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 2019

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 2019.

FINANCIAL HIGHLIGHTS

Turnover of the Group amounted to approximately RMB1,046 million, representing a decrease of 66.3% from the corresponding year in 2018.

Revenue derived from property development decreased by 72.6% to approximately RMB761 million for the year ended 31 December 2019.

Gross profit decreased by 60.7% to approximately RMB354 million for the year ended 31 December 2019. Gross profit margin increased to 33.8% from 29.1% for the corresponding year in 2018.

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB2,766 million as compared to a loss of approximately RMB4,216 million for the corresponding year in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019	2018
		RMB'000	*RMB'000*
Revenue	5	**1,046,319**	3,100,926
Cost of sales		**(692,355)**	(2,199,900)
Gross profit		**353,964**	901,026
Other income		**72,238**	41,872
Distribution and selling expenses		**(120,577)**	(223,964)
Administrative expenses		**(315,528)**	(406,847)
Change in fair value of investment properties		**(1,941,389)**	(877,235)
Change in investment at fair value through profit or loss		**(706,037)**	(69,962)
Impairment loss on various assets		**–**	(1,789,951)
Loss on disposal of subsidiaries		**–**	(424,554)
Share of result of associates		**(183,287)**	(62,619)
Finance costs	7	**(694,881)**	(1,019,692)
Loss before tax		**(3,535,497)**	(3,931,926)
Income tax credit/(expenses)	8	**418,696**	(307,602)
Loss for the year	9	**(3,116,801)**	(4,239,528)
Total comprehensive loss for the year		**(3,116,801)**	(4,239,528)
Loss for the year attributable to:			
Owners of the Company		**(2,766,425)**	(4,215,744)
Non-controlling interests		**(350,376)**	(23,784)
		(3,116,801)	(4,239,528)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(2,766,425)**	(4,215,744)
Non-controlling interests		**(350,376)**	(23,784)
		(3,116,801)	(4,239,528)
Loss per share	11	***RMB cents***	*RMB cents*
Basic and diluted		**(55.44)**	(84.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment		**139,194**	147,085
Investment properties		**5,043,800**	7,501,600
Right-of-use assets		**2,212**	–
Intangible assets		**833**	1,301
Investments in associates		**135,784**	319,071
Investments in a joint venture		**87,126**	87,126
Investments at fair value through profit or loss		**14,626**	11,626
Long-term deferred expenses		**262**	661
		5,423,837	8,068,470
Current assets			
Inventories		**164**	114
Properties for sale under development		**2,088,439**	2,510,955
Properties held for sale		**4,109,744**	4,235,808
Trade receivables	12	**87,750**	88,427
Prepayments, deposits and other receivables		**2,160,427**	1,891,701
Prepaid land lease payments		**327,851**	350,321
Investments at fair value through profit or loss		**708,815**	1,427,071
Restricted bank balances		**89,588**	130,807
Pledged deposits		**49,690**	150,998
Bank and cash balances		**282,733**	250,885
		9,905,201	11,037,087

	Notes	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current liabilities			
Trade and bills payables	13	**2,595,916**	2,837,865
Contract liabilities		**3,044,888**	3,223,044
Accruals and other payables		**3,347,792**	2,879,106
Lease liabilities		**1,579**	–
Borrowings		**2,684,887**	2,472,558
Convertible notes		**518,335**	423,141
Senior notes		**2,107,860**	2,082,930
Corporate bonds		**3,401,010**	2,048,692
Current tax liabilities		**783,261**	865,463
		18,485,528	16,832,799
Net current liabilities		**(8,580,327)**	(5,795,712)
Total assets less current liabilities		**(3,156,490)**	2,272,758
Non-current liabilities			
Borrowings		**498,685**	1,224,902
Corporate bonds		**–**	1,139,956
Deferred tax liabilities		**24,329**	471,287
Lease liabilities		**684**	–
		523,698	2,836,145
NET LIABILITIES		**(3,680,188)**	(563,387)
Capital and reserves			
Share capital		**313,354**	313,354
Reserves		**(4,042,285)**	(1,275,860)
Equity attributable to owners of the Company		**(3,728,931)**	(962,506)
Non-controlling interests		**48,743**	399,119
TOTAL EQUITY		**(3,680,188)**	(563,387)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Peopleˇs 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.

3. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of RMB2,766,425,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of RMB8,580,327,000 and RMB3,680,188,000 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 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 2019. 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 16 "Leases"

The Group has first adopted IFRS 16 "Lease" from 1 January 2019, but has not restated comparatives figures for the year ended 31 December 2018, as permitted under the specific transitional provisions in the standard. The Group has elected to apply the modified retrospective approach for the application IFRS 16 as lessee and will recognize the right-of-use assets at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

(a) Adjustments recognised on adoption of HKFRS 16 "Leases"

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.645%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(i) the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) reliance on previous assessments on whether leases are onerous;

(iii) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

(iv) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

At 1 January 2019:	***RMB'000***
Increase in lease liabilities	**3,707**
Increase in right-of-use assets	**3,707**

The reconciliation of operation lease commitment to lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,969
Less:	
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	(13)
Discounting of 5.645%	(249)
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	3,707
Analysed as:	
Current	1,484
Non-current	2,223
	3,707

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.

	2019 ***RMB'000***	2018 *RMB'000*
Sale of properties	**761,368**	2,778,294
Commercial management service income	**84,463**	90,866
Property consulting service income	**19,017**	34,401
Property management service income	**22,874**	40,045
Others	**25,422**	39,817
Revenue from contracts with customers	**913,144**	2,983,423
Rental income	**133,175**	117,503
	1,046,319	3,100,926

Disaggregation of revenue from contracts with customers:

2019	**Property development** *RMB'000*	**Property management and investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Major products/service				
Properties	**761,368**	**–**	**–**	**761,368**
Commercial management service	**–**	**84,463**	**–**	**84,463**
Property consulting service	**–**	**19,017**	**–**	**19,017**
Property management service	**–**	**22,874**	**–**	**22,874**
Department store operation and providing consulting services	**–**	**–**	**25,422**	**25,422**
	761,368	**126,354**	**25,422**	**913,144**
Timing of revenue recognition				
At a point in time	**761,368**	**–**	**–**	**761,368**
Over time	**–**	**126,354**	**25,422**	**151,776**
	761,368	**126,354**	**25,422**	**913,144**

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

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

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 *RMB'000*	Property management and investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2019				
Revenue from external customers	**761,368**	**259,529**	**25,422**	**1,046,319**
Segment loss	**(710,139)**	**(1,902,251)**	**(44,939)**	**(2,657,329)**
Income tax credit/(expenses)	**(33,808)**	**452,718**	**(214)**	**418,696**
Other material non-cash items:				
Additions to segment non-current assets	**178**	**471**	**177**	**826**
Depreciation and amortisation	**9,116**	**847**	**205**	**10,168**
Change in fair value of investment properties	**–**	**(1,941,389)**	**–**	**(1,941,389)**
At 31 December 2019				
Segment assets	**8,758,755**	**5,393,875**	**230,057**	**14,382,687**
Segment liabilities	**17,401,657**	**1,277,017**	**330,552**	**19,009,226**
Year ended 31 December 2018				
Revenue from external customers	2,778,294	282,815	39,817	3,110,926
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 amortisation	8,229	847	468	9,544
Change in fair value of investment properties	–	(877,235)	–	(877,235)
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

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**1,046,319**	3,100,926
Profit or loss		
Total loss of reportable segments	**(2,657,329)**	(2,849,615)
Finance costs	**(694,881)**	(1,019,692)
Share of results of associates	**(183,287)**	(62,619)
Loss before tax	**(3,535,497)**	(3,931,926)

	2019	2018
	RMB'000	*RMB'000*
Assets		
Total assets of reportable segments	**14,382,687**	17,260,663
Corporate and unallocated assets	**946,351**	1,844,894
Consolidated total assets	**15,329,038**	19,105,557
Liabilities		
Total liabilities of reportable segments	**19,009,226**	19,668,944
Consolidated total liabilities	**19,009,226**	19,668,944

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 2019 and 2018.

