Xiezhong International Holdings Limited
協眾國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3663)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED ANNUAL RESULTS

As set out in the paragraph headed "Unaudited Annual Results", the auditing process for the annual results of Xiezhong International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**", "**we**" or "**us**") has not been completed. In the meantime, the board of directors (the "**Board**") of the Company is pleased to announce the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Year**") with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	**2019**	2018
			(note)
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	
Revenue	*5*	**1,973,482**	924,104
Cost of sales		**(1,797,793)**	(754,111)
Gross profit		**175,689**	169,993
Other net (loss)/income	*6*	**(26,896)**	17,123
Distribution costs		**(105,211)**	(54,321)
Administrative expenses		**(131,734)**	(112,185)
Impairment losses on trade and other receivables	*7(d)*	**(63,825)**	(4,200)
Other operating expenses		**(177)**	(6)
(Loss)/profit from operations		**(152,154)**	16,404
Finance costs	*7(a)*	**(65,815)**	(32,408)
Loss on fair value changes of financial instruments measured at fair value through profit and loss ("**FVTPL**")	*7(c)*	**(64,200)**	—
Loss before taxation		**(282,169)**	(16,004)
Income tax	*8*	**(5,403)**	599
Loss for the year		**(287,572)**	(15,405)
Attributable to:			
Equity shareholders of the Company		**(285,627)**	(9,228)
Non-controlling interests		**(1,945)**	(6,177)
Loss for the year		**(287,572)**	(15,405)
Loss per share (RMB)			
Basic and diluted	*9*	**(0.36)**	(0.01)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019	2018
			(note)
		RMB'000	*RMB'000*
		(Unaudited)	
Loss for the year		**(287,572)**	(15,405)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company, net of nil tax		**(6,414)**	1,809
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Mainland China, net of nil tax		**(4,047)**	(6,588)
Other comprehensive income for the year		**(10,461)**	(4,779)
Total comprehensive income for the year		**(298,033)**	(20,184)
Attributable to:			
Equity shareholders of the Company		**(296,088)**	(14,007)
Non-controlling interests		**(1,945)**	(6,177)
Total comprehensive income for the year		**(298,033)**	(20,184)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** **RMB'000** **(Unaudited)**	2018 *(note)* *RMB'000*
Non-current assets			
Property, plant and equipment		**955,412**	986,868
Right-of-use assets		**121,146**	—
Lease prepayments		**—**	68,535
Intangible assets		**261,312**	270,690
Goodwill		**16,670**	62,040
Long-term receivables		**14,165**	32,254
Non-current prepayments		**89,428**	97,379
Derivative financial assets		**12,461**	22,191
Other non-current assets		**5,402**	4,594
Amounts due from related parties		**156,852**	165,824
Deferred tax assets		**38,438**	19,344
		1,671,286	1,729,719
Current assets			
Inventories	*10*	**448,270**	343,920
Trade and other receivables	*11*	**691,305**	717,745
Amounts due from related parties	*11*	**110,914**	182,929
Deposits with banks	*12*	**63,270**	63,845
Cash	*13*	**59,290**	73,128
		1,373,049	1,381,567
Current liabilities			
Trade and other payables	*14*	**1,013,241**	824,091
Amounts due to related parties		**6,709**	7,998
Contract liabilities		**28,179**	31,410
Interest-bearing borrowings	*15*	**985,027**	892,957
Lease liabilities		**4,654**	—
Income tax payables		**22,215**	25,054
Provisions		**3,692**	4,036
		2,063,717	1,785,546
Net current liabilities		**(690,668)**	(403,979)
Total assets less current liabilities		**980,618**	1,325,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Note	2019	2018
			(note)
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	
Non-current liabilities			
Deferred income		**51,071**	28,222
Interest-bearing borrowings	*15*	**75,097**	100,102
Deferred tax liabilities		**48,482**	48,554
Acquisition related consideration payables		**295,810**	346,939
Lease liabilities		**6,268**	—
		476,728	523,817
NET ASSETS		**503,890**	801,923
CAPITAL AND RESERVES			
Share capital		**6,496**	6,496
Reserves		**475,581**	771,669
Total equity attributable to equity shareholders of the Company		**482,077**	778,165
Non-controlling interests		**21,813**	23,758
TOTAL EQUITY		**503,890**	801,923

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES

1 GENERAL INFORMATION

Xiezhong International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 30 September 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is at the office of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is at Room 601, New Landwide Commercial Building, 73 Kimberley Road, Kowloon, Hong Kong Special Administrative Region ("**Hong Kong**"). The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 June 2012 (the "**Listing Date**").

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the following two businesses: 1) the design, production and sale of automotive heating, ventilation and cooling ("**HVAC**") systems and a range of automotive HVAC components and rendering of services ("**HVAC business**"); and 2) 4S dealership business.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial information have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IAS**") and related interpretations, promulgated by the International Accounting Standards Board ("**IASB**"), and comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial information also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Main Board Listing Rules**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial information.

(b) Basis of preparation

In determining the appropriate basis of preparation of financial information, the directors are required to consider whether the Group could continue in operational existence for the foreseeable future.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as and when they fall due, and its ability to obtain adequate external financing to meet its committed future capital expenditures.

The Group incurred a net loss of RMB288 million for the year ended 31 December 2019. As at 31 December 2019, the Group had net current liabilities of RMB691 million, total borrowings of RMB1,060 million, acquisition related consideration payables of RMB296 million and capital commitments which had been contracted for of RMB63 million.

The directors have reviewed the current performance and cash flow projections as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(1) the Group generated net cash inflows from operating activities during the year ended 31 December 2019 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;

(2) at 31 December 2019, the Group had available unutilised bank facilities of RMB165 million;

(3) the Group has the ability to obtain new banking and other financing facilities and has the ability to renew or refinance the banking facilities upon maturity;

(4) the Group can adjust the schedule or defer the payment of certain planned capital expenditure for the year ending 31 December 2020; and

(5) the largest shareholder and an executive director of the Group confirmed that they will provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period of at least twelve months from the end of the reporting period.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial information for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial information is the historical cost except derivative financial instruments and acquisition consideration payables which have been measured at fair value.

The preparation of financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued a new IFRSs, IFRS 16, *Leases* and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach, performed an assessment on the impact of cumulative effect of initial application and concluded there is no adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.8% for automotive heat, ventilation and cooling ("HVAC") reporting segment and 5.34% for 4S reporting segment.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000* (Unaudited)
Operating lease commitments at 31 December 2018	12,717
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(24)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	138
	12,831
Less: total future interest expenses	(883)
Total lease liabilities recognised at 1 January 2019	11,948

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	—	80,732	80,732
Lease prepayment	68,535	(68,535)	—
Total non-current assets	1,729,719	12,197	1,741,916
Trade and other receivables	717,745	(249)	717,496
Current assets	1,381,567	(249)	1,381,318
Lease liabilities (current)	—	5,711	5,711
Current liabilities	1,785,546	5,711	1,791,257
Net current liabilities	(403,979)	(5,960)	(409,939)
Total assets less current liabilities	1,325,740	6,237	1,331,977
Lease liabilities (non-current)	—	6,237	6,237
Total non-current liabilities	523,817	6,237	530,054
Net assets	801,923	—	801,923

c. *Impact on the financial result and segment results of the group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and segment results for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating lease as if under IAS 17 (C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
(Loss)/profit from operations	**(152,154)**	**8,106**	**(9,879)**	**(153,927)**	16,404
Finance costs	**(65,815)**	**993**	**—**	**(64,822)**	(32,408)
Loss before taxation	**(282,169)**	**9,099**	**(9,879)**	**(282,949)**	(16,004)
Loss for the year	**(287,572)**	**9,099**	**(9,879)**	**(288,352)**	(15,405)
Reportable segment (loss)/profit for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
— HVAC business	**(1,752)**	**—**	**(6,427)**	**(8,179)**	(15,405)
— 4S business	**116,828**	**—**	**(1,255)**	**115,573**	—
Total	**115,076**	**—**	**(7,682)**	**107,394**	(15,405)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty — depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

After conducting a review on the useful lives of the property, plant and equipment and intangible assets of the Group, in order to more accurately reflect the useful lives of the property, plant and equipment and intangible assets, and to ensure that the property, plant and equipment and intangible assets and their related depreciation and amortisation expenses more appropriately reflect the Group's actual usage conditions, the Group resolved to change the accounting estimates of the useful lives of moulds and capitalised development costs from 8 years to 5 years. The useful lives of moulds and capitalised development costs were changed from 1 September 2019 as explained further below.

Certain HVAC systems are developed through research and development activities and related expenses charged to qualified expenditures are capitalised as development costs in intangible assets. During the production process, the HVAC products are generally produced through moulds, which are recorded under machinery and equipment. Those capitalised development costs and moulds are designed to fulfill respective sales orders for different automobiles. The management had previously expected that the moulds and capitalised development costs could be generally used for 8 years, which is in line with the average sales cycle of automobiles. With the development in auto industry and the market downturns, the sales cycle of most automobile is shortened, which in turn shorten the expected useful lives of moulds and capitalised development costs. Therefore, considering the above facts, circumstances and report from internal technicians, it is expected that the current expected useful life of the moulds and capitalised development costs are different from the useful lives originally estimated.

These changes in estimated useful lives of the moulds and capitalised development costs were accounted for as changes in accounting estimates effective since 1 September 2019. The impact of these changes for the four months period ended 31 December 2019 was an increase in depreciation and amortisation expenses of RMB21 million and RMB2 million respectively.

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments.

— HVAC business: this segment operates the manufacture and sales of automotive HVAC systems and a range of automotive HVAC components and rendering of services.

