the depth and the width, curbing property bubbles for rational development. Under the property regulation policy of the Chinese government, the performance of destocking in third and fourth-tier cities was satisfactory. Although there was the ripple effect of property price rises spreading from the second tier cities to the third or fourth-tier cities, the growth of most performance indicators of the property market, such as sales volume, average price and land acquisition, were less than those in 2016. Saleable area of commodity housing for the first three quarters of 2017 in China was 611.40 million sq.m., representing a year-to-year growth of 12.2%. High destocking pressure remained in the commercial property market. With the destocking pressure in the commercial property market, the PRC government has tightened control over the commercial property market, and targeted policies and optimisation of supply structure for increment markets have posed challenges to the business operation of the Group.

## BUSINESS REVIEW

### I. Contracted sales

During the period under review, the Group recorded contracted sales and contracted sales area of approximately RMB4,442 million and approximately 623,000 square metres (“sq.m.”), representing an increases of 9.2% and a decrease of 3.1% as compared with the previous year, respectively. Approximately RMB3,743 million and 514,000 sq.m. were from the sales of the trade logistics centers. Approximately RMB699 million and 109,000 sq.m. were from the sales of multi-functional commercial complexes.

Region	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	'000 sq.m.	Percentage (%)
Jiangsu Province	505	11.4%	88	14.1%
Zhejiang Province	1,059	23.9%	94	15.1%
Henan Province	493	11.1%	92	14.7%
Fujian Province	983	22.1%	105	16.8%
Jilin Province	188	4.2%	27	4.3%
Yunnan Province	539	12.1%	75	12.1%
Shandong Province	168	3.8%	40	6.4%
Hubei Province	15	0.3%	6	1.0%
Inner Mongolia	5	0.1%	1	0.2%
Heilongjiang Province	37	0.8%	7	1.2%
Liaoning Province	53	1.2%	17	2.7%
Chongqing City	397	9.0%	71	11.4%
Total	<u>4,442</u>	<u>100.0%</u>	<u>623</u>	<u>100.0%</u>

### II. Project Development

As at 31 December 2017, the Group had 41 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing and Fujian, including 25 trade logistics centers, 15 multi-functional commercial complexes and 1 residential project.

#### *Completed projects*

During the period under review, the Group completed a total of 34 projects or project phases with a total gross floor area (“GFA”) of approximately 5,776,000 sq.m., including approximately 3,295,000 sq.m. of GFA sold and delivered and approximately 833,000 sq.m. of GFA held for lease.

## List of completed projects

Project name	City	Category	Interests attributable to the Company	Total GFA ( <i>'000 sq.m.</i> )	Total		GFA held for sale ( <i>'000 sq.m.</i> )	GFA held for lease ( <i>'000 sq.m.</i> )	
					saleable GFA ( <i>'000 sq.m.</i> )	GFA sold ( <i>'000 sq.m.</i> )			
<b>Jiangsu Province</b>									
1	Wuxi Wuzhou International Ornamental City	Wuxi	Trade logistics center	100%	392	340	242	2	96
2	Wuxi Wuzhou Industrial Exhibition City	Wuxi	Trade logistics center	100%	523	464	348	4	112
3	Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64%	212	168	108	2	58
4	Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	62%	191	154	94	14	46
5	Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	54	40	19	–	21
6	Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	69	18	18
7	Jianhu Wuzhou International Trade City	Yancheng	Trade logistics center	100%	107	107	80	27	–
8	Longteng Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	91	71	40	8	23
9	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	127	99	59	15	25
10	Xuyi Wuzhou International Plaza	Huai'an	Multi-functional commercial complex	100%	233	185	116	15	54
11	Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	39	20	4	15
12	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	225	180	110	36	34
13	Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	360	256	181	13	62
14	Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	65	64	35	4	25
15	Sheyang Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	132	126	105	21	–
16	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	74	58	19	–	39
17	Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	51	49	43	6	–
18	Wuzhou International Automobile Exhibition City	Nantong	Trade logistics center	100%	217	189	145	44	–