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

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on borrowings	**429,541**	595,277
Interest expenses on senior notes	**–**	212,973
Interest expenses on convertible notes	**88,260**	55,294
Interest expenses on corporate bonds	**244,650**	218,872
Interest on lease liabilities	**154**	–
	762,605	1,082,416
Less: Amount capitalised	**(67,724)**	(62,724)
	694,881	1,019,692

8. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
PRC Enterprise Income Tax for the year	**6,705**	131,294
PRC LAT	**21,557**	117,596
	28,262	248,890
Deferred tax	**(446,958)**	58,712
	(418,696)	307,602

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year (2018: 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 loss for the year is stated after charging the following:

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**3,000**	3,000
Cost of sales	**663,985**	2,157,815
Depreciation	**9,301**	8,466
Amortisation of intangible assets	**468**	468
Amortisation of long-term deferred expenses	**399**	610
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
Impairment loss on properties under development	**–**	476,934
Foreign exchange differences	**31,968**	107,819
Loss on disposal of items of property, plant and equipment	**956**	1,524
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**81,144**	138,060
Pension and social welfare	**6,033**	8,964

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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 RMB2,766,425,000 (2018: RMB4,215,744,000) attributable to owners of the Company and the weighted average number of 4,990,259,914 (2018: 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 2019 and 31 December 2018.

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**126,675**	127,352
Less: impairment losses	**(38,925)**	(38,925)
	87,750	88,427

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:

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**11,261**	29,235
91 to 180 days	**10,843**	16,599
181 to 365 days	**5,262**	957
1 to 2 years	**60,384**	41,636
	87,750	88,427

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 1 day less than 180 days**	**Over 181 days less than 1 year**	**Over 1 year less than 2 years**	**Total**
At 31 December 2019					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**39%**	
Receivable amount *(RMB'000)*	**11,261**	**10,843**	**5,262**	**99,309**	**126,675**
Loss allowance *(RMB'000)*	**–**	**–**	**–**	**(38,925)**	**(38,925)**
At 31 December 2018					
Weighted average expected loss rate	0%	0%	48%	0%	
Receivable amount *(RMB'000)*	29,235	16,599	81,518	–	127,352
Loss allowance *(RMB'000)*	–	–	(38,925)	–	(38,925)

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

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**2,595,149**	2,743,465
Bills payable	**767**	94,400
	2,595,916	2,837,865

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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**435,469**	1,187,775
Over 1 year	**2,159,680**	1,555,690
	2,595,149	2,743,465

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 2019:

Basis for Disclaimer of Opinion

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

   As disclosed in note 42(a) to the consolidated financial statements, 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. 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.

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 2019 and 2018 and the assets and liabilities as at 31 December 2019 and 2018, 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	
	2019	2018
	RMB'000	*RMB'000*
Income and expenses:		
Revenue	**29,322**	76,449
Cost of sales	**(5,808)**	(7,904)
Gross profit	**23,514**	68,545
Other income	**144**	4,200
Distribution and selling expenses	**(1,914)**	(9,451)
Administrative expenses	**(21,650)**	(52,919)
Other expenses	**(5,618)**	(876)
(Loss)/profit for the year	**(5,524)**	9,499

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Assets and liabilities:		
Trade receivables	**5,640**	5,640
Prepayments, deposits and other receivables	**806,763**	815,830
Properties for sale under development	**170,911**	169,282
Properties held for sale	**139,656**	139,656
Trade and bills payables	**(141,232)**	(141,096)
Contract liabilities	**(22,754)**	(16,240)
Accruals and other payables	**(541,480)**	(484,585)
Net assets	**417,504**	488,487