— 4S dealership business: this segment operates the sales of automobile and a range of automobile components and rendering of after sales services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, the assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, contract liabilities, interest-bearing borrowings, provision, lease liabilities and deferred income with the exception of current tax payable, deferred tax liabilities and corporate liabilities.

As 4S dealership business was acquired on 28 December 2018, no segment profit/(loss) information for the year ended 31 December 2018 is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2019 is set out below:

	HVAC business		**4S dealership business**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)		**(Unaudited)**		**(Unaudited)**	
Disaggregated by timing of revenue recognition						
Point in time	**877,978**	924,104	**1,095,504**	—	**1,973,482**	924,104
Revenue from external customers	**877,978**	924,104	**1,095,504**	—	**1,973,482**	924,104
Inter-segment revenue	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**877,978**	924,104	**1,095,504**	—	**1,973,482**	924,104
Reportable segment (loss)/profit (adjusted EBITDA)	**(1,752)**	68,645	**116,828**	—	**115,076**	68,645
Interest income from bank deposits	**527**	291	**11,128**	—	**11,655**	291
Interest expense	**55,474**	32,408	**10,341**	—	**65,815**	32,408
Depreciation and amortisation for the year	**134,662**	85,049	**8,780**	—	**143,442**	85,049
Impairment of				—		
— Property, plant and equipment	**29,815**	—	**—**	—	**29,815**	—
— Intangible assets	**38,541**	—	**—**	—	**38,541**	—
— Goodwill	**45,370**	—	**—**	—	**45,370**	—
Reportable segment assets	**2,423,748**	2,300,580	**697,804**	706,812	**3,121,552**	3,007,392
Reportable segment liabilities	**1,948,446**	1,553,686	**368,120**	331,766	**2,316,566**	1,885,452

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The measure used for reporting segment profit is "reportable segment (loss)/profit" which exclude impairment loss of non-current assets, depreciation and amortization, finance costs, loss on fair value changes of financial instruments measured at FVTPL and other head office or corporate administration costs.

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	For the year ended 31 December 2019 ***RMB'000*** **(Unaudited)**
Revenue	
Reportable segment revenue	**1,973,482**
Elimination of inter-segment revenue	**—**
Consolidated revenue	**1,973,482**

	For the year ended 31 December 2019 ***RMB'000*** **(Unaudited)**
Profit	
Reportable segment profit	**115,076**
Elimination of inter-segment profits	**—**
Reportable segment profit derived from Group's external customers	**115,076**
Impairment loss of non-current assets	**(113,726)**
Depreciation and amortisation	**(143,442)**
Finance costs	**(65,815)**
Loss on fair value changes of financial instruments measured at FVTPL	**(64,200)**
Unallocated head office and corporate expenses	**(10,062)**
Consolidated loss before taxation	**(282,169)**

	2019	2018
		(Note)
	RMB'000	*RMB'000*
	(Unaudited)	
Assets:		
Reportable segment assets	**3,121,552**	3,007,392
Elimination of inter-segment receivables	**(145,817)**	—
	2,975,735	3,007,392
Goodwill	**16,670**	62,040
Deferred tax assets	**38,438**	19,344
Unallocated corporate assets	**13,492**	22,510
Consolidated total assets	**3,044,335**	3,111,286
Liabilities:		
Reportable segment liabilities	**2,316,566**	1,885,452
Elimination of inter-segment payables	**(145,817)**	—
	2,170,749	1,885,452
Income tax payables	**22,215**	25,054
Deferred tax liabilities	**48,482**	48,554
Unallocated corporate liabilities	**298,999**	350,303
Consolidated total liabilities	**2,540,445**	2,309,363

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(c) Information about geographical area

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, lease prepayments, intangible assets, goodwill and non-current prepayments ("specified non-current asset"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, right-of-use assets, lease prepayments and non-current prepayments, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)		**(Unaudited)**	
Mainland China	**1,912,209**	872,275	**1,240,812**	1,268,471
The Kingdom of Morocco ("**Morocco**")	**545**	—	**203,156**	217,041
France	**49,499**	50,005	**—**	—
The Kingdom of Spain	**8,398**	1,824	**—**	—
Slovakia	**2,831**	—	**—**	
	1,973,482	924,104	**1,443,968**	1,485,512

(d) Information about major customers

The Group's customer base is diversified and includes only 1 customer (2018: 3 customers) with whom transactions have exceeded 10% of the Group's annual revenue during the year.

Revenues from sales and rendering of services to a customer which amounted to 10% or more of the Group's revenues for the year are set out below:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Customer A	**259,810**	211,413
Customer B	**Less than 10% of total revenue**	159,536
Customer C	**Less than 10% of total revenue**	101,668

5 REVENUE

The principal activities of the Group are 1) manufacturing and sales of automotive HVAC systems and HVAC components, testing services and experiment services; 2) sales of automobiles and automobile components and after sales services.

(a) Revenue represents the sales value of goods supplied to customers and revenue from the rendering of services. The amount of each significant category of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Revenue from contracts with customers within the scope of IFRS 15		
HVAC Business		
Sales of HVAC systems and HVAC components	**868,391**	916,517
Revenue from the rendering of services	**9,587**	7,587
	877,978	924,104
4S dealership business		
Sales of passengers vehicles	**960,972**	—
After-sales services	**134,532**	—
	1,095,504	—
	1,973,482	924,104

(b) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

6 OTHER NET (LOSS)/INCOME

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Government grants	**15,036**	10,578
Net foreign exchange gains	**811**	4,465
Service income	**55,566**	1,538
Interest income on financial assets measured at amortised cost	**11,655**	291
Impairment loss of		
— property, plant and equipment	**(29,815)**	—
— intangible assets	**(38,541)**	—
— goodwill	**(45,370)**	—
Others	**3,762**	251
	(26,896)	17,123

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Interest on bank loans and other borrowings	**60,975**	28,068
Interest on lease liabilities	**993**	—
Interest on discounted bills	**8,998**	7,406
Total interest expense on financial liabilities not at fair value through profit or loss	**70,966**	35,474
Less: interest expense capitalised into properties under development	**(5,151)**	(3,066)
	65,815	32,408

(b) Staff costs

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Salaries, wages, and other benefits		**145,258**	113,929
Contributions to defined contribution retirement plan	*(i)*	**8,116**	7,566
		153,374	121,495

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in defined contribution retirement benefit schemes (the "**scheme**") organised by the PRC government authorities whereby the Group is required to make contributions to the scheme at the rate of 14%–20% (2018: 14%–20%) of the eligible employees' salaries.

The PRC government is responsible for the entire pension obligation payable to the retired employees. The Group has no other material obligation for the payment of pension benefits associated with the scheme referred to above beyond the annual contributions described above.

(c) Loss on fair value change on financial instruments measured at FVTPL

	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Financial assets at FVTPL		
Mandatorily measured at FVTPL	**9,255**	—
Financial liabilities at FVTPL		
Designated at initial recognition		
— Promissory notes	**25,360**	—
— Convertible bonds tranche 1 ("**CB1**")	**1,003**	—
	26,363	—
Mandatorily measured at FVTPL		
— Commitment to issue promissory notes	**(2,408)**	—
— Commitment to issue convertible bonds	**30,990**	—
	28,582	—
	64,200	—

(d) Other items

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000
Amortisation			
— lease prepayments		**—**	1,487
— intangible assets		**17,817**	9,509
Depreciation			
— owned property, plant and equipment		**117,519**	74,053
— right-of-use assets		**8,106**	—
Impairment losses			
— trade and other receivables		**63,825**	4,200
— plant and machinery		**29,815**	—
— intangible assets		**38,541**	—
— goodwill		**45,370**	—
Research and development ("**R&D**") costs (other than depreciation & amortisation)		**11,450**	13,421
Decrease in provision for product warranties		**(1,512)**	(308)
Cost of inventories	*10(b), (i)*	**1,796,414**	751,684

(i) Cost of inventories includes RMB120,059,000 (2018: RMB116,893,000) relating to staff costs, depreciation and amortisation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Current tax-PRC income tax		
Provision for the year	**24,710**	2,415
(Over)/under-provision in respect of prior years	**(141)**	502
	24,569	2,917
Deferred tax		
Origination and reversal of temporary differences	**(19,166)**	(3,516)
	(19,166)	(3,516)
	5,403	(599)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Loss before taxation		**(282,169)**	(16,004)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	*(i)*	**(42,105)**	(2,137)
Tax effect of non-deductible expenses		**722**	570
Effect of additional deduction on R&D expenses	*(ii)*	**(4,448)**	(4,212)
Tax effect of unused tax losses not recognised		**17,500**	2,028
Effect of tax concession	*(iii)*	**33,875**	2,650
(Over)/under-provision in respect of prior years		**(141)**	502
Actual tax expense		**5,403**	(599)

(i) Under the Corporate Income Tax Law of the PRC (the "**CIT Law**"), the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate unless otherwise specified.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not derive any income which was subject to Hong Kong Profit Tax during the year (2018: Nil).

The statutory income tax rate for the subsidiary located in Morocco is 30%.

(ii) Under the CIT Law and its relevant regulations, qualified R&D expenses and amortisation of capitalised development costs in intangible assets are subject to income tax deductions at 175% (2018: 175%) on the amount actually incurred.

(iii) Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. ("**Xiezhong Nanjing**") was qualified as a High and New Technology Enterprise in 2009. Xiezhong Nanjing renewed its certificate as a High and New Technology Enterprise in 2012, 2015 and 2017 respectively. As a result, it was entitled to a preferential tax rate of 15% for a period from 2018 to 2020 pursuant to the current applicable CIT Law and its regulations.