Project name	City	Category	Interests	Total GFA ( <i>'000 sq.m.</i> )	Total saleable GFA ( <i>'000 sq.m.</i> )	GFA sold ( <i>'000 sq.m.</i> )	GFA held for sale ( <i>'000 sq.m.</i> )	GFA held for lease ( <i>'000 sq.m.</i> )	
			attributable to the Company						
<b>Yunnan Province</b>									
19	Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	257	255	219	36	–
20	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	157	140	87	28	25
<b>Chongqing City</b>									
21	Rongchang Wuzhou International Trade City	Chongqing	Trade logistics center	94%	276	274	139	50	85
<b>Hubei Province</b>									
22	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	167	167	161	6	–
<b>Shandong Province</b>									
23	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	72	71	70	1	–
24	Longkou Wuzhou International Trade City	Yantai	Trade logistics center	95%	114	101	45	31	25
25	Leling Wuzhou International Exhibition City	Laoling	Trade logistics center	51%	38	38	38	–	–
<b>Zhejiang Province</b>									
26	Hangzhou Wuzhou International Plaza	Hanzhou	Multi-functional commercial complex	100%	76	59	33	4	22
27	Ruian Wuzhou International Trade City	Rui'an	Trade logistics center	100%	65	63	45	18	–
28	Leqing Wuzhou International Electrics & Electronic Appliance City	Yueqing	Trade logistics center	100%	310	239	218	10	11
<b>Heilongjiang Province</b>									
29	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	91	89	69	20	–
<b>Henan Province</b>									
30	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	200	198	139	59	–
31	Xingyang Wuzhou International Industrial Exhibition City	Xingyang	Trade logistics center	100%	341	291	274	17	–

Project name	City	Category	Interests attributable to the Company	Total GFA ( <i>'000 sq.m.</i> )	Total saleable		GFA held for sale ( <i>'000 sq.m.</i> )	GFA held for lease ( <i>'000 sq.m.</i> )	
					GFA	GFA sold ( <i>'000 sq.m.</i> )			
<b>Jilin Province</b>									
32 Changchun Wuzhou International Plaza	Changchun	Trade logistics center	100%	164	161	119	5	37	
<b>Liaoning Province</b>									
33 Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	69	68	64	4	-	
<b>Fujian Province</b>									
34 Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	131	131	123	8	-	
Total				<u>5,776</u>	<u>5,039</u>	<u>3,676</u>	<u>530</u>	<u>833</u>	

### ***Projects under development***

As at 30 December 2017, the Group had a total of 20 projects or project phases under development with a total planned GFA of 1,622,000 sq.m., including approximately 404,000 sq.m. of GFA pre-sold and approximately 418,000 sq.m. of GFA held for lease.

### **List of projects under development**

Project name	City	Category	Interests attributable to the Company	Estimated construction completion date	Total GFA ( <i>'000 sq.m.</i> )	Total saleable		GFA held for sale ( <i>'000 sq.m.</i> )	GFA held for lease ( <i>'000 sq.m.</i> )
						GFA	GFA pre-sold ( <i>'000 sq.m.</i> )		
<b>Jiangsu Province</b>									
1 Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Trade logistics center	100%	2018	34	26	-	26	-
2 Wuxi Wuzhou International Industrial Exhibition City Hall B	Wuxi	Trade logistics center	100%	2019	84	77	5	72	-
3 Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2018	29	27	25	2	-
4 Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	2018	68	44	3	41	-
5 Xuzhou Road-port	Xuzhou	Trade logistics center	70%	2018	189	186	-	-	186
6 Suqian Wuzhou City	Suqian	Trade logistics center	70%	2018	87	84	5	79	-

