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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 2018

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 2018.

FINANCIAL HIGHLIGHTS

Turnover of the Group amounted to approximately RMB3,101 million, representing a decrease of 12.54% from the corresponding year in 2017.

Revenue derived from property development decreased by 12.4% to approximately RMB2,778 million for the year ended 31 December 2018.

Gross profit increased by 31.96% to approximately RMB218 million for the year ended 31 December 2018. Gross profit margin increased to 29.1% from 19.3% for the corresponding year in 2017.

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB4,216 million as compared to a loss of approximately RMB517 million for the corresponding year in 2017.

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

For the year ended 31 December 2018

	<i>Notes</i>	2018 RMB'000	2017 <i>RMB'000</i> (Restated)
Revenue	5	3,100,926	3,545,671
Cost of sales		(2,199,900)	(2,862,858)
Gross profit		901,026	682,813
Other income		41,872	255,907
Distribution and selling expenses		(223,964)	(271,081)
Administrative expenses		(406,847)	(329,203)
Other expenses		–	(18,337)
Change in fair value of investment properties		(877,235)	262,254
Change in investment at fair value through profit or loss		(69,962)	–
Impairment loss on various assets		(1,789,951)	(27,869)
Loss on disposal of subsidiaries		(424,554)	–
Share of result of associates		(62,619)	(6,234)
Share of result of a joint venture		–	(12,874)
Finance costs	7	(1,019,692)	(813,518)
Loss before tax		(3,931,926)	(278,142)
Income tax expenses	8	(307,602)	(296,351)
Loss for the year	9	(4,239,528)	(574,493)
<i>Items that will not be reclassified to profit or loss:</i>			
Gains on property revaluation		–	252,062
Income tax on items that will not be reclassified to profit or loss		–	(63,016)
Total comprehensive loss for the year		(4,239,528)	(385,447)

	<i>Notes</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
Loss for the year attributable to:			
Owners of the Company		(4,215,744)	(516,562)
Non-controlling interests		<u>(23,784)</u>	<u>(57,931)</u>
		<u>(4,239,528)</u>	<u>(574,493)</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(4,215,744)	(395,148)
Non-controlling interests		<u>(23,784)</u>	<u>9,701</u>
		<u>(4,239,528)</u>	<u>(385,447)</u>
Loss per share	11	<i>RMB cents</i>	<i>RMB cents</i>
Basic and diluted		<u>(84.48)</u>	<u>(10.35)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	At 31 December 2018	At 31 December 2017	At 1 January 2017
Note	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	147,085	165,260	251,468
Investment properties	7,501,600	9,474,999	8,522,900
Prepaid land lease payments	–	–	761,085
Goodwill	–	59,633	–
Intangible assets	1,301	723	2,875
Investments in associates	319,071	71,405	57,640
Investments in a joint venture	87,126	87,126	–
Investments at fair value through profit or loss	11,626	755,805	271,850
Long-term deferred expenses	661	2,048	1,114
Deferred tax assets	–	262,583	187,196
Prepayments, deposits and other receivables	–	90,592	–
Pledged deposit	–	90,000	–
	8,068,470	11,060,174	10,056,128
Current assets			
Inventories	114	479	15,183
Properties for sale under development	2,510,955	3,215,751	3,519,156
Properties held for sale	4,235,808	3,490,315	3,532,799
Trade receivables	88,427	169,080	46,451
Prepayments, deposits and other receivables	1,891,701	2,056,509	1,694,834
Prepaid land lease payments	350,321	2,283,575	523,011
Investments at fair value through profit or loss	1,427,071	804,479	246,275
Current tax assets	–	–	75,208
Restricted bank balances	130,807	165,302	92,470
Pledged deposits	150,998	1,236,199	1,982,599
Bank and cash balances	250,885	363,494	1,685,744
	11,037,087	13,785,183	13,413,730

		At 31 December 2018	At 31 December 2017	At 1 January 2017
	Note	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Current liabilities				
Trade and bills payables	13	2,837,865	2,714,582	3,164,463
Contract liabilities		3,223,044	3,443,466	2,899,039
Accruals and other payables		2,879,106	2,082,782	1,179,277
Derivative financial instruments		–	–	23,728
Borrowings		2,472,558	3,244,992	3,494,704
Convertible notes		423,141	596,021	684,840
Senior notes		2,082,930	2,041,538	–
Corporate bonds		2,048,692	1,906,473	508,689
Current tax liabilities		865,463	842,122	914,134
		<u>16,832,799</u>	<u>16,871,976</u>	<u>12,868,874</u>
Net current (liabilities)/assets		<u>(5,795,712)</u>	<u>(3,086,793)</u>	<u>544,856</u>
Total assets less current liabilities		<u>2,272,758</u>	<u>7,973,381</u>	<u>10,600,984</u>
Non-current liabilities				
Borrowings		1,224,902	2,359,727	2,285,514
Senior notes		–	–	2,126,449
Corporate bonds		1,139,956	1,063,303	1,515,131
Deferred tax liabilities		471,287	764,454	523,595
		<u>2,836,145</u>	<u>4,187,484</u>	<u>6,450,689</u>
NET (LIABILITIES)/ASSETS		<u>(563,387)</u>	<u>3,785,897</u>	<u>4,150,295</u>
Capital and reserves				
Share capital		313,354	313,354	313,354
Reserves		(1,275,860)	2,936,057	3,331,205
Equity attributable to owners of the Company		<u>(962,506)</u>	<u>3,249,411</u>	<u>3,644,559</u>
Non-controlling interests		399,119	536,486	505,736
TOTAL EQUITY		<u>(563,387)</u>	<u>3,785,897</u>	<u>4,150,295</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its head office and principal place of business is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading shares since 3 September 2018.