According to the tax policy of Atlantic Free Zone of Morocco, the Group's subsidiary located in Morocco is entitled to a preferential income tax rate of 0% from 2019 to 2023, and 8.75% from 2024 and thereafter.

(iv) Under the CIT Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. The Group is required to pay the PRC dividend withholding tax at a rate of 10%. Deferred tax liabilities of RMB8,927,489 (2018: RMB27,924,949) were not recognised in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of retained profits of RMB89,274,887 as at 31 December 2019 (2018: RMB279,249,491) in respect of the Group's subsidiaries in the PRC as the Company controls the dividend policy of these subsidiaries and it was determined that it was probable that these profits would not be distributed in the foreseeable future.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB285,627,000 (2018: RMB9,228,000) and the number of 800,000,000 ordinary shares (2018: 800,000,000 ordinary shares) in issue during the year.

Number of shares

	2019 (Unaudited)	2018
Number of issued ordinary shares at 1 January and 31 December	**800,000,000**	800,000,000

(b) Diluted loss per share

Diluted loss per share was the same as basic loss per share for the year ended 31 December 2019 as the potential ordinary shares under the conversion of convertible bonds have anti-dilutive effects on the basic loss per share.

10 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprised:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
HVAC business		
— Raw materials	**72,160**	46,653
— Work in progress	**22,742**	12,850
— Finished goods	**299,851**	224,390
	394,753	283,893
4S dealership business		
— Motor vehicles	**48,445**	54,973
— Automobile spare parts	**5,072**	5,054
	53,517	60,027
	448,270	343,920

Inventories with carrying amount of RMB35,958,000 have been pledged as security for bank loans and other borrowings (see note 15(d)) as at 31 December 2019 (2018: RMB52,544,000)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Carrying amount of inventories sold	**1,759,501**	746,028
Write down of inventories	**36,913**	5,656
	1,796,414	751,684

11 TRADE AND OTHER RECEIVABLES

	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Trade receivables due from third parties, net of loss allowance	**341,707**	360,722
Bills receivable	**150,308**	220,874
Other debtors, deposits and prepayments	**199,290**	136,149
Trade and other receivables	**691,305**	717,745
Trade receivables due from related parties, net of loss allowance	**102,312**	87,947
Advances to related parties	**8,602**	94,982
	110,914	182,929
Total	**802,219**	900,674

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables due from third parties and bills receivable (which are included in trade and other receivables) and trade receivables due from related parties, based on the invoice date and net of allowance for doubtful debts, is as follows.

	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Within 3 months	**506,186**	527,512
3 to 6 months	**48,551**	76,487
6 to 12 months	**22,904**	50,387
Over 12 months	**16,686**	15,157
Total	**594,327**	669,543

Trade debtors and bills receivables are mainly due within 1 month to 6 months from the date of billing.

12 DEPOSITS WITH BANKS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Pledged deposits	**63,270**	63,845

13 CASH

Cash comprises:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Cash on hand	**1,882**	450
Cash at bank	**57,408**	72,678
	59,290	73,128

As at 31 December 2019, cash includes cash at bank and on hand of RMB55,236,000 (2018: RMB61,422,000) held in Mainland China. The conversion of RMB denominated balance into foreign currencies and the remittance of bank balance and cash out of the Mainland China is subject to the relevant rules and regulations of foreign exchange restriction imposed by the PRC government.

14 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Trade payables	**697,133**	429,082
Bills payable	**122,032**	213,873
	819,165	642,955
Other payables	**183,040**	168,579
Other tax payables	**11,036**	12,557
	1,013,241	824,091

(a) An ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
Within 3 months	**674,580**	565,109
Over 3 months but less than 6 months	**100,634**	33,415
Over 6 months but less than 12 months	**30,128**	36,720
Over 12 months	**13,823**	7,711
	819,165	642,955

15 INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	
Current portion:			
— Bank loans	*(a)*	**607,890**	609,502
— Bank advances under discounted bills		**57,109**	118,517
— Loans from leasing companies	*(b)*	**89,865**	90,547
— Loans from financing companies	*(c)*	**13,731**	66,291
— Loans from related parties		**127,350**	8,100
— Loans from third parties		**89,082**	—
		985,027	892,957
Non-current portion:			
— Bank loans		**36,635**	46,936
— Loans from leasing companies	*(b)*	**38,462**	53,166
		75,097	100,102
		1,060,124	993,059

(a) A bank loan amounting to EUR10,700,000 (RMB equivalent: RMB83,626,000) as at 31 December 2019 (2018: EUR11,700,000 (RMB equivalent: RMB91,813,000)) is subject to the fulfilment of covenants as stipulated in the loan agreement. The Group has failed to fulfil certain covenants relating to financial ratios at the reporting date. Accordingly, such bank loan amounting to EUR10,700,000 became payable on demand and was classified as current liabilities. As at the date of this announcement, no action has been taken by the creditor of such bank loan.

Other than the above, as at 31 December 2019, none of the covenant requirements has been breached.

(b) As at 31 December 2019, Xiezhong Nanjing, a subsidiary of the Company, entered into four sales and leaseback agreements with four leasing companies for certain machinery and equipment of Xiezhong Nanjing ("**Secured Assets**") and the leasing period is 2 years. Upon maturity, Xiezhong Nanjing will be entitled to purchase the Secured Assets at a nominal value of RMB100, RMB100, RMB100 and RMB10,000 respectively. The Group considered that it was almost certain that Xiezhong Nanjing would exercise these repurchase options. As the substantial risks and rewards of the Secured Assets were retained by Xiezhong Nanjing before and after these arrangements, the Group recorded such transaction as secured borrowings.

    As at 31 December 2019, the loans from leasing companies of the Group amounting to RMB128,327,000 (2018: RMB143,713,000) were secured by certain machinery and equipment of the Group with the carrying amount of RMB206,776,000 (2018: RMB213,258,000).

(c) A loan of RMB13,731,000 was borrowed by Nanjing Xiezhong Lexus Automobile Sales Co., Ltd from the auto finance company of the respective automobile manufacturer for purchase of motor vehicles. The loan bears interest at rate of 7.68% per annum, is secured by the long-term receivables amounting to RMB10,000,000 and inventories amounting to RMB12,151,000.

As at 31 December 2019, the interest-bearing borrowings were repayable as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Within 1 year or on demand	**985,027**	892,957
After 1 year but within 2 years	**48,462**	63,401
After 2 years but within 5 years	**26,635**	36,701
	75,097	100,102
	1,060,124	993,059

As at 31 December 2019, the interest-bearing borrowings were secured as follows:

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Bank loans			
— Secured	*(d)*	**505,525**	499,438
— Unsecured		**139,000**	157,000
Bank advances under discounted bills		**57,109**	118,517
Secured loans from leasing companies	*(d)*	**128,327**	143,713
Secured loans from financing companies	*(d)*	**13,731**	66,291
Unsecured loans from related parties		**127,350**	8,100
Unsecured loans from third parties		**89,082**	—
		1,060,124	993,059

(d) As at 31 December 2019, the bank loans and other borrowings of the Group were secured by the following assets:

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Property, plant and equipment		**467,424**	475,255
Right-of-use assets		**34,282**	—
Lease prepayments		**—**	35,195
Non-current prepayment		**—**	5,859
Long-term receivables		**10,000**	—
Inventory	*10*	**35,958**	52,544
Trade and other receivables		**22,806**	17,046
Pledged deposits		**45,473**	51,029
		615,943	636,928

In addition, the Group's bank loans amounting to RMB193,000,000 were guaranteed by related parties as at 31 December 2019 (2018: RMB144,450,000).

16 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution of the equity shareholders of the Company passed on 21 May 2012, the Company has conditionally approved and adopted a share option scheme which was further revised on 30 May 2012.

On and subject to the terms of the share option scheme and the requirements of the Main Board Listing Rules, the board of directors of the Company shall be entitled at any time within 10 years commencing on the Listing Date to make an offer for the grant of an option to any qualifying grantee as the board of directors may in its absolute discretion select.

No share option was granted under the share option scheme during the years ended 31 December 2019 and 2018.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) No dividend attributable to the year was declared in 2019 or proposed after the end of the reporting period (2018: RMB Nil).

(ii) Dividends payable to equity shareholders of the Company attribute to the previous financial year, approved and paid during the year.

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD Nil per share (2018: HKD Nil per share)	**—**	—

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has two lines of business: HVAC business and 4S dealership business.

The Group is one of the leading suppliers of HVAC systems for vehicles. We principally engage in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, and provide technical testing and related services. Our automotive HVAC systems are mainly used in sport utility vehicles ("**SUVs**"), pickup trucks, sedans and heavy trucks, in addition to the supply of HVAC systems and HVAC components for new-energy vehicles ("**NEVs**"), construction machineries and other types of vehicles such as light trucks and buses. The Group's current annual capacity of production is about 4 million sets of HVAC systems, the main customers are BAIC Motor, FOTON, PSA, DPCA, Dongfeng Group, FAW, GEELY AUTO and other well-known international and domestic auto companies.

The 4S dealership business operates the sales of automobiles and spare parts and accessories, and provides a comprehensive range of after-sales services, such as repair and maintenance services. The 4S dealership business is dedicated to luxury brand and mid-to high-end brand, such as Lexus and FAW-Volkswagen, and is mainly located in Nanjing, Jiangsu Province.