Project name	City	Category	Interests attributable to the Company	Estimated construction completion date	Total			GFA held for sale	GFA held for lease	
					Total GFA ( <i>'000 sq.m.</i> )	GFA ( <i>'000 sq.m.</i> )	GFA pre-sold ( <i>'000 sq.m.</i> )			
<b>Yunnan Province</b>										
7	Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	2018	172	156	13	58	85
8	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	2018	51	41	22	19	–
<b>Chongqing City</b>										
9	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	2018	7	7	–	7	–
10	Yongchuan Wuzhou City	Chongqing	Trade logistics center	66%	2018	61	60	56	4	–
11	Wulong Wuzhou International Trade Logistics Park	Chongqing	Trade logistics center	55%	2018	83	64	7	57	–
<b>Hubei Province</b>										
12	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	2018	50	48	5	43	–
<b>Shandong Province</b>										
13	Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	2018	21	20	3	17	–
14	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	2018	71	65	36	29	–
<b>Zhejiang Province</b>										
15	Rui'an Wuzhou International Trade City	Rui'an	Trade logistics center	100%	2018	171	143	38	7	98
<b>Henan Province</b>										
16	Luoyang Wuzhou International Industrial Exhibition City Phase I	Luoyang	Trade logistics center	51%	2018	11	7	5	2	–
17	Zhengzhou Wuzhou International Industrial Exhibition City	Xingyang	Trade logistics center	100%	2018	146	140	116	24	–
<b>Jilin Province</b>										
18	Changchun Wuzhou International Plaza	Changchun	Trade logistics center	100%	2018	112	72	–	72	–

Project name	City	Category	Interests attributable to the Company	Estimated construction completion date	Total					
					Total GFA ('000 sq.m.)	GFA saleable ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Liaoning Province</b>										
19	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	2018	105	87	18	20	49
<b>Fujian Province</b>										
20	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	2018	70	70	47	23	-
Total						1,622	1,424	404	602	418

### ***Projects planned for future development***

As at 31 December 2017, the Group had a total of 18 projects or project phases planned for future development, with a total planned GFA of approximately 4,203,000 sq.m.

### **List of projects planned for future development**

Province	Project	City	Category	Interests attributable to the Company (%)	Total GFA ('000 sq.m.)
<b>Jiangsu Province</b>					
1	Wuxi Wuzhou International Industrial Exhibition City Building Complex	Wuxi	Trade logistics center	100%	62
2	Sheyang Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	307
3	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	27
4	Yixing Wuzhou International Huadong Trady City	Yixing	Trade logistics center	100%	211
5	Wuzhou International Automobile Exhibition City	Nantong	Trade logistics center	100%	220
<b>Chongqing City</b>					
6	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	190
7	Wulong Wuzhou International Trade Logistics Park	Chongqing	Trade logistics center	55%	83
8	China Supply and Marketing. Wuzhou Guomao Centre	Chongqing	Trade logistics center	55%	153
<b>Yunnan Province</b>					
9	Dali Wuzhou International Trade City Phases II and III	Dali	Trade logistics center	100%	916
<b>Shandong Province</b>					
10	Leling Wuzhou International Exhibition City Phase I	Laoling	Trade logistics center	51%	414
11	Longkou Wuzhou International Trade City	Yantai	Trade logistics center	95%	100

Province	Project	City	Category	Interests attributable to the Company (%)	Total GFA ('000 sq.m.)
<b>Hubei Province</b>					
12	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	694
<b>Heilongjiang Province</b>					
13	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	221
<b>Henan Province</b>					
14	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	64
<b>Jilin Province</b>					
15	Jilin Wuzhou International Trade City	Jilin	Trade logistics center	100%	70
<b>Liaoning Province</b>					
16	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	86
<b>Zhejiang Province</b>					
17	Leqing Wuzhou International Electrics & Electronic Appliance City	Yueqing	Trade logistics center	100%	273
18	Wuzhou International Tanshanfu	Hanzhou	Residential Project	51%	112
				Total	<u>4,203</u>

### III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of the Company. The Group carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the period under review, the Group was committed to securing a land bank at the regions we operate, while actively exploring and developing other regions, allowing the Group to expand its land bank nationwide.