The Company is an investment holding company. During the year, the Group, comprising the Company and its subsidiaries, was principally involved in property development, property investment and the provision of property management services in the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

On 4 July 2018, the Company announced among other things that (i) an event of default had occurred and was continuing under the indenture agreement dated 26 September 2013 for the issuance of the US\$300,000,000 13.75% Senior Notes Due 2018 (the "**Notes**"), (ii) the Group has defaulted on principal repayments of certain loans and received notices from its creditors demanding early repayment or declaring certain loans to be immediately due and payable, and (iii) certain creditors had initiated litigations against the Company and/or its subsidiaries in the PRC.

On 10 August 2018, it was further announced that the Group had been experiencing going concern issues as it was not in a position to settle those of its financial liabilities which have fallen due.

On 2 September 2018, the Company announced that the publication of the interim results for the six months period ended 30 June 2018, and the despatch of the corresponding interim report would be delayed. On 3 September 2018, trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company.

On 17 September 2018, the Company announced that it has formed a special investigation committee to investigate certain suspected transfers of equity interest of subsidiaries which had not been approved by the board of directors of the Company (the "**Board**") (the "**Suspected Unapproved Transfers**"). Subsequently, an independent advisor was engaged to perform an independent review into the Suspected Unapproved Transfers.

By way of letters dated 13 November 2018 and 16 October 2019, the Stock Exchange imposed the following Resumption Guidance for the Company:

- (i) Publish all outstanding financial results and address any audit modifications;
- (ii) Conduct an appropriate investigation into the Suspected Unapproved Transfers, announce findings and take appropriate remedial actions;
- (iii) Demonstrate its compliance with Rule 13.24 of the Listing Rules;
- (iv) Inform the market of all material information for shareholders and investors to appraise the Company's position;
- (v) Demonstrate the Company has in place adequate internal controls and procedures to comply with the Listing Rules;

- (vi) Demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which will pose a risk to investors and damage market confidence; and
- (vii) Demonstrate that all directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules.

On 5 December 2019, Due to a pending litigation with 無錫五洲國際裝飾城有限公司 (Wuxi Wuzhou International Ornamental City Co., Ltd), a subsidiary of the Company, the accounting books and records of the subsidiary has been held in custody by the court under an execution order.

The Company received a letter (the “**Letter**”) from the Stock Exchange on 13 March 2020, the Listing Committee of the Stock Exchange (the “**Listing Committee**”) decided to cancel the Company’s listing under listing rules (the “**Delisting Decision**”). It is indicated in the Letter that, if the Company decides not to request the Delisting Decision be referred to the Listing Review Committee of the Stock Exchange for review pursuant the listing rules, the last day of listing of the shares of the Company would be on 27 March 2020, and the listing of the shares of the Company would be on 30 March 2020.

On 24 March 2020, the Company has submitted a request to the Listing Review Committee for review of the Delisting Decision pursuant to the Listing Rules.

The Company, together with its professional advisors, is taking steps to implement the Group’s restructuring and is preparing a submission to the Listing Review Committee.

Pursuant to the sale and purchase agreement dated 25 December 2017 entered into between the Group and an independent third party purchaser, the purchaser agreed to purchase and the Group agreed to sell 100% equity interest in Xuyi Wuzhou Property Co., Ltd* 盱眙五洲國際置業有限公司 (the “**Disposal Company**”) in an aggregate consideration of RMB350,000,000. However, the disposal was terminated during the year 2018, the assets and liabilities comprising the disposal company classified as held for sale are in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	2017 RMB’000
Property, plant and equipment	54
Properties held for sale under development	171,074
Investment properties	504,500
Intangible assets	103
Trade receivables	4,623
Prepayments, deposits and other receivables	58,158
Bank and cash balances	17,275
	<hr/>
Assets held for sale	(755,787)
	<hr/>
Trade and bills payables	(141,953)
Accruals and other payables	(350,388)
Contract liabilities	(48,145)
Borrowings	(4,900)
Deferred tax liabilities	(44,904)
	<hr/>
Liabilities directly associated with assets held for sale	<u>590,290</u>

3. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of RMB4,215,744,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities and net liabilities of RMB5,795,712,000 and RMB563,387,000 respectively. 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. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligation as they fall due in the foreseeable future.

The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value 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 liabilities as current assets and liabilities, respectively.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

A. IFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as investments at fair value through profit or loss.

IFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
At 31 December 2017:		
Decrease in available for sale investments	(1,547,984)	(518,125)
Increase in investments at fair value through profit or loss	1,547,984	518,125
Decrease in available for sale investments reserves	(1,932)	(2,422)
Increase in retained profits	1,932	2,422
	<u><u> </u></u>	<u><u> </u></u>
For the year ended 31 December 2017:		
Increase in other income	2,677	
Increase in income tax expenses	(745)	
Decrease in other comprehensive income	(1,932)	
Decrease in EPS (cents)	0.04	
	<u><u> </u></u>	

B. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
Increase in contract liabilities	3,443,466	2,899,039
Decrease in advances from customers	(3,443,466)	(2,899,039)

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

5. REVENUE

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

	2018 RMB'000	2017 RMB'000
Sale of properties	2,778,294	3,172,047
Commercial management service income	90,866	147,670
Property consulting service income	34,401	57,951
Property management service income	40,045	24,311
Others	39,817	37,931
Revenue from contracts with customers	2,983,423	3,439,910
Rental income	117,503	105,761
	3,100,926	3,545,671

Disaggregation of revenue from contracts with customers:

2018	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Total RMB'000
Major products/service				
Properties	2,778,294	–	–	2,778,294
Commercial management service	–	90,866	–	90,866
Property consulting service	–	34,401	–	34,401
Property management service	–	40,045	–	40,045
Department store operation and providing consulting services	–	–	39,817	39,817
	<u>2,778,294</u>	<u>165,312</u>	<u>39,817</u>	<u>2,983,423</u>
Timing of revenue recognition				
At a point in time	2,778,294	–	–	2,778,294
Over time	–	165,312	39,817	205,129
	<u>2,778,294</u>	<u>165,312</u>	<u>39,817</u>	<u>2,983,423</u>

All revenue generated by the Group were derived from the PRC.