During the Year, the Chinese automotive market experienced its first decline since 2018 and the downward trend continued in 2019. According to the statistical data of CAAM (中國汽車工業協會), the production and sales of automobiles in 2019 were 25.7 million and 25.8 million units respectively, decreased by 7.5% and 8.2% respectively, year-on-year. Amongst those motor vehicles, the production and sales of passenger vehicles reached 21.4 million and 21.4 million units respectively, decreased by 9.2% and 9.6% respectively, year-on-year; the production and sales of commercial vehicles manufactured and sold were 4.4 million and 4.3 million units respectively, increased by 1.9% and decreased by 1.1% respectively, year-on-year; and the production and sales of NEVs reached 1.2 million units and 1.2 million units respectively, decreased by 2.3% and 4.0% respectively, year-on-year.

As one of the main suppliers of HVAC systems for domestic vehicles in the PRC, the sales of our HVAC system business have been declining significantly for two consecutive years since 2018.

On the other hand, the 4S dealership business recorded encouraging results as the sales of the Volkswagen and Lexus brands increased significantly during the Year. In addition, we continuously optimize the business process of after-sales services. The revenue from the sales of accessories and other value-added services increased by more than 20% compared with that in 2018.

During the Year, the Group recorded revenue of RMB1,973.5 million, representing an increase of 113.6% compared against that of RMB924.1 million in 2018. The gross profit was RMB175.7 million, representing an increase of 3.4% compared against that of RMB170.0 million in 2018. The loss attributable to equity shareholders was RMB285.6 million, representing an increase of 3,004.3% compared against that of RMB9.2 million in 2018.

HVAC business

Since 2019, the global macro economy has been sluggish. The economies of major developed regions such as the United States, Europe and Japan further slowed down, and the economic growths for most emerging economies have also shown signs of slowing down. Against the backdrop of the slow global economic growth and the rise of protectionism, the downward pressure on China's economy in 2019 continued to increase, and competition in the HVAC industry further intensified. Throughout the years of fierce competition and challenging market environment, the Group's revenue from HVAC business recorded for the Year decreased to approximately RMB878.0 million, showing a decrease of approximately 5.0% as compared against that of RMB924.1 million in 2018. Meanwhile, the gross profit of RMB86.4 million was recorded for the Year, representing a decrease of 49.2% compared against that of RMB170.0 million in 2018.

4S dealership business

The Group's revenue from 4S dealership business amounted to approximately RMB1,095.5 million for the Year, which is approximately 55.5% of the Group's total revenue. The gross profit from 4S dealership business was RMB89.3 million.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of RMB1,973.5 million, representing an increase of 113.6% compared against that of RMB924.1 million in 2018. The increase in revenue was due to the net effect of the revenue recorded from 4S dealership business which the Group obtained control on 28 December 2018 and the decrease in revenue from HVAC systems compared against that in 2018.

	2019		2018	
	RMB'000 **(Unaudited)**	***% of total revenue***	*RMB'000*	*% of total revenue*
HVAC systems				
SUVs and pickup trucks	**119,797**	**13.6%**	197,816	21.4%
Sedans	**351,984**	**40.1%**	235,670	25.5%
Vans	**52,680**	**6.0%**	111,959	12.1%
Heavy trucks	**98,355**	**11.2%**	152,045	16.5%
Construction machineries	**17,227**	**2.0%**	28,276	3.0%
Other vehicles(1)	**134,817**	**15.3%**	103,902	11.5%
HVAC components(2)	**93,531**	**10.7%**	86,849	9.4%
Others(3)	**9,587**	**1.1%**	7,587	0.6%
Subtotal	**877,978**	**100%**	924,104	100%
4S dealership business				
Sales of passengers vehicles	**960,972**	**87.7%**	—	—
After-sales services	**134,532**	**12.3%**	—	—
Subtotal	**1,095,504**	**100%**	—	—
Total	**1,973,482**		924,104	

(1) Other vehicles mainly comprise light trucks and buses.

(2) HVAC components mainly comprise evaporator, condensers and other HVAC components (such as heater core, radiator, intercooler, oil cooler, HVAC hoses and HVAC housing) for all types of vehicles.

(3) Others mainly represents revenue from rendering of testing and experiment service relating to the manufacturing of automotive air-conditioner.

Gross profit and gross profit margin

During the Year, the gross profit was RMB175.7 million, representing an increase of 3.4% compared against RMB170.0 million in 2018. Such increase was due to gross profit of RMB 115.4 million recorded from 4S dealership business during the Year. The gross profit margin was 8.9% compared to 18.4% in 2018. Such decrease was due to gross loss recorded from the Morocco Plant, which has a gross profit margin of -24% due to the extra cost and fees incurred in engaging a third-party contractor to make good of the shortfall of the production output because of its delay in commencement of production.

Write-down of inventories, net of reversals

The breakdown of the inventory write-down included in profit or loss, net of reversals during the Year, are as follows:

	Year ended 31 December 2019 *RMB'000* **(Unaudited)**
Inventories for BAIC Yinxiang Automobile Co., Ltd. ("**Yinxiang**") *(note 1.1)*	**9,030**
Other inventories *(note 1.2)*	**27,883**
	36,913

Note:

1.1 Provision for inventories of RMB9.0 million was provided against certain inventories purchased or produced for Yinxiang during the Year, which is explained in section "Impairment losses" on trade and other receivables for detailed circumstances of Yinxiang. The Group does not expect to sell these inventories to Yinxiang in the foreseeable future, and these goods cannot be modified for sale to other customers due to their unique design. The net realisable value of these inventories is estimated to be zero and therefore provided full provision of those inventories.

1.2 Provision for inventories of RMB27.9 million was provided against other inventories during the Year. Movement in inventory provision for other inventories during the Year are as follows:

	HVAC business *RMB'000* (Unaudited)	*note*	**4S dealership business** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
At 1 January 2019	(14,568)		(973)	(15,541)
Provision for impairment	(27,281)	*1.2.1*	(602)	(27,883)
Transfer to cost of sales upon sale	—		973	973
At 31 December 2019	(41,849)		(602)	(42,451)

1.2.1 The following table sets forth an analysis of the provision for other inventories provided for HVAC business during the Year.

	Year ended 31 December 2019 *RMB'000* (Unaudited)
Specific provision made*	**5,131**
Provision made for slow moving inventories	**22,419**
Provision made for inventories with low or negative gross margin products	**333**
	27,883

* The specific provision represented full provisions provided for inventories produced for certain customers with very uncertain purchase demand with which the Group are gradually terminating the business relationship due to the increased credit risk and business risk of these customers.

Inventories are carried at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

As a result, an inventory write-down included in profit or loss, net of reversals, of RMB36.9 million was recognised for the Year.

Other net (loss)/income

During the Year, the other net loss is RMB26.9 million, representing a decrease of 257.3% compared against the net income of RMB17.1 million in 2018. The other net loss for the Year mainly includes service income of RMB55.6 million, the government grant of RMB15.0 million and interest income on financial assets measured at amortised cost of RMB11.7 million from 4S dealership business, and the impairment losses for certain idle equipment, certain capitalisation projects of development costs and goodwill of RMB29.8 million, RMB38.5 million and RMB45.4 million respectively from HVAC business.

I. Impairment loss of property, plant and equipment

The following table sets forth a breakdown of impairment loss of property, plant and equipment of RMB29.8 million recorded in the Year.

	As of 31 December 2019 *RMB'000* (Unaudited)		
	Carrying amount before impairment	**Recoverable amount**	**Impairment loss**
Idle equipment specific for production of goods selling to Yinxiang *(note 1.1)*	**11,130**	—	**(11,130)**
Idle equipment specific for production of goods selling to other customers *(note 1.2)*	**16,699**	—	**(16,699)**
Physically damaged equipment	**1,986**	—	**(1,986)**
	29,815	—	**(29,815)**

Note:

1.1 Impairment loss of RMB11.1 million was provided during the Year against certain idle equipment specific for production of goods selling to Yinxiang, which is explained in section Impairment losses on trade and other receivables for detailed circumstances of Yinxiang. The Group does not expect to sell goods to Yinxiang in the foreseeable future, and there is no alternative use of those equipment which are specifically designed for Yinxiang. The recoverable amount of those equipment is estimated to be zero and a full impairment loss was made against the carrying amounts of these equipment accordingly.

1.2 Impairment loss of RMB16.7 million was provided against certain idle equipment for production of goods selling to other customers. The Group gradually terminated business relationship with certain customers during 2019, mainly due to the increased credit risk to continue for doing business with these customers. In addition to the above, the impairment loss is attributable to other idle equipment identified where the sales of the specific vehicle models of the corresponding customers had been suspended. The Group does not expect to have future economic benefits recoverable from the use of those equipment and there is no alternative use of those equipment which are specifically designed. The recoverable amount of those equipment is estimated to be zero and a full impairment loss was made against the carrying amounts of these equipment accordingly.

An asset is impaired when its carrying amount exceeds its recoverable amount. An entity shall assess at the end of each reporting year whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount of an asset is determined on the basis of the higher of its fair value less costs of disposal and its value in use calculation. An impairment loss shall be recognised for the asset if the recoverable amount of the asset is less than its carrying amount.

As a result, an impairment loss of property, plant and equipment of RMB29.8 million was recognised during the Year.

II. Impairment loss of intangible assets

The following table sets forth a breakdown of impairment loss of intangible assets of RMB38.5 million recorded in the Year.