As of 31 December 2017, the total planned GFA of land bank amounted to approximately 7,462,000 sq.m., including approximately 1,637,000 sq.m. for completed projects, approximately 1,622,000 sq.m. for projects under development and approximately 4,203,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

As at 31 December 2017, the breakdown of the Group's land bank is as follows:

Region	Completed projects	Projects under development	Projects planned for future development ( <i>'000 sq.m.</i> )	Total planned GFA of land bank ( <i>'000 sq.m.</i> )	Percentage
Jiangsu Province	980	491	827	2,298	31%
Yunnan Province	96	223	916	1,235	17%
Hubei Province	9	50	694	753	10%
Shandong Province	54	92	514	660	9%
Zhejiang Province	162	171	385	718	10%
Heilongjiang Province	27	–	221	248	3%
Henan Province	165	157	64	386	5%
Jilin Province	9	112	70	191	2%
Liaoning Province	13	105	86	204	3%
Chongqing City	63	151	426	640	8%
Fujian Province	59	70	–	129	2%
Total	<u>1,637</u>	<u>1,622</u>	<u>4,203</u>	<u>7,462</u>	<u>100%</u>

#### IV. Centralized operation, management and marketing

Most of the purchasers of our retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, planning and marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates its trade logistics centers and multi-functional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its Trade logistics centers and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its trade logistics centers and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

## **V. Outlook**

Looking forward to 2018, China's economy has promising prospects in terms of consumption, investment, import and export as well as development of real economy, and it is confident that the target of 6.5% national economic growth would be achieved. It is expected that economic growth will be positive without any material adverse change. For the government policy on property market, the PRC government has signaled its determination to regulate the property market without any intention of relaxing any policies introduced, maintaining the continuity and stability of the policies. As investments in the industry are expected to grow progressively and profit of the industry players tends to rebound, the Group is cautiously optimistic about the operating environment in 2018.

The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements. The Company will duly expand its land bank for residential use, improve cash flows from operations, accelerate destocking and take deleverage measures for building a solid development system, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

## **REVENUE**

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income, property consulting service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2017, turnover of the Group amounted to approximately RMB3,546 million, representing a decrease of 6.4% from approximately RMB3,788 million for the corresponding year in 2016. Loss for the year attributable to the equity holders of the Company was approximately RMB518 million, representing a decrease of 615.5% from approximately a profit of RMB101 million for the corresponding year in 2016.

### **Sale of Properties**

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development decreased by 7.7% to approximately RMB3,172 million for the year ended 31 December 2017 from approximately RMB3,436 million for the corresponding year in 2016. This decrease was the combined effects of a decrease in total GFA sold, a decrease in the average selling price, an increase in land cost and an increase in construction cost of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2017 and 2016.

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Total revenue <i>RMB'000</i>	GFA <i>sq.m.</i>	Average selling price <i>RMB</i>	Total revenue <i>RMB'000</i>	GFA <i>sq.m.</i>	Average selling price <i>RMB</i>
Leqing Wuzhou International Electrics & Electronic Appliance City	1,186,540	121,811	9,741	608,939	57,627	10,567
Zhangzhou Wuzhou City	516,151	71,933	7,175	–	–	–
Yixing Wuzhou International Plaza	215,899	40,149	5,377	–	–	–
Huaian Wuzhou International Plaza	190,480	44,445	4,286	–	–	–
Changchun Wuzhou International Plaza	137,832	20,065	6,869	660,035	94,339	6,996
Zhengzhou Wuzhou International Industrial Exhibition City	129,011	23,953	5,386	415,081	79,558	5,217
Dali Wuzhou International Trade City	104,351	13,743	7,593	123,066	19,441	6,330
Wuxi Wuzhou International Industrial Exhibition City	86,904	23,612	3,681	2,510	414	6,063
Baoshan Wuzhou International Plaza	70,698	8,916	7,929	218,150	47,852	4,559
Luoyang Wuzhou International Industrial Exhibition City	70,394	17,589	4,002	79,896	15,926	5,017
Mudanjiang Wuzhou International Industrial Exhibition City	63,596	13,349	4,764	53,248	11,206	4,752
Longkou Wuzhou International Trade City	56,327	8,589	6,558	22,444	3,010	7,456
Ruian Wuzhou International Trade City	43,125	14,237	3,029	21,318	2,238	9,525
Shenyang Wuzhou International Industrial Exhibition City	39,084	8,796	4,443	42,379	8,341	5,081
Wuzhou International Automobile Exhibition City	36,638	10,185	3,597	3,727	551	6,764