2017	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Total RMB'000
Major products/service				
Sale of properties	3,172,047	–	–	3,172,047
Commercial management service income	–	147,670	–	147,670
Property consulting service income	–	57,951	–	57,951
Property management service income	–	24,311	–	24,311
Department store operation and providing consulting services	–	–	37,931	37,931
	<u>3,172,047</u>	<u>229,932</u>	<u>37,931</u>	<u>3,439,910</u>
Timing of revenue recognition				
At a point in time	3,172,047	–	–	3,172,047
Over time	–	229,932	37,931	267,863
	<u>3,172,047</u>	<u>229,932</u>	<u>37,931</u>	<u>3,439,910</u>

All revenue generated by the Group were derived from the PRC.

Sales of properties

The Group develops and sells properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Provision management and consulting service

The Group provides management and consulting service to the customers. Management and consulting fee income is recognised when the management and consulting service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

6. SEGMENT INFORMATION

The Group has three reportable 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.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include finance costs, dividend income and share of results of associates and joint venture. Segment assets do not include investments at fair value through profit or loss and interests in associates and a joint venture as these assets are managed on a group basis.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segments' profit or loss, assets and liabilities:

	Property development <i>RMB'000</i>	Property management and investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2018				
Revenue from external customers	2,778,294	282,815	39,817	3,100,926
Segment loss	(1,733,643)	(1,066,132)	(49,840)	(2,849,615)
Income tax expense	(213,807)	(1,676)	(92,119)	(307,602)
Other material non-cash items:				
Impairment of assets	(1,190,180)	(133,448)	(466,323)	(1,789,951)
Additions to segment non-current assets	7,986	1,074	4,595	13,655
Depreciation and amortization	8,229	847	468	9,544
Change in fair value of investment properties	–	(877,235)	–	(877,235)
	<u>–</u>	<u>(877,235)</u>	<u>–</u>	<u>(877,235)</u>
At 31 December 2018				
Segment assets	9,173,624	7,818,156	268,883	17,260,663
Segment liabilities	18,058,477	1,285,420	325,047	19,668,944
	<u>18,058,477</u>	<u>1,285,420</u>	<u>325,047</u>	<u>19,668,944</u>
Year ended 31 December 2017				
Revenue from external customers	3,327,553	187,774	30,344	3,545,671
Segment profit	463,005	75,614	15,865	554,484
Income tax expense	(184,890)	(2,320)	(109,141)	(296,351)
Other material non-cash items:				
Impairment of assets	(25,595)	–	(168)	(25,763)
Additions to segment non-current assets	43,974	27,040	1,187	72,201
Depreciation and amortization	39,058	1,902	419	41,379
Change in fair value of investment properties	–	262,254	–	262,254
	<u>–</u>	<u>262,254</u>	<u>–</u>	<u>262,254</u>
At 31 December 2017				
Segment assets	13,334,953	9,559,980	231,609	23,126,542
Segment liabilities	18,965,417	1,886,712	207,331	21,059,460
	<u>18,965,417</u>	<u>1,886,712</u>	<u>207,331</u>	<u>21,059,460</u>

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
Revenue		
Total revenue of reportable segments	<u>3,100,926</u>	<u>3,545,671</u>
Profit or loss		
Total (loss)/profit of reportable segments	(2,849,615)	554,484
Finance costs	(1,019,692)	(813,518)
Share of results of associates	(62,619)	(6,234)
Share of results of a joint venture	<u>–</u>	<u>(12,874)</u>
Loss before tax	<u>(3,931,926)</u>	<u>(278,142)</u>
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Assets		
Total assets of reportable segments	17,260,663	23,126,542
Corporate and unallocated assets	<u>1,844,894</u>	<u>1,718,815</u>
Consolidated total assets	<u>19,105,557</u>	<u>24,845,357</u>
Liabilities		
Total liabilities of reportable segments	<u>19,668,944</u>	<u>21,059,460</u>
Consolidated total liabilities	<u>19,668,944</u>	<u>21,059,460</u>

Geographical information

All the Group's revenue are derived from the People's Republic of China (the "PRC").

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 2018 and 2017.

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.