	As of 31 December 2019 *RMB'000* (Unaudited)		
	Carrying amount before impairment	**Recoverable amount**	**Impairment loss**
Project with capitalised development costs for Yinxiang *(note 2.1)*	**1,875**	—	**(1,875)**
Project with capitalised development costs for Beiqi Foton Motor Co., Ltd. *(note 2.2)*	**13,194**	—	**(13,194)**
Project with capitalised development costs for PSA Peugeot Citroen *(note 2.3)*	**13,980**	—	**(13,980)**
Project with capitalised development costs for other customer	**9,492**	—	**(9,492)**
	38,541	—	**(38,541)**

Note:

2.1 Impairment loss of RMB1.9 million was provided against the project with capitalised development costs for Yinxiang during the Year, which is explained in section Impairment losses on trade and other receivables for detailed circumstances of Yinxiang. The project with capitalised development cost represented one internal developed HVAC systems specifically for one type of vehicle of Yinxiang. The Group does not expect to sell goods to Yinxiang in the foreseeable future, and there is no alternative use of the HVAC system which are specifically designed for Yinxiang. The recoverable amounts of the project with capitalised development costs for Yinxiang is estimated to be zero and a full impairment loss was made against the carrying amounts of the project accordingly.

2.2 Impairment loss of RMB13.2 million was provided against a project with capitalised development costs for Beiqi Foton Motor Co., Ltd. ("**Beiqi Foton**") during the Year. The project with capitalised development cost represented one automotive air conditioning and heating system specifically for one type of vehicle of Beiqi Foton. During the second half of the year of 2019, management noted the sales volume of that vehicle decreased a lot compared with the expectation from management. Moreover, there is no alternative use of the HVAC system which are specifically designed for that vehicle. Therefore, the recoverable amounts of the project with capitalised development costs for that vehicle is estimated to be zero and a full impairment loss was made against the carrying amounts of the project accordingly.

2.3 Impairment loss of RMB14.0 million was provided against a project with capitalised development costs for PSA Peugeot Citroen ("**PSA**") during the Year. The project with capitalised development cost represented one HVAC cooling system specifically for one type of vehicle of PSA. The vehicle came to the market in the first half year of 2019. During the second half of the year of 2019, management noted there was almost no sales of that vehicle in the market. Moreover, there is no alternative use of the HVAC system which are specifically designed for that vehicle. Therefore, the recoverable amounts of the project with capitalised development costs for that vehicle is estimated to be zero and a full impairment loss was made against the carrying amounts of the project accordingly.

An asset is impaired when its carrying amount exceeds its recoverable amount. An entity shall assess at the end of each reporting year whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount of an asset is determined on the basis of the higher of its fair value less costs of disposal and its value in use calculation. An impairment loss shall be recognised for the asset if the recoverable amount of the asset is less than its carrying amount.

III. Impairment loss of goodwill

The following table sets forth an analysis of impairment loss of goodwill of RMB45.4 million recorded in the Year.

	RMB'000 (Unaudited)
Cost:	
At 1 January 2019 and 31 December 2019	62,040
Accumulated impairment losses:	
At 1 January 2019	—
Impairment loss	(45,370)
At 31 December 2019	(45,370)
Carrying amount:	
At 31 December 2019	16,670
At 1 January 2019	62,040

Impairment tests for cash generated units ("CGUs") containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the operating segments as follows.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	
HVAC business	**1,462**	46,832
4S dealership business	**15,208**	15,208
	16,670	62,040

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The discount rates applied to the cash flow projections is 14% and 12% for the HVAC business and 4S dealership business respectively (2018 HVAC business: 13%, 4S dealership business: 12%) as at 31 December 2019. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The management of the Group concluded that the goodwill relating to HVAC business was impaired based on the latest cashflow forecast prepared by the Group, therefore an impairment loss of RMB45,370,000 was recognised for the year ended 31 December 2019. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

Distribution costs

Distribution costs increased by 93.7% or RMB50.9 million to RMB105.2 million during the Year from RMB54.3 million in 2018. Such increase was mainly due to the distribution costs of RMB33.6 million recorded from 4S dealership business. On the other hand, most of raw materials of the Morocco Plant has to be transported by Air from the Mainland China, which resulting in increased transportation costs.

Administrative expenses

During the Year, administrative expenses were RMB131.7 million, representing an increase of RMB19.5 million or 17.4% compared against that of RMB112.2 million in 2018. Such increase was mainly due to the administrative expenses of RMB14.7 million recorded from 4S dealership business.

Impairment losses on trade and other receivables

During the Year, the impairment losses on trade and other receivables was RMB63.8 million, representing an increase of RMB59.6 million or 1,419% compared against that of RMB4.2 million in 2018. The increase of impairment losses on trade and other receivables was primarily caused by the increased credit risks of one customer of HVAC business namely, Yinxiang, during the Year, which amounts to RMB56.2 million.

The customer, Yinxiang was incorporated in August 2010 in Chongqing, the People's Republic of China, which was owned as to approximately 26.0%, 23.30%, 22.03%, 16.02% and 12.65% by Beijing Automotive Group Co., Ltd* (北京汽車集團有限公司) ("**Beijing Automotive**"), Chongqing Yinxiang Trading Co., Ltd.* (重慶銀翔貿易有限公司) ("**Yinxiang Trading**"), Chongqing Yinxing Industrial Group Co., Ltd.* (重慶銀翔實業集團有限公司) ("**Yinxing Industrial**"), Chongqing Yinxiang Investment Development Co., Ltd* (重慶銀翔投資開發有限公司) ("**Yinxiang Investment**") and CDB Development Fund Co., Ltd* (國開發展基金有限公司) ("**CDB Fund**"), respectively. Beijing Automotive is wholly-owned by Beijing State-owned Capital Operation and Management Center* (北京國有資本經營管理中心), which is in turn wholly-owned by Beijing Municipal Commission of State-owned Assets Supervision* (北京市人民政府國有資產監督管理委員會). Yinxiang Trading is wholly-owned by Chongqing Yinxiang Motor (Group) Co., Ltd.* (重慶銀翔摩托車（集團）有限公司) ("**Yinxiang Motor**"), which is owned as to approximately 92.65% by Yinxiang Industrial and 7.35% by Mr. Bai Tianming (白天明先生). Yinxiang Investment is wholly-owned by Yinxiang Industrial, which is owned as to 85% by Mr. Zhang Ping (張平先生) and 15% by Mr. Zhang Xianlin (張先利先生). CDB Fund is wholly-owned by China Development Bank (中國發展銀行), which is owned as to approximately 36.54%, 34.68%, 27.19% and 1.59% by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部), Central Huijin Investment Ltd. (中央匯金投資有限責任公司), Buttonwood Investment Holding Co., Ltd (梧桐樹投資平台有限公司) and the National Council for Social Security Fund (全國社會保障基金理事會), respectively. Beijing Automotive is the ultimate holding company of Beijing Hainachuan Automobile Parts Co., Ltd., one of the major equity shareholders of the Company until 14 July 2017 and a non-controlling equity holder of Beijing Hainachuan Xiezhong Automotive Air-conditioning Co., Ltd., an indirect subsidiary of the Company. Beijing Automotive and its subsidiaries (together, "**BAIC Group**") is one of the major customers of the Group, the revenue of the Group attributed by BAIC Group for the years ended 31 December 2017 and 31 December 2018 were RMB238.8 million and RMB211.4 million, respectively. Yinxiang has been a customer of the Group for more than three years, and has had no material issue in settling bills of the Group. Accordingly, other than Beijing Automotive, the shareholders of Yinxiang are third parties independent from the Company and its connected persons (has the meaning ascribed to it under Listing Rules).

During the period from March to June 2018, Yinxiang issued 39 commercial bills amounted to RMB38.2 million to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd ("**Xiezhong Nanjing**"), and the expiry dates of them range from the end of September 2018 to beginning of December 2018.

During the period from October to early December 2018, Xiezhong Nanjing noticed that there were a total of 27 commercial bills amounting to RMB26.1 million which were failed to be settled by Yinxiang after their expiry. Subsequently, a negotiation meeting was held between the Group and Yinxiang on 14 December 2018. Yinxiang expressed that a restructuring was undergoing under the auspices of Beijing Automotive. Yinxiang promised to re-issue the outstanding commercial bills and the outstanding trade and other receivables will be settled. Yinxiang also promised that Chongqing Changhe Automobile Technology Co., Ltd.* (重慶昌河汽車科技有限公司) ("**Chongqing Changhe**"), an indirect subsidiary of Beijing Automotive, will pay in advance of approximately RMB10 million to Xiezhong Nanjing as a prerequisite for re-cooperation, and the advance payment of approximately RMB6 million and RMB4 million were received in January and June 2019 respectively.

Based on the representation made by the management of Yinxiang and in view of the long-term relationship and good cooperation and settlement history of the Group with Beijing Automotive, the management of the Group estimated that the risk in credit of Yinxiang is low.

On 11 January 2019, Xiezhong Nanjing received 10 new commercial bills amounted to RMB38.2 million issued by Yinxiang to replace the outstanding ones, and the expiry dates of them range from 31 March 2019 to 31 December 2019.

In middle of April and early of May 2019, Xiezhong Nanjing noticed that there were two commercial bills amounting to RMB2 million and RMB3 million failed to be settled by Yinxiang after their expiry at 31 March 2019 and 30 April 2019, respectively. Subsequently, one of the deputy general managers of Xiezhong Nanjing had two meetings with Yinxiang's management at the end of April 2019 and the middle of May 2019 to discuss the issue, where Yinxiang expressed that the restructuring was still undergoing. For the purpose of ensuring Yinxiang was able to settle the outstanding commercial bills and other trade receivables, the chairman and executive director of the Group went to negotiate the issue with the top management of Beijing Automotive in person at the end of June 2019. Following the meeting, Beijing Automotive expressed that the restructuring of Yinxiang was still undergoing.

By mid-August 2019, Xiezhong Nanjing noticed that there were five commercial bills amounting to a total of RMB18 million which were failed to be settled by Yinxiang after their expiry. In August 2019, the Group filed an application for litigation to Chongqing First Intermediate People's Court (重慶市第一中級人民法院) to claim against Yinxiang for the outstanding receivables. As at the date of this announcement, the trial of the litigation is set to be heard in April 2020.