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Total revenue <i>RMB'000</i>	GFA <i>sq.m.</i>	Average selling price <i>RMB</i>	Total revenue <i>RMB'000</i>	GFA <i>sq.m.</i>	Average selling price <i>RMB</i>
Sheyang Wuzhou International Plaza	36,170	10,306	3,510	50,799	15,010	3,384
Nantong Wuzhou International Plaza	35,424	4,144	8,548	185,497	17,737	10,458
Leling Wuzhou International Exhibition City	31,663	9,855	3,213	11,728	6,074	1,931
Rongchang Wuzhou International Trade City	24,985	7,594	3,290	22,558	9,344	2,414
Yantai Wuzhou International Industrial Exhibition City (Fushan)	24,559	3,246	7,566	75,774	12,702	5,966
Xiangyang Wuzhou International Industrial Exhibition City	16,032	6,438	2,490	16,611	6,316	2,630
Hangzhou Wuzhou International Plaza	13,714	326	42,067	23,290	875	26,617
Wuxi New District Columbus Plaza	12,152	1,390	8,742	43,924	7,745	5,671
Wuxi Wuzhou International Ornamental City	10,916	1,218	8,962	20,143	1,803	11,172
Luoshe Wuzhou International Columbus Dragon City	10,300	939	10,969	46,926	4,025	11,659
Jiangyin Wuzhou International Plaza	4,765	1,073	4,441	76,645	13,392	5,723
Wuxi Wuzhou International Columbus Plaza	2,651	446	5,944	7,276	1,197	6,079
Qianzhou Wuzhou International Plaza	1,527	50	30,540	157,826	15,639	10,092
Yixing Wuzhou International Huadong Trade City	159	43	3,698	74,542	17,008	4,383
Yancheng Wuzhou International Plaza	–	–	–	274,461	32,138	8,540
Wuxi Wuzhou International Chinese Food Culture Exposition City	–	–	–	96,110	11,371	8,452
Yangjian Wuzhou International Plaza	–	–	–	1,460	72	20,278
Jianhu Wuzhou International Trade City	–	–	–	112	44	2,545
<b>Total</b>	<b>3,172,047</b>	<b>488,440</b>	<b>6,494</b>	<b>3,436,475</b>	<b>512,995</b>	<b>6,699</b>

## **Rental Income**

Rental income generated from rental of investment properties decreased by 9.5% to approximately RMB106 million for the year ended 31 December 2017 from approximately RMB117 million for the corresponding year in 2016. The decrease was primarily due to the weak demand of commercial properties.

## **Commercial Management Service Income and Property Management Service Income**

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by approximately 45.8% to approximately RMB148 million for the year ended 31 December 2017 from approximately RMB101 million for the corresponding year in 2016. Property management service income increased by 355.3% to approximately RMB24 million for the year ended 31 December 2017 from approximately RMB5 million for the corresponding year in 2016. The increase in commercial management service income was primarily due to the increase in the GFA of the properties operated and managed by us, while the increase in property management service income was due to expiration of a service contract with a property management supplier in Wuxi and the operation of property management service was taken back by the Group for a project in Wuxi.

## **Property consulting service income**

Property consulting service income represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

Property consulting service income decreased by 27.4% to approximately RMB58 million for the year ended 31 December 2017 from approximately RMB80 million for the corresponding year in 2016, which was mainly resulted from the decrease in business volume of the services in the second half of the year.

## **GROSS PROFIT AND MARGIN**

Gross profit decreased by 49.2% to approximately RMB683 million for the year ended 31 December 2017 from approximately RMB1,345 million for the corresponding year in 2016. Gross profit margin decreased to 19.3% for the year ended 31 December 2017 from 35.5% for the corresponding year in 2016. The decrease in gross profit was in line with the decrease in revenue and gross profit margin for the year ended 31 December 2017. While the decrease in our gross margin was the net effects of the decrease in average selling price, change in product mix and the increase in recurring income of the Group.