7. FINANCE COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest expenses on borrowings	595,277	297,472
Interest expenses on senior notes	212,973	297,375
Interest expenses on convertible notes	55,294	91,347
Interest expenses on corporate bonds	<u>218,872</u>	<u>222,458</u>
	1,082,416	908,652
Less: Amount capitalised	<u>(62,724)</u>	<u>(95,134)</u>
	<u>1,019,692</u>	<u>813,518</u>

8. INCOME TAX

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
PRC Enterprise Income Tax		
Provision for current year	131,294	85,821
PRC LAT	117,596	158,358
	248,890	244,179
Deferred tax	58,712	52,172
	307,602	296,351

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong during that year (2017: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax at a rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value except for those permitted otherwise under the respective laws and regulations, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

9. LOSS FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Auditor's remuneration	3,000	6,447
Cost of sales	2,157,815	2,587,002
Depreciation	8,466	39,016
Amortisation of intangible assets	468	1,144
Amortisation of long-term deferred expenses	610	1,219
Impairment loss on various assets		
Impairment on goodwill	59,633	–
Impairment on prepayment, deposit and other receivables	743,641	–
Impairment on trade receivables	38,925	–
Impairment loss on properties held for sale	470,818	25,763
Impairment loss on properties under development	476,934	(1,161)
Loss on disposal of items of property, plant and equipment	1,524	60
Foreign exchange difference	107,819	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	138,060	177,749
Pension and social welfare	8,964	39,397
Equity-settled share-based payment expenses	–	171
	<u> </u>	<u> </u>

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

11. LOSS PER SHARE

Basic earnings per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year of approximately RMB4,215,744,000 (2017: RMB516,562,000) attributable to owners of the Company and the weighted average number of 4,990,259,914 (2017: 4,990,259,914) ordinary shares in issue during the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2018 and 31 December 2017.

12. TRADE RECEIVABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
Trade receivables	127,352	169,080
Less: impairment losses	(38,925)	–
	<u> </u>	<u> </u>
	<u>88,427</u>	<u>169,080</u>

Trade receivable

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 three 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 approximate to their fair values.

The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the year:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
0 to 90 days	29,235	99,197
91 to 180 days	16,599	69,409
181 to 365 days	957	235
1 to 2 years	41,636	239
	88,427	169,080

Trade receivables that are not impaired

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 181 days less than 1 year	Over 1 year less than 2 years	Total
At 31 December 2018				
Weighted average expected loss rate	0%	0%	48%	
Receivable amount (<i>RMB'000</i>)	29,235	16,599	81,518	127,352
Loss allowance (<i>RMB'000</i>)	–	–	(38,925)	(38,925)
At 31 December 2017				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount (<i>RMB'000</i>)	168,841	–	239	169,080
Loss allowance (<i>RMB'000</i>)	–	–	–	–

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

	2018 RMB'000	2017 <i>RMB'000</i> (Restated)
Trade payables	2,743,465	2,602,993
Bills payable	94,400	111,589
	<u>2,837,865</u>	<u>2,714,582</u>

The aging of bills payable at the end of reporting period falls within 1 year.

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2018 RMB'000	2017 <i>RMB'000</i> (Restated)
Within 1 year	1,187,775	1,753,788
Over 1 year	1,555,690	849,205
	<u>2,743,465</u>	<u>2,602,993</u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below paragraphs set out an extract of the report by Zhonghui Anda CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended December 31, 2018:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

1. *Limited accounting books and records of subsidiaries disposal*

Certain subsidiaries of the Company (the “**Disposal subsidiaries**”) have been disposed or deemed to have disposed for the year ended 31 December 2018, the accounting books and records in respect of the Disposal subsidiaries were unable to be obtained for the year ended 31 December 2018 and 2017. Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Disposal subsidiaries, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the loss on disposal of subsidiaries of approximately RMB424,554,000 for the year ended 31 December 2018 have been accurately recorded and properly accounted for in the consolidated financial statements and the completeness of opening balances and comparative figures of the Disposal subsidiaries.

	For the year ended 31 December 2017 RMB'000
Income and expenses:	
Revenue	770,039
Cost of sales	(502,776)
	<hr/>
Gross profit	267,263
Other income	1,278
Distribution and selling expenses	(48,205)
Administrative expenses	(53,827)
Other expenses	(380)
Finance costs	(2,074)
Income tax expense	(49,736)
Profit for the year	<hr/> <hr/> 114,319

As at
31 December
2017
RMB'000

Assets and liabilities:

Property, plant and equipment	10,360
Intangible assets	100
Long-term deferred expenses	777
Deferred tax assets	35,473
Investment cost	12,200
Investment properties	1,044,925
Prepaid land lease payments	972,347
Properties for sale under development	283,431
Properties held for sale	584,763
Prepayments, deposits and other receivables	740,102
Current tax assets	1,431
Trade receivables	35,549
Bank and cash balances	215,145
Trade and bills payables	(306,941)
Other payables and accruals	(1,409,933)
Contract liabilities	(773,433)
Borrowings	(165,000)
Deferred tax liabilities	(124,769)
	1,156,527
Net assets	1,156,527

2. *Limited accounting books and records of a subsidiary*

As explained in note 2 to the consolidated financial statements, 無錫五洲國際裝飾城有限公司 (Wuxi Wuzhou International Ornamental City Co., Ltd), the subsidiary of the Company has been under a pending litigation and relevant accounting books and records has been held in custody by the court. Due to the insufficiency of supporting documentation and explanations for accounting books and records the said subsidiary, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2018 and 2017 and the assets and liabilities as at 31 December 2018 and 2017, and the segment information and other

related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Income and expenses:		
Revenue	76,449	–
Cost of sales	<u>(7,904)</u>	<u>–</u>
Gross profit	68,545	–
Other income	4,200	67,217
Distribution and selling expenses	(9,451)	(7,845)
Administrative expenses	(52,919)	(46,306)
Other expenses	(876)	(81)
Income tax expense	<u>–</u>	<u>(7,355)</u>
Profit for the year	<u>9,499</u>	<u>5,630</u>
	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Assets and liabilities:		
Trade receivables	5,640	8,134
Prepayments, deposits and other receivables	815,830	649,438
Properties for sale under development	169,282	169,401
Properties held for sale	139,656	147,483
Trade and bills payables	(141,096)	(280,692)
Contract liabilities	(16,240)	(32,140)
Accruals and other payables	<u>(484,585)</u>	<u>(164,535)</u>
Net assets	<u>488,487</u>	<u>497,089</u>

3. *Trade receivable and prepayments, deposits and other receivables*

In addition to point 2 above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the recoverability of trade receivables of approximately RMB67,496,000 and prepayments, deposits and other receivables of approximately RMB908,074,000 respectively as at 31 December 2018; (ii) the carrying amount of trade receivables of approximately RMB67,496,000 and prepayments, deposits and other receivables of approximately RMB908,074,000 respectively as at 31 December 2018 are fairly stated; and (iii) whether the impairment for trade receivables of approximately RMB38,925,000 and prepayments, deposits and other receivables of approximately RMB743,641,000 respectively for the year ended 31 December 2018 are properly recorded.

4. *Properties for sale under development and properties held for sale*

In addition to point 2 above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the recoverability of properties for sale under development of approximately RMB1,778,610,000 and properties held for sale of approximately RMB3,168,183,000 respectively as at 31 December 2018; (ii) the carrying amount of properties for sale under development of approximately RMB1,778,610,000 and properties held for sale of approximately RMB3,168,183,000 respectively as at 31 December 2018 are fairly stated; and (iii) whether the impairment for properties for sale under development of approximately RMB476,934,000 and properties held for sale of approximately RMB470,818,000 respectively for the year ended 31 December 2018 are properly recorded.

5. *Investments in associates and share of loss of associates*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the carrying amounts of investments in associates of approximately RMB319,071,000 and RMB71,405,000 as at 31 December 2018 and 2017 respectively are fairly stated; (ii) the Group's share of loss of associates of approximately RMB62,619,000 and RMB6,234,000 for the year ended 31 December 2018 and 2017 respectively are fairly stated, and (iii) the accuracy of the disclosures in relation to the investments in associates.

6. *Investments in a joint venture and share of loss of a joint venture*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the carrying amounts of investments in a joint venture of approximately RMB87,126,000 as at 31 December 2018 and 2017 are fairly stated; (ii) whether the Group has any share of result of a joint venture for the year ended 31 December 2018 and RMB12,874,000 for the year ended 31 December 2017 are fairly stated, and (iii) the accuracy of the disclosures in relation to the investments in a joint venture.

7. *Investments at fair value through profit or loss*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the fair value on investments at fair value through profit or loss of approximately RMB1,438,697,000 and RMB1,560,284,000 as at 31 December 2018 and 2017 respectively are fairly stated; (ii) the fair value changes on investments at fair value through profit or loss of approximately RMB69,962,000 and RMB5,099,000 for the year ended 31 December 2018 and 2017 are fairly stated; and (iii) the accuracy of the disclosures in relation to the investments at fair value through profit or loss.

8. *Going concern*

We draw attention to note 3 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of approximately RMB4,215,744,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group has net current liabilities and net liabilities of approximately RMB5,795,712,000 and RMB563,387,000 respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainties relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainties relating to the going concern basis.

9. *Contingent liabilities*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of contingent liabilities arising from litigations as at 31 December 2018.

Any adjustments to the figures as described from points 1 to 9 above might have a significant consequential effect on the Group's results and cash flows for the years ended 31 December 2018 and 2017 and the financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

In view of the independent auditor's report issued by the Company's independent auditor, in which disclaimer of opinion was included regarding the insufficient appropriate audit evidence for an audit opinion on the financial statements provided by the Group, the Board will make every effort to inquire into the fundings.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2018, the Company is experiencing a string of financial woes as a result of breach of several payment obligations and earlier defaults.

On 4 July 2018, the Company announced, among other things, that (i) an event of default had occurred and was continuing under the indenture agreement dated 26 September 2013 for the issuance of the US\$300 million 13.75% Senior Notes Due 2018 (the “**Notes**”), (ii) the Group has defaulted on repayments of certain outstanding loans and received notices from its creditors demanding early repayment or declaring certain loans to be immediately due and payable, and (iii) certain creditors had initiated legal proceedings against the Company and/or its subsidiaries in the PRC.

Further to the announcement dated 4 July 2018, the Company has announced on 10 August 2018 that the amount of principal repayments which the Group has defaulted on and/or has received notices from its creditors demanding early repayments by reason of breach of payment obligations under the loan agreements has increased to approximately RMB2.5 billion. The Group has further received court documents in respect of six legal actions commenced by creditors in the PRC against, amongst others, the Company and/or its subsidiaries for repayment of loans. In addition, the Company has appointed RSM Corporate Advisory (Hong Kong) Limited as its Independent Restructuring Adviser (“**IRA**”) to assist the Company in assessing the financial position of the Company and evaluating its options and to work towards a mutually acceptable restructuring solution for its creditors.

The Company was not in a position to settle those financial liabilities which have fallen due and are immediately payable and it is anticipated that more financial liabilities will become immediately due and payable. On 13 August 2018, the Company announced that it had suspended seven projects under construction or in operation.

In addition to the eleven legal proceedings and claims previously announced, on 23 August 2018, the Company further announced that it has received a civil ruling issued by Jiangsu Province Wuxi Municipal Intermediate People’s Court where creditors have filed for property preservation against the Company’s subsidiaries and an Execution Ruling issued by Chengdu Railway Transport Intermediate Court for immediate repayment of loan amount of RMB368 million.

On 17 September 2018, the Company announced that it has established a special investigation committee to investigate certain suspected transfers of equity interest of subsidiaries which had not been approved by the Board (the “**Suspected Unapproved Transfers**”). Subsequently, an independent advisor was engaged to perform an independent review on the Suspected Unapproved Transfers.

On 4 October 2018, the Company also announced that it failed to repay the principal in the aggregate sum of RMB395.5 million and the interest in the aggregate sum of RMB111 million for a portion of the second tranche of the RMB1.5 billion 2016 corporate bonds on 19 September 2018. In addition, it was unable to pay all the principal in the aggregate sum of RMB1 billion and the interest in the aggregate sum of RMB50.6 million on 20 September 2018 for the first tranche of 2017 bonds sold by its indirectly wholly-owned subsidiary, Wuxi Wuzhou Ornament City. A joint venture partner had applied for arbitration to repurchase the equity interest for RMB126.3 million and seek RMB35.8 million payment for damages. Other than the above, the Company was due to appear in the Higher People's Court of Ningxia Hui autonomous region, where a creditor has demanded the Company to repay about RMB167.8 million in loan and RMB8.9 million in interest accrued up to 27 August 2018. Moreover, the Company was also required to attend the hearing in the Intermediate People's Court of Ningxia for the repayment of another loan of RMB13.3 million and interest of RMB170,800 owed to another creditor. Another bank has also demanded a loan and interest repayment in the sum of RMB291.1 million and RMB2.5 million respectively. Please refer to the announcements of the Company dated 4 July 2018, 10 August 2018, 13 August 2018, 23 August 2018, 17 September 2018 and 4 October 2018 for further details.

FINANCIAL REVIEW

Revenue

Our revenue is derived from sale of properties, rental income, commercial and property management service income and property consulting service income after deduction of allowances for returns and trade discounts.

Revenue decreased by RMB445 million from RMB3,546 million for the year ended 31 December 2017 to RMB3,101 million for the year ended 31 December 2018. The decrease in revenue was due to the decrease in revenue of all business segments.

Sale of properties

Revenue from sale of properties represents proceeds from sales of our properties held for sales. Revenue derived from sales of properties decreased by 12.4% to RMB2,778 million in the year ended 31 December 2018 as compared to RMB3,172 million in the year ended 31 December 2017. This decrease was the combined effects of decrease in total gross floor area (“GFA”) sold and average selling price as a result of weak demand of commercial properties.

Rental income

Rental income generated from rental of investment properties increased by 11.3% to RMB118 million in the financial year ended 31 December 2018 as compared to RMB106 million in the financial year ended 31 December 2017. The decrease was mainly due to decrease in space rented out during the year under review.

Commercial and property management service income

Commercial and property management service income decreased by RMB41 million to RMB131 million in the year ended 31 December 2018 as compared to RMB172 million in the year ended 31 December 2017. The decrease was primarily due to expiration of several service contracts.

Property consulting service income

Property consulting service income decreased by RMB24 million to RMB34 million in the year ended 31 December 2018 as compared to RMB58 million in the year ended 31 December 2017. The decrease was mainly due to the decrease in business volume of the services during the year under review.

Gross Profit and Margin

Gross profit increased by RMB218 million to RMB901 million in the year ended 31 December 2018 as compared to RMB683 million in the year ended 31 December 2017. The increase in gross profit was during the year under review was mainly due to a substantial decrease in the construction costs. Notwithstanding the increase in gross profit, gross profit margin increased to 29.1% in the year ended 31 December 2018 as compared to 19.3% in the year ended 31 December 2017. The increase in gross profit margin was the net effects of lower construction costs and change in product mix.

Other Income

Other income decreased by RMB214 million to RMB42 million in the year ended 31 December 2018 as compared to RMB256 million in the year ended 31 December 2017. The decrease in other income was mainly due to the absence of gain on disposal of investments at fair value through profit or loss, change in fair value of derivative financial instruments, change in fair value of investments at fair value through profit or loss, foreign exchange gain and gain on disposal of subsidiaries of the Group in the year ended 31 December 2018 as compared to the year ended 31 December 2017. Other income recorded in the year ended 31 December 2018 comprised of subsidy income, interest income, gain on disposal of property, plant and equipment.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB47 million or 17.3% from RMB271 million in the year ended 31 December 2017 to RMB224 million in the financial year ended 31 December 2018 mainly due to a decrease in general selling, marketing and advertising activities during the year under review.

Administrative Expenses

Administrative expenses increased by RMB78 million from RMB329 million in the year ended 31 December 2017 to RMB407 million in the year ended 31 December 2018 mainly due to an increase in bad debts written-off during the year under review.

Other Expenses

There are no other expenses recorded in the year ended 31 December 2018.

Finance Costs

Finance costs increased by RMB206 million from RMB814 million in the year ended 31 December 2017 to RMB1,020 million in the year ended 31 December 2018 mainly due to an increase in interest on borrowings as a result of late payment interest during the financial year under review.

Income Tax Expenses

The income tax expenses increased by RMB12 million from RMB296 million in the year ended 31 December 2017 to RMB308 million in the year ended 31 December 2018 mainly due to an increase in corporate income tax.

Loss for The Year Attributable to Owners of The Company

The Group recorded a substantial loss of RMB4,216 million in the year ended 31 December 2018 as compared to loss of RMB517 million in the year ended 31 December 2017. The increase in losses was mainly due to the combined effects of the decreases in revenue which resulted in the increase in administrative expenses, finance costs, fair value loss of investment properties, fair value loss of investments, impairment loss on various assets and loss on disposal of subsidiaries.

BUSINESS REVIEW

Contracted Sales

During the year ended 31 December 2018, the Group recorded contracted sales and contracted sales area of RMB2,778 million and 352,273 sq.m., representing a decrease of 12.4% and 43.5% respectively as compared to the year ended 31 December 2017 (2017: RMB3,172 million; 623,000 sq.m.).

Project development

As at 31 December 2018, the Group had 14 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Heilongjiang, Jilin, Henan, Liaoning, Chongqing and Fujian, including 13 trade logistics centers, 1 multi-functional commercial complexes and residential projects.

Completed projects

During the year ended 31 December 2018, the Group completed a total of 18 projects or project phases with a GFA of approximately 5,583,333 sq.m., including approximately 3,346,399 sq.m. of GFA sold and delivered and approximately 396,989 sq.m. of GFA held for lease.

Projects under development

As at 31 December 2018, the Group had a total of 14 projects or project phases under development with a total planned GFA of 984,308 sq.m., including approximately 299,588 sq.m. of GFA pre-sold and approximately 684,720 sq.m. of GFA held for lease.

Projects planned for future developments

As at 31 December 2018, the Group had a total of 14 projects or project phases planned for future development, with a total planned GFA of approximately 2,146,331 sq.m.

Land Bank

The Group considers that acquisition of 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 year 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 2018, the total planned GFA of land bank amounted to approximately 2,146,331 sq.m..

Centralised 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.

Future Prospects

Upon completion of the Group’s restructuring, the Group is expected to have a business with sufficient assets and sustainable profits.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2018, the Group’s bank balances and cash (including restricted cash and pledged deposits) was RMB533 million (2017: RMB1,855 million), representing a decrease of 71.3% as compared to that as at 31 December 2017. A portion of our cash are restricted bank deposits that are restricted for use of property development. The 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 2018, the Group’s restricted cash was RMB131 million (2017: 165 million), representing a decrease of 20.6% as compared to that as at 31 December 2017.

Current Ratio and Gearing Ratio

As at 31 December 2018, current ratio of the Group (being current assets over current liabilities) was 0.66 compared to that of 0.82 as at 31 December 2017. The gearing ratio was 107.6% as at 31 December 2018 compared to that of 86.7% as at 31 December 2017. The gearing ratio was measured by net debts (aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes, trade and bills payables, other payables and accruals and contract liabilities net of cash and cash equivalents) over the total capital of the Group plus net debts. The total debt (being aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 49.2% as at 31 December 2018 compared to that of 45.1% as at 31 December 2017.

Borrowings and Charges on The Group’s Assets

As at 31 December 2018, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of RMB3.7 billion (2017: RMB5.6 billion) and RMB5.7 billion (2017: RMB5.6 billion), respectively. Amongst the interest bearing bank and other borrowings, RMB2.5 billion (2017: RMB3.2 billion) will be repayable within 1 year, RMB0.9 billion (2017: RMB2.0 billion) will be repayable between 2 to 5 years and RMB233 million (2017: RMB314 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, RMB2.0 billion (2017: RMB1.9 billion) are repayable within 1 year and RMB1.1 billion (2017: RMB1.1 billion) are repayable between 2 to 5 years.

As at 31 December 2018, a substantial part of the interest-bearing 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 subsidiaries of the Group and secured by pledge of their shares. The interest-bearing bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. Dollar.

During the year ended 31 December 2018, the Company announced that it has defaulted its senior and convertible notes and corporate bonds. Please refer to the Company's announcements dated 7 July 2018, 10 August 2018, 23 August 2018, 24 August 2018, 21 September 2018 and 4 October 2018 for details.

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 minimising 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 2018, the Group had committed payment for properties under development amounting to RMB2.1 billion (2017: RMB2.0 billion) and the Group had no committed payment for the acquisitions of land use rights (2017: RMB130 million).

Contingent Liabilities

As at 31 December 2018, the Group had (i) the share of a joint venture's contingent liabilities of RMB23 million (2017: RMB23 million) arising from litigations, details of which are set out in notes 21 and 44 to the consolidated financial statements; and (ii) provided guarantees amounting to RMB1.4 billion (2017: RMB1.5 billion) 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 loan 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 mortgages 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 recognised in the financial statements for the year ended 31 December 2018 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2018, the Group had approximately 1,147 employees, of which 843 employees are involved in the property development sector and 304 employees are involved in the property operation services sector. Total staff costs (including Directors' emoluments) for the year ended 31 December 2018 amounted to RMB147 million (2017: RMB217 million). Remuneration is determined with 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.

FUND RAISING ACTIVITIES

The Company did not have any equity fund raising activity during the year under review.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the transactions disclosed below, there were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the financial period under review.

On 12 April 2018, Shenzhen AnChuang Investment Management Limited* (深圳安創投資管理有限公司) (“**Investor I**”), Lasa Economic Shengrui Asset Management Company* (拉薩經濟技術開發區盛瑞資產管理有限公司) (“**Investor II**”), Wuxi Wuzhou Ornament City Co., Ltd* (無錫五洲國際裝飾城有限公司) (“**Wuxi Wuzhou Ornament City**”), Dali Wuzhou International Trade City Co., Ltd.* (大理五洲國際商貿城有限公司) (“**Dali Wuzhou**”) and Mr. Shu Cecheng, Mr. Shu Cewan, Ms. Zhu Lijuan and Ms. Qi Xueqin as the guarantors entered into a cooperation agreement whereby the parties agreed that, among others (i) Investor I and Investor II shall inject RMB267,450,000 and RMB178,300,000 respectively, as capital injection into Dali Wuzhou; and (ii) Investor I and Investor II shall provide RMB120,000,000 and RMB80,000,000 respectively, as shareholders' loan to Dali Wuzhou. Please refer to the announcement of the Company dated 12 April 2018 for further details.

On 25 December 2017, Wuxi Zhongnan Property Investment Co., Ltd.* (無錫中南置業投資有限公司), Wuxi Longxiang Investment Co., Ltd.* (無錫市龍祥投資有限公司), Wuxi Longteng Commercial Investment & Development Co., Ltd.* (無錫市龍騰商業投資發展有限公司), and Wuxi Chonganxincheng Longan Commercial Property Management Co., Ltd.* (無錫市崇安新城龍安置業有限公司) (collectively as the “**Vendors**”) entered into four respective agreements with Jiangsu Rungang Petrochemical Co., Ltd.* (江蘇潤港石化有限公司) (the “**Purchaser**”), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest in the Xuyi Wuzhou International Property Co., Ltd.* (盱眙五洲國際置業有限公司) (the “**Disposal Company**”) which is the entire equity interest in the Disposal Company at the purchase price of RMB350 million. Please refer to the announcement of the Company dated 20 August 2018 for further details.

On 17 December 2018, Zhongnongpi Construction Development Co., Ltd.* (中農批建設開發有限公司) (“**Zhongnongpi Construction**”), a wholly-owned subsidiary of China Supply and Marketing Agricultural Products Wholesale Market Holdings Co., Ltd.* (中國供銷農產品批發市場控股有限公司), and Wuxi Longfa Commercial Development Co., Ltd.* (無錫龍發商業發展有限公司) (“**Wuxi Longfa**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement, pursuant to which Zhongnongpi Construction has agreed to sell, and Wuxi Longfa has agreed to purchase, 34% equity interest in Chongqing Yongchuan District Wuzhou Zhonghe Business Logistics Co., Ltd.* (重慶市永川區五洲中合商貿物流有限公司) (“**Chongqing Yongchuan**”) at a consideration of approximately RMB5.1 million.

Immediately before completion of the Acquisition, 34%, 33%, 18% and 15% of equity interests in Chongqing Yongchuan were held by Zhongnongpi Construction, Wuxi Wuzhou, Wuxi Zhongnan Real Estate Investment Co., Ltd.* (無錫中南置業投資有限公司) (“**Wuxi Zhongnan**”), and Wuxi Tuomai Investment Partnership (Limited Partnership)* (無錫拓邁投資合夥企業(有限合夥)) (“**Wuxi Tuomai**”), respectively. Upon completion of the acquisition, the Group held 85% of equity interest in Chongqing Yongchuan.

On 17 December 2018, Shenyang Wuzhou International Industrial Expo City Real Estate Co., Ltd.* (瀋陽五洲國際工業博覽城置業有限公司) (“**Shenyang Wuzhou**”), an indirect wholly-owned subsidiary of the Company, and Zhongnongpi (Beijing) Enterprise Operation Management Co., Ltd.* (中農批(北京)企業運營管理有限公司) (“**Zhongnongpi (Beijing)**”), a non-wholly-owned subsidiary of Zhongnongpi Construction, entered into an equity transfer agreement, pursuant to which Shenyang Wuzhou has agreed to sell, and Zhongnongpi (Beijing) has agreed to purchase, 49.5% equity interest in Fushun Zhonghe Market Development Co., Ltd.* (撫順中合市場開發有限公司) (“**Fushun Zhonghe**”) at a consideration of approximately RMB34.0 million.

Immediately before completion of the Disposal, 49.5% and 50.5% of equity interests in Fushun Zhonghe were held by Shenyang Wuzhou and Zhongnongpi (Beijing), respectively. Upon completion, Shenyang Wuzhou no longer held any equity interest in Fushun Zhonghe.

Please refer to the announcement of the Company dated 26 February 2019 for further details.

EVENTS AFTER THE REPORTING PERIOD

There were no major subsequent event occurred since the end of the financial year ended 31 December 2018 up to 30 April 2019. Please refer to the Company’s annual report 2019 for the events subsequent to 30 April 2019.

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 2018.

FINAL DIVIDEND

The board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the CG Code throughout the year ended 31 December 2018 except for code provisions A.2.7, A.4.1, 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. Since Mr. Wang has resigned on 25 June 2018, the Company has complied with the Code provision A.4.1 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 1 June 2018 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 chairman 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) did not attend the annual general meeting held on 1 June 2018 since they had other business commitments that required their attendance.

Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) 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 2018 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established an audit committee for the 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. Liu Chaodong, Dr. Song Ming and Prof. Shu Guoying, while Mr. Liu Chaodong is the chairman of the audit committee.

The audit committee reviewed and discussed with the external auditors of the Company the Group’s financial statements for the year ended 31 December 2018. 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 2018 have been audited by Zhonghui Anda CPA Limited (“**Zhonghui Anda**”). Zhonghui Anda has been appointed by the Directors as auditor of the Company on 28 February 2020. Zhonghui Anda will retire, and being eligible, offer themselves for re-appointed at the forthcoming annual general meeting. A resolution for its reappointment as auditor of the Company will be proposed.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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.hkexnews.hk) and the Company (www.wz-china.com). The annual report of the Company for the year ended 31 December 2018 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.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 September 2018 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Wuzhou International Holdings Limited
Shen Xiaowei
Executive Director and Chief Executive Officer

Hong Kong, 18 August 2020

As at the date of this announcement, the Board comprises four executive Directors being Mr. Shen Xiaowei (Chief Executive Officer), Mr. Zhu Yongqiu, Ms. Cai Qiaoling and Mr. Zhou Chen, and three independent non-executive Directors, being Dr. Song Ming, Prof. Shu Guoying and Mr. Liu Chaodong.