In view of the above facts, the Group considered the credit risk of Yinxiang has increased significantly, and accordingly, the Group had made a full provision for: (1) trade receivables of RMB14.4 million; (2) bills receivables of RMB38.2 million; and (3) other receivables of RMB4.0 million when preparing the Group's consolidated financial statements for the Year.

Finance costs

During the Year, finance costs were RMB65.8 million, representing an increase of RMB33.4 million or 103.1% compared against that of RMB32.4 million in 2018. Such increase was mainly due to the increase of bank loans and other borrowings.

Loss on fair value changes of financial instruments

The breakdown of net losses on financial instruments measured at fair value through profit and loss ("**FVTPL**") is as follows:

	Note	**Year ended 31 December 2019** ***RMB'000*** **(Unaudited)**
Financial assets at FVTPL		
Mandatorily measured at FVTPL		**9,255**
Financial liabilities at FVTPL		
Designated at FVTPL at initial recognition	*1*	
— Promissory notes	*1.1*	**25,360**
— Convertible bonds tranche 1 ("**CB1**")	*1.2*	**1,003**
		26,363
Mandatorily measured at FVTPL	*2*	
— Commitment to issue promissory notes	*1.1*	**(2,408)**
— Commitment to issue convertible bonds	*2.1*	**30,990**
		28,582
Total		**64,200**

Note:

1. The promissory notes and the CB1 are designated at fair value through profit or loss under IFRS 9. The Company's functional currency and the denomination of these financial instruments are HKD whereas the Group's presentation currency is RMB. The translation gains/losses are recognised in other comprehensive income as per IAS 21.39.

1.1 The table below shows the reconciliation of the carrying amount of the promissory notes:

	Note	*HKD'000* (Unaudited)	*RMB'000* (Unaudited)
Commitment to issue promissory notes			
At 1 January 2019	*1.1.3*	(186,179)	(163,508)
Changes in fair value recognised in profit or loss during the year		2,694	2,408
Transfer to promissory notes designated at FVTPL	*1.1.1/1.1.3*	183,485	161,100
At 23 January 2019		—	—
Promissory notes designated at FVTPL			
At 1 January 2019		—	—
Transfer from commitment to issue promissory notes	*1.1.1/1.1.3*	(183,485)	(161,100)
Early redemption (principal & accrued interest)	*1.1.2*	128,198	113,017
Changes in fair value recognised in profit or loss during the year		(29,958)	(25,360)
Exchange difference		—	(2,920)
At 31 December 2019	*1.1.3*	(85,246)	(76,363)

1.1.1 The promissory notes are legally issued on 23 January 2019.

1.1.2 During the period, the promissory notes of RMB113,017,000 are early settled.

1.1.3 The fair value of the promissory notes is measured using a discounted cash flow model. The major valuation inputs at the valuation dates of 31 December 2018, 23 January 2019 and 31 December 2019 extracted from the valuation report issued by AVISTA Valuation Advisory Limited are as follows:

Basis	*Note*	**Valuation Date 31/12/2018 Promissory Note (not issued)**	**Valuation Date 23/01/2019 Promissory Note (issued)**	**Valuation Date 31/12/2019 Promissory Note (issued)**
Issuance date		31/12/2018	23/01/2019	23/01/2019
Maturity date		31/12/2021	23/01/2022	23/01/2022
Principal		218,685	218,684	218,684
Early redemption principal		0	0	125,973
Outstanding principal as of the Valuation Date		218,685	218,684	92,711
Coupon rate		4.0%	4.0%	4.0%
Principal receivable on the maturity date		218,685	218,684	92,711
Coupon receivable on the maturity date		26,248	26,266	11,135
Total amount receivable on the maturity date		244,933	244,950	103,846
Discount rate		9.574%	10.110%	10.055%
Discount factor		0.76	0.75	0.82
Fair Value as of the valuation date *(HKD'000)*	*1.1*	186,179	183,485	85,246

The fair value change on the promissory notes during the period is mainly due to loss in time value of the early redemption option when part of the promissory notes is early settled.

1.2 The table below shows the reconciliation of the carrying amount of the CB1:

	Note	*HKD'000* (Unaudited)	*RMB'000* (Unaudited)
At 1 January 2019		—	—
Transfer from commitment to issue convertible bonds	*1.2.1/1.2.2*	(105,998)	(93,914)
Changes in fair value recognised in profit or loss during the year		(1,132)	(1,003)
Exchange difference		—	(1,050)
At 31 December 2019	*1.2.2*	(107,130)	(95,967)

1.2.1 CB1 is legally issued on 1 June 2019 because Sino Evergreen Group meets the 2018 Performance Guarantee which is explained in section convertible bonds.

1.2.2 The fair value of the CB1 is measured under binomial model. The major valuation inputs at the valuation dates of 1 June 2019 and 31 December 2019 extracted from the valuation report issued by AVISTA Valuation Advisory Limited are as follows:

Basis	*Note*	**Valuation Date 01/06/2019 CB1**	**Valuation Date 31/12/2019 CB1**
Actual issuance date		01/06/2019	01/06/2019
Bond life (in years)		3.0	3.0
Actual issuance principal *(HKD'000)*		83,288	83,288
Coupon rate		8.0%	8.0%
Coupon interval (in years)		3.0	3.0
Volatility		44.08%	41.84%
Risk free rate		1.65%	1.71%
Spot stock price on the valuation date *(HKD)*		1.850	1.900
Conversion Price		1.777	1.777
Bond yield		10.289%	10.068%
Expected dividend yield		0.00%	0.00%
Fair Value as of valuation date *(HKD'000)*	*1.2*	105,988	107,130

The change in fair value of CB1 during the period is mainly due to the increase in closing stock price of the Company from HKD1.85 on issuance date to HKD1.90 on 31 December 2019.

2. The commitment to issue convertible bonds is a contingent consideration arising from the business acquisition of Sino Evergreen Group and Jin Cheng Auto Parts (Hong Kong) Limited ("Jin Cheng HK") and is mandatorily measured at FVTPL under IFRS 3.58(b)(i). The Company's functional currency and the denomination of these financial instruments are HKD whereas the Group's presentation currency is RMB. The translation gains/losses are recognised in other comprehensive income as per IAS 21.39.

2.1 The table below shows the reconciliation of the carrying amount of the commitment to issue convertible bonds:

	Note	*HKD'000* (Unaudited)	*RMB'000* (Unaudited)
At 1 January 2019	*2.1.1*	(208,864)	(183,431)
Transfer to CB1	*1.2.1/1.2.2*	105,998	93,914
Changes in fair value recognised in profit or loss during the year		(34,977)	(30,990)
Exchange difference		—	(2,973)
At 31 December 2019	*2.1.1*	(137,843)	(123,480)

2.1.1 The fair value of the commitment to issue convertible bonds is measured under binomial model and the Monte-Carlo model. The major valuation inputs at the valuation dates of 31 December 2018 and 31 December 2019 extracted from the valuation report issued by AVISTA Valuation Advisory Limited are as follows:

	Note	**Valuation Date 31/12/2018**			
Basis		**CB1 (not issued yet)**	**CB2 (not issued yet)**	**CB3 (not issued yet)**	**CB4 (not issued yet)**
Expected issuance date		30/04/2019	30/04/2020	30/04/2021	31/12/2021
Bond life (in years)		3.0	3.0	3.0	3.0
Expected adjusted issuance principal *(in HKD'000)*		83,289	58,816	57,499	10,462
Coupon rate		8.0%	8.0%	8.0%	8.0%
Coupon interval (in years)		3.0	3.0	3.0	3.0
Volatility		40.22%	40.22%	40.22%	40.22%
Risk free rate		1.78%	1.90%	1.99%	2.04%
Conversion Price		Simulated by the Monte-Carlo Method	Simulated by the Monte-Carlo Method	Simulated by the Monte-Carlo Method	Simulated by the Monte-Carlo Method
Bond yield		9.511%	9.627%	9.721%	9.774%
Expected dividend yield		0.00%	0.00%	0.00%	0.00%
Fair Value as of issuance date *(in HKD'000)*		96,577	66,133	63,579	11,470
Time period between issuance date and the valuation date		0.33	1.33	2.33	3.00
Discount rate		9.541%	9.547%	9.558%	9.574%
Discount factor		0.97	0.89	0.81	0.76
Fair Value as of the valuation date *(in HKD'000)*		93,688	58,563	51,382	8,719
Probability to achieve the land certificate		NA	NA	NA	60.0%
Fair Value as of the valuation date *(in HKD'000)*		93,688	58,563	51,382	5,231
Total fair value of the commitment to issue CB1-CB4 *(in HKD'000)*	*2.1*	208,864			

Basis	Note	CB2	Valuation Date 31/12/2019 CB3	CB4
Expected issuance date		01/06/2020	01/06/2021	31/12/2020
Bond life (in years)		3	3	3
Expected adjusted issuance principal *(in HKD'000)*		62,467	57,040	10,462
Coupon rate		8.00%	8.00%	8.00%
Coupon interval (in years)		3	3	3
Volatility		43.79%	43.79%	43.79%
Risk free rate		1.66%	1.61%	1.50%
Conversion Price		Simulated by the Monte-Carlo Method	Simulated by the Monte-Carlo Method	Simulated by the Monte-Carlo Method
Bond yield		10.018%	9.974%	9.862%
Expected dividend yield		0.00%	0.00%	0.00%
Fair Value as of issuance date *(in HKD'000)*		76,221	67,267	12,184
Time period between issuance date and the valuation date		0.42	1.42	2.00
Discount rate		10.306%	10.121%	10.102%
Discount factor		0.96	0.87	0.82
Fair Value as of the valuation date *(in HKD'000)*		73,149	58,664	10,051
Probability to achieve the land certificate		NA	NA	60.00%
Fair Value as of the valuation date *(in HKD'000)*		73,149	58,664	6,030
Total fair value of the commitment to issue CB2-CB4 *(in HKD'000)*	*2.1*	137,843		

The fair value change of the commitment to issue convertible bonds is mainly due to the (i) increase in expected issuance principal which is based on the estimated financial performance of the Sino Evergreen Group; (ii) increase in closing share price; and (iii) decrease in expected time to the issuance CB.