## **OTHER INCOME AND GAIN**

Other income and gains decreased by 18.6% to approximately RMB253 million for the year ended 31 December 2017 from approximately RMB311 million for the corresponding year in 2016. Other income and gains are mainly represented by subsidy income, interest income, foreign exchange gain, fair value gain of convertible notes, gain on disposal of subsidiaries and certain non-recurring income and gains.

## **SELLING AND DISTRIBUTION EXPENSES**

Our selling and distribution expenses decreased by 5.2% to approximately RMB271 million for the year ended 31 December 2017 from approximately RMB286 million for the corresponding year in 2016. The decrease was primarily due to a decrease in general selling, marketing and advertising activities for expenses saving.

## **ADMINISTRATIVE EXPENSES**

Our administrative expenses increased by 23.7% to approximately RMB354 million for the year ended 31 December 2017 from approximately RMB286 million for the corresponding year in 2016. The increase was mainly due to the increase in business activities of new projects that entered into trial or early stage of operations.

## **FINANCE COSTS**

Our finance costs increased by 33.8% to approximately RMB814 million for the year ended 31 December 2017 from approximately RMB608 million for the corresponding year in 2016. The increase was primarily due to full year effect of corporate bonds issuance in second half 2016 and early 2017 in the PRC, which in turn increased the interest expenses.

## **INCOME TAX EXPENSES**

Our income tax expenses decreased by 30.4% to approximately RMB296 million for the year ended 31 December 2017 from approximately RMB425 million for the corresponding year in 2016. The decrease was primarily due to the decrease in corporate income tax and land appreciation tax in the year of 2017.

## **PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB518 million as compared to a profit of approximately RMB101 million for the corresponding year in 2016, which represented a decrease of 615.5%. The decrease was mainly due to the combined effects of decreases in revenue which resulted in lower gross profit, profit margin, the increases in administrative expenses, finance costs and decreases in revaluation gain on the appreciation of our investment properties and income tax in the year of 2017.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Cash Position**

As at 31 December 2017, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,838 million (2016: approximately RMB3,761 million), representing a decrease of 51.1% as compared to that as at 31 December 2016. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2017, the Group's restricted cash was approximately RMB165 million (2016: approximately RMB92 million), representing an increase of 78.8% as compared to that as at 31 December 2016.

### **Current Ratio and Gearing Ratio**

As at 31 December 2017, the Group has current ratio (being current assets over current liabilities) of approximately 0.84 compared to that of 1.04 as at 31 December 2016. The gearing ratio was 247.5% as at 31 December 2017 compared to that of 165.2% as at 31 December 2016. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 45.1% as at 31 December 2017 compared to that of 45.2% as at 31 December 2016.

### **Borrowings and Charges on the Group's Assets**

As at 31 December 2017, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of approximately RMB5,600 million (2016: approximately RMB5,780 million) and approximately RMB5,607 million (2016: RMB4,835 million), respectively. Amongst the bank and other borrowings, approximately RMB3,044 million (2016: approximately RMB3,495 million) will be repayable within 1 year, approximately RMB2,103 million (2016: approximately RMB2,063 million) will be repayable between 2 to 5 years and approximately RMB453 million (2016: approximately RMB223 million) will be repayable after 5 years. The senior notes are repayable within

1 year and convertible notes are redeemable on or after 30 September 2017. Amongst the corporate bonds, approximately RMB1,906 million (2016: approximately RMB509 million) are repayable within 1 year and approximately RMB1,063 million (2016: approximately RMB1,515 million) are repayable between 2 to 5 years.

As at 31 December 2017, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiary companies of the Group and secured by pledge of their shares. The bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.

### **Exchange Rate Risk**

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings, senior and convertible notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. To mitigate foreign exchange exposure for the purpose of minimizing adverse effect on the operation of the Group, the Group continues to adopt a conservative approach and will closely monitor the foreign currency market and actively explore the domestic capital market for financing opportunities.