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 RMB925,600,000 respectively as at 31 December 2019 and 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 RMB925,600,000 respectively as at 31 December 2019 and 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 RMB1,730,184,000 and properties held for sale of approximately RMB3,444,457,000 respectively as at 31 December 2019 and 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 RMB1,730,184,000 and properties held for sale of approximately RMB3,444,457,000 respectively as at 31 December 2019 and 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 RMB135,784,000 and RMB319,071,000 as at 31 December 2019 and 2018 respectively are fairly stated; (ii) the Group's share of loss of associates of approximately RMB183,287,000 and RMB62,129,000 for the year ended 31 December 2019 and 2018 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 2019 and 2018 are fairly stated; (ii) whether the Group had any share of result of a joint venture for the year ended 31 December 2019 and 2018 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 RMB723,441,000 and RMB1,438,697,000 as at 31 December 2019 and 2018 respectively are fairly stated; (ii) the fair value changes on investments at fair value through profit or loss of approximately RMB706,037,000 and RMB69,962,000 for the year ended 31 December 2019 and 2018 respectively 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 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of approximately RMB2,766,425,000 for the year ended 31 December 2019 and the Group has net current liabilities and net liabilities of approximately RMB8,580,327,000 and RMB3,680,188,000 as at 31 December 2019 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 2019 and 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 2019 and 2018 and the financial positions of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Following a string of financial woes in the financial year ended 31 December 2018, certain claims were made against the Group in relation to the default repayment since the financial year ended 31 December 2018 and these litigations and arbitrations were on-going in the financial year ended 31 December 2019. Please refer to the Company's announcement dated 1 March 2019, 5 September 2019, 27 September 2019, 18 October 2019, 29 October 2019, 8 November 2019, 2 December 2019, 23 December 2019 for further details.

In addition, on 24 September 2019, the Company announced that it failed to repay RMB1.5 billion in principal and the RMB222 million in interest of the second tranche of the RMB1.5 billion 2016 corporate bonds due to its financial difficulties.

On 5 December 2019, due to a pending litigation with 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.

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 RMB2,055 million from RMB3,101 million for the financial year ended 31 December 2018 to RMB1,046 million for the financial year ended 31 December 2019. The decrease in revenue was mainly due to a decrease in revenue from sales of properties.

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 72.6% to RMB761 million in the financial year ended 31 December 2019 as compared to RMB2,778 million in the financial year ended 31 December 2018. This decrease was the combined effects of decrease in total 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 12.7% to RMB133 million in the financial year ended 31 December 2019 as compared to RMB118 million in the financial year ended 31 December 2018. The increase was mainly due to increase in space rented out during the financial year under review.

Commercial and property management service income

Commercial and property management service income decreased by RMB24 million to RMB107 million in the financial year ended 31 December 2019 as compared to RMB131 million in the financial year ended 31 December 2018. The decrease was primarily due to the decrease in the GFA of the properties operated and managed by the Group.

Property consulting service income

Property consulting service income decreased by RMB15 million to RMB19 million in the financial year ended 31 December 2019 as compared to RMB34 million in the financial year ended 31 December 2018. The decrease was due mainly to the decrease in business volume of the services during the financial year under review.

Non-current assets

Non-current assets decreased by RMB2,644 million to RMB5,424 million as at 31 December 2019 as compared to RMB8,068 million as at 31 December 2018. The decrease of non-current assets was mainly due to a decrease in investment properties as a result of fair value losses of investment properties of RMB1,941 million recognised during the financial year.

Current assets

Current assets decreased by RMB1,132 million to RMB9,905 million as at 31 December 2019 as compared to RMB11,037 million as at 31 December 2018. The decrease of current assets was mainly due to decrease in properties for sale under development and investments at fair value through profit or loss of RMB423 million and RMB706 million respectively. The decrease in properties for sale under development was due to decrease in number of development projects. Meanwhile, the decrease in investments at fair value through profit or loss was due to fair value losses of investments recognized during the financial year.

Liabilities

Total liabilities recorded a slight decrease of RMB660 million, from RMB19,669 million as at 31 December 2018 to RMB19,009 million as at 31 December 2019. The decrease of total liabilities was mainly due to decrease in trade and bill payables, contract liabilities and borrowings which was partially off-set by increase in accruals and other payables, senior notes and corporate bonds.

Net Liabilities

As a result of the decrease in assets, the Group recorded net liabilities of RMB3,680 million as at 31 December 2019 as compared to net liabilities of RMB563 million as at 31 December 2018.

Gross Profit and Margin

Gross profit decreased by RMB547 million to RMB354 million in the financial year ended 31 December 2019 as compared to RMB901 million in the financial year ended 31 December 2018. The decrease in gross profit was in line with the decrease in revenue during the financial year under review. Notwithstanding the decrease in gross profit, gross profit margin increased to 33.8% in the financial year ended 31 December 2019 as compared to 29.1% in the financial year ended 31 December 2018. The increase in gross profit margin was the net effects of lower construction costs and change in product mix.