Income tax

During the Year, income tax was RMB5.4 million, representing a decrease of RMB6.0 million compared against with income tax benefit of RMB0.6 million in 2018. Such change was mainly due to the income tax from 4S dealership business during the Year.

Loss for the year

As a result of the foregoing, loss attributable to equity shareholders of the Company was RMB285.6 million as compared to the loss of RMB9.2 million in 2018. The increase of RMB276.4 million in loss is mainly due to the effect of (i) the impairment loss of goodwill allocated to HVAC business of RMB45.4 million; (ii) the impairment loss of property, plant and equipment and intangible assets of approximately RMB68.4 million from HVAC business; (iii) the impairment loss on trade and other receivables of RMB63.8 million resulting from the increased credit risk of certain customers of HVAC business; (iv) the loss of RMB64.2 million on fair value changes of financial instruments measured at fair values during the Year generated from the Company, and (v) inventory provision of approximately RMB36.9 million recognised during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Trade debtors and bills receivable/Trade debtors due from related parties

As at 31 December 2019, the Group's trade debtors and bills receivable were RMB492.0 million (31 December 2018: RMB581.6 million) which was mainly due to the decrease in revenue of HVAC business and the accelerated settlement of bills receivables during the Year. The Group's trade debtors due from related parties were RMB102.3 million (31 December 2018: RMB87.9 million), which was due to sales to BAIC increased from RMB211 million in 2018 to RMB260 million during the Year.

The average trade debtors, bills receivable and trade debtors due from related parties turnover days, calculated as revenue divided by average trade debtors, bills receivable and trade debtors due from related parties and multiplied by 365 days, decreased from 233 days in 2018 to 116 days during the Year, while without taking into account the bill receivable, the average turnover days of trade debtors and trade debtors due from related parties, calculated as revenue divided by average trade debtors and trade debtors due from related parties and multiplied by 365 days, decreased from 162 days in 2018 to 83 days in 2019.

Trade payables and bills payable

As at 31 December 2019, the Group's trade payables and bills payable were RMB819.2 million (31 December 2018: RMB643.0 million). Such increase was mainly due to the slow down of payment pace.

The average trade payables and bills payable turnover days, calculated as purchase divided by average trade payables and bills payable and multiplied by 365 days, decreased from 258 days in 2018 to 148 days during the Year.

Cash and deposits with banks and borrowings

As at 31 December 2019, the Group's cash and deposits with banks were RMB122.6 million (31 December 2018: RMB137.0 million).

As at 31 December 2019, we had outstanding bank loans and other borrowings of RMB1,060.1 million (31 December 2018: RMB993.1 million). As at 31 December 2019, our bank loans and other borrowings carried interest rates ranging from 2.8% to 8.4% per annum.

As at 31 December 2019, the banking facilities available to us were RMB828 million (31 December 2018: RMB808 million), of which RMB663 million (31 December 2018: RMB728 million) had been utilized.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, as at 31 December 2019, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

We typically use short-term borrowings in the course of financing our business. Our policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

Promissory notes

On 23 January 2019, the Company issued two unsecured promissory notes with an aggregate amount of HKD218,684,000 as part of the consideration for the acquisition of Sino Evergreen Group and Jin Cheng HK (the "**Acquisition**"). For further details of the Acquisition, please refer to the circular of the Company dated 11 December 2018 and the poll results announcement of the Company dated 28 December 2018. The promissory notes bear interest at a coupon rate of 4% per annum and are repayable in three years from the date of issue. On 30 June 2019, the Company early redeemed part of the promissory notes with principal amount of RMB100,417,000 and accumulated interest expenses of approximately RMB1,750,000. On 31 August 2019, the Company early redeemed part of the promissory notes with principal amount of RMB10,593,000 and accumulated interest expenses of approximately RMB257,000.

Convertible bonds

As disclosed in the announcement of the Company dated 31 July 2018 and the circular of the Company dated 11 December 2018, (i) Sunrise International Investment Management Inc. ("**Vendor A**"), Mr. Chen Hao and the Company entered into the sale and purchase agreement ("**SPA A**"), pursuant to which the Vendor A agreed to sell, and the Company agreed to purchase, the entire issued share capital of Sino Evergreen Group, at a consideration of HKD328,027,500; and (ii) Jin Cheng Auto Parts Trade & Investment Co., Ltd. ("**Vendor B**"), Mr. Wang Zuocheng and the Company entered into the sale and purchase agreement ("**SPA B**"), pursuant to which the Vendor B agreed to sell, and the Company agreed to purchase, the entire issued share capital of Jin Cheng HK, at a consideration of HKD109,342,500.

Vendor A is 100% owned by Mr. Chen Hao who owns an aggregate of 44.48% of interests in the Company, of which 43.45% of interests in the Company is held through Vendor A. Mr. Chen Hao is the controlling shareholder of the Company and is the son of Mr. Chen Cunyou, the chairman of the Board. Therefore, Vendor A is an associate of Mr. Chen Hao, being a connected person of the Company under the Listing Rules.

Vendor B is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Zuocheng. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor B and Mr. Wang Zuocheng are third parties independent of, and not connected with, the Company and its connected persons.

Pursuant to SPA A and SPA B, Vendor A and Vendor B respectively undertook, amongst others, that the applicable audited net profits of Sino Evergreen Group for the year ended 31 December 2018 shall not be less than 110% of the applicable audited net profits of Sino Evergreen Group for the financial year ended 31 December 2017, that is, approximately RMB52,019,000 (the "**2018 Performance Guarantee**"), and that the applicable net profits of Sino Evergreen Group for the year ended 31 December 2019 shall not be less than 130% of the 2018 Performance Guarantee, that is, approximately RMB67,624,700 (the "**2019 Performance Guarantee**"). In the event that the applicable audited net profits of Sino Evergreen Group for each of the year ended 31 December 2018 and 31 December 2019 exceeds the 2018 Performance Guarantee and the 2019 Performance Guarantee, respectively, convertible bonds with a pre-agreed principal amount should be issued by the Company to both Vendor A and Vendor B.

The applicable audited net profits of the Sino Evergreen Group for the financial year ended 31 December 2018 has exceeded the 2018 Performance Guarantee. Accordingly, convertible bonds with an aggregate principal amount of HK$83,288,000, were issued on 1 June 2019 to Vendor A and Vendor B pursuant to the terms of SPA A and SPA B, respectively. The initial conversion price for the issuance of the convertible bonds is HK$1.77, representing a discount of approximately 4.32% (to the closing price of HK$1.85 on the last trading day before the issue date, which is 31 May 2019). The convertible bonds bear interest at a coupon rate of 8% per annum and will be matured on 1 June 2022. As at the date of this announcement, since the applicable audited net profits of the Sino Evergreen Group for the financial year ended 31 December 2019 are not yet available, the relevant tranche of the convertible bonds will be issued pursuant to the terms of SPA A and SPA B, respectively, upon ascertaining whether the 2019 Performance Guarantee can be achieved. The Company will make further announcement(s) as and when necessary pursuant to the Listing Rules. For further details of the convertible bonds, please refer to the circular of the Company dated 11 December 2018.

Gearing ratio

As at 31 December 2019, the Group's gearing ratio, calculated based on debt (including interest-bearing borrowings and bills payable) divided by the total of equity attributable to equity shareholders of the Company and debt, increased to 71.0%, compared against 60.8% as at 31 December 2018, which was due to the increase of bank and other borrowings and bills payable during the Year.

Contingent liabilities

As at 31 December 2019, the Group did not incur any material contingent liabilities.

Significant investments held

Except for investment in subsidiaries, during the Year, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments or capital assets

Save as disclosed in capital commitment as at 31 December 2019, the Group did not have other plans for material investments or capital assets at the date of this announcement.

Capital commitments

As at 31 December 2019, the Group's capital commitments to make contracted payments amounted to RMB63.3 million (31 December 2018: RMB74.6 million). Such capital commitments were used for the purchase of property, plant and equipment. In addition, capital commitment of RMB162.7 million was authorized but not contracted for as at 31 December 2019 (31 December 2018: RMB208.4 million). They will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Capital expenditures

During the Year, the Group incurred capital expenditures of RMB254.5 million (2018: RMB272.3 million) primarily representing additions of construction in progress, machineries and equipment and development costs.

Foreign exchange risk

Except the factory is operated in Morocco and its transactions as well as the transactions in Europe are conducted in EUR and/or MAD and certain receivables of the Group's PRC subsidiary due from the Group's overseas subsidiary are denominated in HKD, the Group's main businesses are principally operated in China and substantially most of its transactions are conducted in RMB and most of the Group's assets and liabilities are also denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB. During the Year, the Group did not employ any financial instrument for hedging purposes.