### **Commitments**

As at 31 December 2017, the Group had committed payment for the acquisitions of land use rights amounting to approximately RMB130 million (2016: approximately RMB378 million) and the committed payment for properties under development amounting to approximately RMB2,027 million (2016: approximately RMB2,672 million).

### **Contingent Liabilities**

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB1,505 million (2016: approximately RMB1,235 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2017 as the default risk is low.

### **Employees and Remuneration Policies**

As at 31 December 2017, the Group had approximately 2,196 employees, of which 812 employees involved in the property development sector and 1,384 in the property operation services sector. Total staff costs, including Directors' emoluments, for the year ended 31

December 2017 amounted to approximately RMB120 million (2016: approximately RMB202 million). Remuneration is determined by reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013 (the “Scheme”). In September 2013, the Group granted share options to subscribe for 93,119,611 shares of the Company (the “Shares”) in conformity with the Scheme to some of the Directors and employees of the Group, at an exercise price of HK\$1.27 per share.

For the year ended 31 December 2017, no share option has been granted and no shares has been exercised under the Scheme. All the share options granted under the Scheme were lapsed in September 2017.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities during the year ended 31 December 2017.

## **FINAL DIVIDEND**

The board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2017. (2016: Nil)

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 1 June 2018, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms should be lodged for registration with the Company’s branch share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2018.

## **ANNUAL GENERAL MEETING**

The Company’s 2018 annual general meeting will be held on 1 June 2018 and the notice of the said annual general meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in due course.

## CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of shareholders' transparency and accountability. It is the belief of the board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017 except for code provisions A.2.7, A.4.1, A.5.1, A.6.7 and E.1.2.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive Directors) without the executive directors present. Mr. Shu Cecheng, the chairman of the Company did not hold any meeting with the non-executive Directors of the Company without the executive Directors present. However, Mr. Shu Cecheng has effective communication with the non-executive Directors from time to time.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. The articles of association of the Company stipulates that every Director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Code provision A.5.1 of the CG Code stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Lo Kwong Shun Wilson as an independent non-executive Director with effect from 4 September 2017, the Company failed to meet the composition requirement of the nomination committee under code provision A.5.1 of the CG Code. However, following the appointment of Mr. Zhou Chen as, amongst other roles, an independent non-executive Director and a member of the nomination committee of the Company effective on 1 December 2017, the Company has fully complied with the requirements under code provision A.5.1 of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and the non-executive Director did not attend the annual general meeting of the Company held on 26 May 2017 since they had other business commitments that required their attendance.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. Shu Cecheng (the chairman of the Company and nomination committee of the Company), Dr. Song Ming (the chairman of the remuneration committee of the Company) and Mr. Lo Kwong Shun Wilson (the then chairman of the audit committee of the Company) did not attend the annual general meeting held on 26 May 2017 since they had other business commitments that required their attendance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding Directors’ securities transactions during the year ended 31 December 2017 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2017 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company has established an audit committee for purpose of reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company. The audit committee of the Company currently comprises the three independent non-executive Directors, namely Mr. Zhou Chen, Dr. Song Ming and Prof. Shu Guoying, while Mr. Zhou Chen is the chairman of the audit committee.

The audit committee reviewed and discussed with external auditors of the Company the Group’s financial statements for the year ended 31 December 2017. The audit committee together with the management of the Company also reviewed the accounting policies and practices adopted by the Group and discussed, among other things, risk management and internal controls procedures and financial reporting matters.

## **AUDITORS**

The consolidated financial statements for the year ended 31 December 2017 have been audited by BDO Limited. A resolution for the re-appointment of BDO Limited as the Company’s auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

**PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the respective websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.wz-china.com](http://www.wz-china.com)). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By order of the Board  
**Wuzhou International Holdings Limited**  
**Shu Cecheng**  
*Chairman*

Hong Kong, 29 March 2018

*As at the date of this announcement, the executive Directors of the Company are Mr. Shu Cecheng and Mr. Shu Cewan; the non-executive Director of the Company is Mr. Wang Wei and the independent non-executive Directors of the Company are Dr. Song Ming, Prof. Shu Guoying and Mr. Zhou Chen.*