Other Income

Other income increased by RMB30 million to RMB72 million in the financial year ended 31 December 2019 as compared to RMB42 million in the financial year ended 31 December 2018. The increase in other income was mainly due to a gain on disposal of properties for sale under development in the financial year ended 31 December 2019 as compared to the financial year ended 31 December 2018. Other income are comprised of subsidy income, gain on disposal of property, plant and equipment and certain non-recurring income and gains.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB103 million or 46.1% from RMB224 million in the financial year ended 31 December 2018 to RMB121 million in the financial year ended 31 December 2019 mainly due to a decrease in general selling, marketing and advertising activities during the financial year under review.

Administrative Expenses

Administrative expenses decreased by RMB91 million from RMB407 million in the financial year ended 31 December 2018 to RMB316 million in the financial year ended 31 December 2019 due mainly to decrease in foreign exchange losses and staff costs during the financial year under review. The decrease in staff costs was due to decrease in number of staff during the financial year under review.

Finance Costs

Finance costs decreased by RMB325 million from RMB1,020 million in the financial year ended 31 December 2018 to RMB695 million in the financial year ended 31 December 2019 due mainly to decrease in interest on senior notes and bank borrowings during the financial year under review.

Income Tax Expenses

The Group recorded income tax credit of RMB419 million in the financial year ended 31 December 2019 due mainly to deferred tax impact of the fair value changes of the investment properties.

Loss for The Year Attributable to Owners of The Company

The Group recorded a loss of RMB2,766 million in the financial year ended 31 December 2019 as compared to loss of RMB4,216 million in the financial year ended 31 December 2018. The decrease in losses was mainly due to the combined effects of decreases in distribution and selling expenses, administrative expenses, finance costs, impairment loss on various assets and loss on disposal of subsidiaries.

BUSINESS REVIEW

Contracted Sales

During the financial year under review, the Group recorded contracted sales and contracted sales area of RMB761 million and 56,842 sq.m., representing a decrease of 72.6% and 83.9% respectively as compared to the financial year ended 31 December 2018 (2018: RMB2,778 million; 352,273 sq.m.).

Project development

As at 31 December 2019, the Group had 14 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Heilongjiang, Jilin, Henan, Liaoning, Chongqing and Fujian, including 12 trade logistics centers, 2 multi-functional commercial complexes and residential projects.

Completed projects

During the financial year under review, the Group completed a total of 19 projects or project phases with a gross floor area ("**GFA**") of approximately 5,640,176 sq.m., including approximately 3,445,389 sq.m. of GFA sold and delivered and approximately 98,990 sq.m. of GFA held for lease.

Projects under development

As at 31 December 2019, the Group had a total of 14 projects or project phases under development with a total planned GFA of 1,005,696 sq.m., including approximately 297,670 sq.m. of GFA pre-sold and approximately 708,026 sq.m. of GFA held for lease.

Projects planned for future developments

As at 31 December 2019, the Group had a total of 13 projects or project phases planned for future development, with a total planned GFA of approximately 1,953,567 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 2019, the total planned GFA of land bank amounted to approximately 1,953,567 sq.m..

Future Prospects

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

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. After years of effort that included delivering high quality of products and successful brand strategy, the 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.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2019, the Group's bank balances and cash (including restricted cash and pledged deposits) was RMB423 million (2018: RMB533 million), representing a decrease of 20.7% as compared to that as at 31 December 2018. 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 2019, the Group's restricted cash was RMB90 million (2018: RMB131 million), representing an decrease of 31.3% as compared to that as at 31 December 2018.

Current Ratio and Gearing Ratio

As at 31 December 2019, the Group has current ratio (being current assets over current liabilities) of 0.54 compared to that of 0.66 as at 31 December 2018. The gearing ratio was 129.1% as at 31 December 2019 compared to that of 107.6% as at 31 December 2018. 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 60.1% as at 31 December 2019 compared to that of 49.2% as at 31 December 2018.

Borrowings and Charges on The Group's Assets

As at 31 December 2019, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of RMB3.2 billion (2018: RMB3.7 billion) and RMB6.0 billion (2018: RMB5.7 billion), respectively. Amongst the interest bearing bank and other borrowings, RMB2.7 billion (2018: RMB2.5 billion) will be repayable within 1 year, RMB422.1 million (2018: RMB992.2 million) will be repayable between 2 to 5 years and RMB Nil (2018: RMB232.7 million) will be repayable after 5 years. The senior notes were repayable within 1 year and convertible notes were redeemable on or after 30 September 2017. Amongst the corporate bonds, RMB3.4 billion (2018: RMB2.0 billion) are repayable within 1 year and RMB Nil (2018: RMB1.1 billion) are repayable between 2 to 5 years.

As at 31 December 2019, 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 pledged 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.

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

Foreign Exchange Exposures

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.

Capital Commitments

As at 31 December 2019, the Group had committed payment for properties under development amounting to RMB1.9 billion (2018: RMB2.1 billion).

Contingent Liabilities

As at 31 December 2019, the Group had (a) the share of a joint venture's contingent liabilities of RMB23 million (2018: RMB23 million) arising from litigations, details of which are set out in Note 20 and 43 to the consolidated financial statements; and (b) provided guarantees amounting to RMB1.3 billion (2018: RMB1.4 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 2019 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2019, the Group had approximately 585 (2018: 1,147) employees, of which 393 (2018: 843) employees involved in the property development sector and 192 (2018: 304) employees in the property operation services sector. Total staff costs (including Directors' emoluments) for the year ended 31 December 2019 amounted to RMB87 million (2018: RMB174 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.

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 financial year ended 31 December 2019.

FINAL DIVIDEND

The board of Directors does not recommend the payment of a final dividend for the financial year ended 31 December 2019 (2018: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the financial year under review.

EVENTS AFTER THE REPORTING PERIOD

Save for the transactions and events disclosed below, there were no major event occurred since the end of the financial year ended 31 December 2019 up to 30 April 2020.

On 30 March 2020, Wuxi Longxiang Investment Company Limited* (無錫市龍祥投資有限公司) ("Wuxi Longxiang") and Ningbo Huaye Material Technology Company Limited* (寧波華業材料科技有限公司) ("Ningbo Huaye") entered into a debt settlement agreement, pursuant to which Wuxi Longxiang agreed to sell, and Ningbo Huaye agreed to acquire, the Zhonghai Trust — Huayi Pure Bond No. 7 Collective Funds Trust Scheme* (中海信託 — 華溢純債7號集合資金信託計劃) at a total consideration of RMB31.68 million. Please refer to the Company's announcement dated 31 March 2020 for further details.

On 10 April 2020, Wuxi Zhongnan Properties Investment Company Limited* (無錫中南置業投資有限公司) ("Wuxi Zhongnan") and Ningbo Huaye and Ningbo Qichuang Properties Company Limited* (寧波啟創置業有限公司) ("Ningbo Qichuang") entered into two debt settlement agreements respectively, pursuant to which Wuxi Zhongnan agreed to sell, and Ningbo Huaye and Ningbo Qichuang agreed to acquire, certain interests in Zhonghai Trust — Huayi Pure Bond No. 6 Collective Funds Trust Scheme* (中海信託 — 華溢純債6號集合資金信託計劃) at a consideration of RMB12.1 million and RMB20 million respectively. Please refer to the Company's announcement dated 16 April 2020 for further details.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the 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 2019 except for code provisions A.2.1, A.2.7, A.6.7 and E.1.2.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Shu Cewan currently holds both positions since the retirement of Mr. Shu Cecheng, 19 June 2019. Mr. Shu Cewan has considerable experience in the related industry. The Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process. The Board also considers that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

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.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 any general meetings since the annual general meeting of the Company held on 1 June 2018 since the Company had not convened any annual general meeting since 1 June 2018.

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. All Directors have not attended any general meetings since the annual general meeting of the Company held on 1 June 2018 since the Company had not convened any annual general meeting since 1 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for the 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 2019 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2019 and up to the date of this annual report.

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. 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 external auditors of the Company the Group's financial statements for the year ended 31 December 2019. 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 2019 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-appointment 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 2019 as set out in preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. 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 2019 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 of the Company are Dr. Song Ming, Prof. Shu Guoying and Mr. Liu Chaodong.