Employees

As at 31 December 2019, the Group had 2,233 full-time employees (2018: 1,502). The increase of 731 employers was due to more workers employed by the Morocco Plant and the Wuhan Plant during the Year. They were remunerated by the Group with reference to their performance, qualifications and prevailing market conditions. During the Year, the Group's total expenditure of HVAC business in respect of staff cost was RMB153.4 million (2018: RMB121.5 million), representing 7.8% (2018: 13.1%) of the total revenue of the Group. The Group provided regular training to its staff to enhance their knowledge and skills.

The Board may exercise its discretion to grant share options under the share option scheme adopted by the Company on 21 May 2012 and revised on 30 May 2012 (the "**Share Option Scheme**") to the executive directors and employees as an incentive to their contribution to the Group. During the Year, no share options had been granted by the Group to the employees in accordance with the Share Option Scheme.

Events after the Year

The outbreak of COVID-19 in the Mainland China and the subsequent quarantine measures imposed by the Mainland Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group, as most of the Group's operations are located in various cities in the Mainland China. The Group had to stop some of its manufacturing and other business activities in the PRC since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. The Group had resumed its manufacturing and other business activities gradually since late February and March 2020. Up to the date of this announcement, except the Wuhan factory, the manufacturing activities of the Group in PRC have resumed. As the quarantine measures imposed by the Chinese government effectively controlled the spread of COVID-19 in the Mainland China, the directors of the Company expect the economic activities in China will bounce back in the coming future. As the operations of most of the Group's customers and suppliers are located in the Mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. The Group is in the process of evaluating the impact of the COVID-19 to its financial performance and will perform the necessary impairment assessment on its non-current assets.

In addition, since the beginning of March 2020, the COVID-19 has spread in various countries around the world, Europe and the United States of America have become the epicenter of the COVID-19 and Africa is at risk of spreading. Since 17 March 2020, our overseas customer PSA has suspended its manufacturing temporarily and in order to curb the spread of the pandemic in Morocco, the Government of Morocco issued temporary suspension guidelines, and therefore our Morocco factory has suspended its manufacturing temporarily since 20 March 2020.

As the situation remains fluid as at the date of this announcement, the directors of the Company are in progress to assess the financial effects of the COVID-19 on the Group's consolidated financial statements. Nevertheless, the COVID-19 outbreak is expected to adversely affect the consolidated results of the Group for the year ending 31 December 2020.

Dividends

The Board did not propose a distribution of final dividend for the year ended 31 December 2019 (2018: nil).

Prospect and Outlook

The Board expects that 2020 will be a difficult year for the business of HVAC Systems due to the continuous increase in production costs in maintaining competitiveness as well as the costs in enhancing safety requirements to cope with the development of the automotive industry and the outbreak of novel coronavirus (COVID-19) in early 2020.

The COVID-19 pandemic has brought about uncertainties in the Group's operating environment in the PRC and overseas. According to the statistics released from CAAM, the production and sales of passenger vehicles in the PRC were approximately 1.6 million units and 1.8 million units respectively for the two months ended 29 February 2020, representing a decrease of approximately 48.1% and 43.6% as compared to the same period last year. Since the COVID-19 pandemic, the PRC Government has taken emergency measures to prevent the spread of the COVID-19 in the PRC, including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year. Although the factories of the Group have resumed since the end of February 2020, the Board expected that there will be a drop in revenue of HVAC system business during the first half of 2020.

On the other hand, for 4S dealership business, we will expand our brand portfolio, apply for more dealership authorization. We will continue to focus on the luxury and mid-to-high-end brand and increase customer retention and satisfaction as well as enhancing the efficiency and quality of the operation of the Group. We will continue to expand business coverage, such as automobile premium, accident car insurance, and used car business, thereby increasing profit sources, optimizing the revenue structure, and preparing for another historic development opportunity.

The COVID-19 pandemic has posed certain impacts on the business operations of the Group and the degree of the impact depends on the pandemic preventive measures and the duration of the pandemic. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 pandemic and evaluating its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 pandemic, in the opinion of the directors, the related impact on our Group's financial condition, cash flows and operating results could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Looking forward, the Board will continue to assess the impact of (i) the challenging macroeconomic environment; (ii) the PRC's slow economic growth, and (iii) the COVID-19 on the operation and financial performance of the Group and closely monitor the Group's exposure to the risks and uncertainties. The Company is currently exploring different possible measures, including assets restructuring to improve the financial performance of the Group in the future. The Company will take appropriate measures as necessary and make announcements as and when appropriate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the Year.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Main Board Listing Rules as its own code of corporate governance.

During the Year, the Company was in compliance with all code provisions set out in the CG Code, except for the deviations as explained below:

- under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but for the purpose of our Group, the roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Chen Cunyou. Since the directors of the Company meet regularly to consider major matters regarding the operations of the Company, the directors of the Company consider that this structure will not impair the balance of power and authority between the directors of the Company and the management of the Company and believe that, with the effective operations of the Board which comprises experienced and high-calibre individuals, this structure will enable the Company to make and implement decisions promptly and efficiently.

Share option scheme

The Company adopted the Share Option Scheme on 21 May 2012, and revised it on 30 May 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

During the Year, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, save as disclosed below, none of the directors or chief executive of the Company who held office on 31 December 2019 had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Main Board Listing Rules.

Long positions (L) in the shares, underlying shares and debentures of the Company

Name of directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Ge Hongbing	Beneficial owner	6,000,000 (L)	0.75%
Mr. Huang Yugang	Beneficial owner	1,500,000 (L)	0.1875%

Save as disclosed above, none of the directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to the directors, save as disclosed below, our directors are not aware of any person (other than directors and chief executive of the Company) who, as at 31 December 2019, had interests or short positions in any shares or underlying shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register acquired to be kept under section 336 of the SFO.

Long positions (L) or short positions in Shares

Name of shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Sunrise International Investment Management Inc ("**Sunrise International**") *(Note 1)*	Beneficial owner	347,602,500 (L)	43.45%
Mr. Chen Hao *(Note 1)*	Beneficial owner	8,208,000 (L)	1.03%
	Interest of controlled corporation	347,602,500 (L)	43.45%
Brilliance International Holding Limited ("**Brilliance**") *(Note 2)*	Beneficial owner	40,710,600 (L)	5.09%
Ms. Chen Jiao *(Note 2)*	Beneficial owner	12,000,000 (L)	1.50%
	Interest of controlled corporation	40,710,600 (L)	5.09%
China Fund Limited *(Note 3)*	Investment Manager	95,578,000 (L)	11.95%
Luckever Hoding Limited *(Note 3)*	Interest of controlled corporation	95,578,000 (L)	11.95%
Mr. Liu Xuezong *(Note 3)*	Beneficial owner	95,578,000 (L)	11.95%
Ms. Li Yuelan *(Note 3)*	Beneficial owner	95,578,000 (L)	11.95%
Tianjin Yitongyuan Asset Management Co Ltd* (天津禕童源資產管理有限公司)	Investment Manager	46,564,000 (L)	5.82%

Notes:

1. Pursuant to the Sale and Purchase Agreements, convertible bonds in the maximum amount of HK$218,685,000 convertible at a conversion price of HK$1.50 per conversion share, representing a maximum of 145,790,000 conversion shares upon full conversion to be issued to Sunrise International. For details, please refer to the circular of the Company dated 11 December 2018. Sunrise International is 100% owned by Mr. Chen Hao. Therefore, Mr. Chen Hao is deemed to be interested in all the shares held by Sunrise International by Virtue of the SFO.

2. Brilliance is 100% owned by Ms. Chen Jiao. Therefore, Ms. Chen Jiao is deemed to be interested in all the shares by Brilliance by virtue of the SFO.

3. China Fund Limited is 100% owned by Luckever Holding Limited, which is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (spouse of Mr. Liu Xuezhong), therefore, each of Luckever Holding Limited, Mr. Liu Xuezhong and Ms. Li Yuelan is deemed to be interested in all the shares held by China Fund Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, the directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of listed securities

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Code of Conduct for Securities Transactions by directors of the Company

The Company has adopted the Model Code as its own code of conduct for securities transactions. Having made specific enquiries to all the directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings as set out in the Model Code during the Year.

UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to postponement of auditor's field works resulting from the COVID-19 outbreak in the world. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. The Company expects that an agreement from the auditors will be obtained on or before 30 April 2020 and a further announcement will be published as and when appropriate.

The audit committee of the Company has reviewed the unaudited annual results of the Group for the year ended 31 December 2019 and the accounting principles and practices adopted by the Group.

In order to keep the shareholders of the Company (the "**Shareholders**") and potential investors of the Company informed of the Group's business operation and financial position, the Board has set forth in this announcement the unaudited annual results as extracted from the draft financial statements of the Group for the year ended 31 December 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results set out in this announcement, (ii) the proposed date on which the forthcoming annual general meeting of the Company will be held, and (iii) the period during which the register of members of the Company will be closed in order to determine the entitlement of shareholders to attend and vote at the annual general meeting. In addition, further announcement(s) will be published as and when necessary in accordance with the Listing Rules if there are other material developments relating to the completion of the auditing process for the annual results of the Group for the year ended 31 December 2019. Based on the information available to the Board as at the date of this announcement, and assuming that reasonable progress will be made in (i) the resumption of commercial activities, transport and government services and (ii) the lifting or alleviation of travel and other restrictions or limitations, in various provinces (including Hubei Province) of the PRC and Morocco where the Group has operations, it is expected that the audited results of the Group for the year ended 31 December 2019 will be published on or before 30 April 2020.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.xiezhonginternational.hk). It is expected that the 2019 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites on or before 15 May 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Xiezhong International Holdings Limited
CHEN Cunyou
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing, Ms. Chen Xiaoting and Mr. Shen Jun; one non-executive director, namely Mr. Huang Yugang; and four independent non-executive directors, namely Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei.