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)

SUPPLEMENTAL ANNOUNCEMENT UPDATE ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Xiezhong International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 31 March 2020 (the "**2019 Unaudited Annual Results Announcement**") in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Year**"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Unaudited Annual Results Announcement.

AUDITED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that the Company's auditor, KPMG, has completed its audit of the consolidated financial statements of the Group for the Year in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Set out below is the audited consolidated financial results of the Group for the Year, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 (note) RMB'000
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(c).

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*
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(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 (note) RMB'000
Non-current assets			
Property, plant and equipment		**971,404**	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		**121,723**	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
		1,719,573	1,729,719
Current assets			
Inventories	*10*	**448,270**	343,920
Trade and other receivables	*11*	**643,018**	717,745
Amounts due from related parties		**110,914**	182,929
Deposits with banks	*12*	**63,270**	63,845
Cash	*13*	**59,290**	73,128
		1,324,762	1,381,567
Current liabilities			
Trade and other payables	*14*	**1,013,241**	824,091
Amounts due to related parties		**13,009**	7,998
Contract liabilities		**28,179**	31,410
Loans and other borrowings	*15*	**978,727**	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		**(738,955)**	(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 RMB'000	2018 (note) RMB'000
Non-current liabilities			
Deferred income		**51,071**	28,222
Loans and other 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(c).

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 RMB739 million, total borrowings of RMB1,054 million, acquisition related consideration payables of RMB296 million and capital commitments which had been contracted for 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 RMB105 million;

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

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

(5) the Group can extend maturity dates of borrowings from related parties and delay the repayment schedule of amounts of not less than RMB120 million;

(6) the Group entered into an agreement with government in April 2020. Based on the agreement, the Group can obtain a government subsidy of an amount of not less than RMB200 million in respect of plant relocation during the year ending 31 December 2020; and

(7) the largest shareholder, an executive director of the Group and a related party of the Group, Jiangsu Xiezhong Automobile (Group) Company Limited ("**Xiezhong Automobile**") 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.

In addition to the above, the Group plans to dispose of certain land use right and properties for a consideration of approximately RMB110 million, and is in negotiation with several commercial banks to obtain further banking facilities of RMB150 million to finance its operations for the year ending 31 December 2020. 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 related 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
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*
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 prepayments	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 in these consolidated financial statements 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*
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	**(5,626)**	**—**	**(6,427)**	**(12,053)**	68,645
— 4S business	**115,473**	**—**	**(1,255)**	**114,218**	—
— Total	**109,847**	**—**	**(7,682)**	**102,165**	68,645

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. 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. The effect of such changes in estimated useful lives represents a temporary difference, therefore does not have any effect on the total depreciation and amortisation expenses of those assets during the assets' lives.

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, loans and other borrowings, provision, lease liabilities and deferred income with the exception of current tax payable, deferred tax liabilities and corporate liabilities.

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*
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	**(5,626)**	68,645	**115,473**	—	**109,847**	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	**130,788**	85,049	**12,654**	—	**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

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

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).

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*
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*
Profit	
Reportable segment profit	**109,847**
Elimination of inter-segment profits	**—**
Reportable segment profit derived from Group's external customers	**109,847**
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	**(4,833)**
Consolidated loss before taxation	**(282,169)**

	2019	2018
		(Note)
	RMB'000	*RMB'000*
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).

(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 assets"). 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*
Mainland China	**1,912,209**	872,275	**1,240,812**	1,268,471
The Kingdom of Morocco ("**Morocco**")	**545**	—	**251,443**	217,041
France	**49,499**	50,005	**—**	—
The Kingdom of Spain	**8,398**	1,824	**—**	—
Slovakia	**2,831**	—	**—**	—
	1,973,482	924,104	**1,492,255**	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*
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.

(i) 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*
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

(ii) Revenue expected to be recognised 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*
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*
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

* The borrowing costs have been capitalised at a rate of 2.75%–6.18% per annum (2018: 2.75%–6.18%).

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(b) Staff costs

	Note	2019 RMB'000	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	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**	2018
		RMB'000	*RMB'000*
Amortisation#			
— lease prepayments*		**—**	1,487
— intangible assets		**17,817**	9,509
Depreciation charge#			
— owned property, plant and equipment		**117,519**	74,053
— right-of-use assets*		**8,106**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17*#		**—**	11,634
Impairment losses			
— trade and other receivables		**63,825**	4,200
— property, plant and machinery		**29,815**	—
— intangible assets		**38,541**	—
— goodwill		**45,370**	—
Auditors' remuneration			
— audit services		**4,220**	2,900
— other services		**200**	1,700
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*	**1,796,414**	751,684

* The Group has initially applied IFRS 16 using the modified retrospective approach to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

\# 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	2018
	RMB'000	*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:

		2019	2018
	Note	***RMB'000***	*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) Deferred tax liabilities not recognised

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	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

Inventories in the consolidated statement of financial position comprised:

	2019	2018
	RMB'000	*RMB'000*
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

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*
Carrying amount of inventories sold	**1,759,501**	746,028
Write down of inventories	**36,913**	5,656
	1,796,414	751,684

All of the inventories are expected to be recovered within one year.

11 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*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	**151,003**	136,149
Total	**643,018**	717,745

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

(a) Transfers of financial assets

(i) Transferred financial assets that are not derecognised in their entirety

As at 31 December 2019, the Group discounted certain bank acceptance bills with a carrying amount of RMB113,179,000 (31 December 2018: RMB118,517,000) to banks for cash proceeds. The Group also endorsed certain bank acceptance bills and commercial bills with a carrying amount of RMB90,606,000 (31 December 2018: RMB99,251,000) and RMB4,749,000 (31 December 2018: RMB10,938,000), respectively, to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills and commercial bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as a secured borrowing.

(ii) Transferred financial assets that are derecognised in their entirety

As at 31 December 2019, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills and commercial bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period, and these derecognised commercial bills had already matured at the end of reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the bank acceptance bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable. The Group also considered issuers of the commercial bills are of good credit quality and the demand payment of these matured bills is not probable.

As at 31 December 2019, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks or issuers fail to settle the bills on maturity date, amounted to RMB73,800,000 and RMB52,450,000 (31 December 2018: RMB214,591,000 and RMB114,983,000) respectively.

(b) 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	2018
	RMB'000	*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*
Guarantee deposits for issuance of letter of credit	**10,000**	10,000
Guarantee deposits for bank and other borrowings	**35,473**	41,029
Guarantee deposits for bank acceptance bills	**17,797**	12,816
	63,270	63,845

13 CASH

(a) Cash comprises:

	2019	2018
	RMB'000	*RMB'000*
Cash at bank and on hand	**59,290**	73,128

As at 31 December 2019, cash of the Group held in banks and financial institutions in the PRC amounted to RMB55,236,000 (2018: RMB61,422,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

14 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**697,133**	429,082
Bills payable	**122,032**	213,873
Other payables	**183,040**	168,579
Other tax payables	**11,036**	12,557
	1,013,241	824,091

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 RMB'000	2018 RMB'000
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 LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of loans and other borrowings is as follows:

	Note	2019 RMB'000	2018 RMB'000
Current portion:			
— Bank loans	*(a)*	**607,890**	609,502
— Bank advances under discounted bills		**113,179**	118,517
— Loans from leasing companies	*(b)*	**89,865**	90,547
— Loans from financing companies	*(c)*	**13,731**	66,291
— Loans from related parties		**121,850**	8,100
— Loans from third parties	*(d)*	**32,212**	—
		978,727	892,957
Non-current portion:			
— Bank loans		**36,635**	46,936
— Loans from leasing companies	*(b)*	**38,462**	53,166
		75,097	100,102
		1,053,824	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.

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, has 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.

(d) Loans of RMB32,212,000 were borrowed by Xiezhong Nanjing from third parties. The loans bear interest at rate of 0% to 4.35% per annum, are unsecured and repayable within one year.

As at 31 December 2019, the loans and other borrowings were repayable as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within 1 year or on demand	**978,727**	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
	1,053,824	993,059

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

	Note	**2019** *RMB'000*	2018 *RMB'000*
Bank loans			
— Secured	*(e)*	**505,525**	499,438
— Unsecured		**139,000**	157,000
Bank advances under discounted bills		**113,179**	118,517
Secured loans from leasing companies	*(e)*	**128,327**	143,713
Secured loans from financing companies	*(e)*	**13,731**	66,291
Unsecured loans from related parties		**121,850**	8,100
Unsecured loans from third parties		**32,212**	—
		1,053,824	993,059

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

	2019 *RMB'000*	2018 *RMB'000*
Property, plant and equipment	**467,424**	475,255
Lease prepayments	**—**	35,195
Right-of-use assets	**34,282**	—
Non-current prepayment	**—**	5,859
Long-term receivables	**10,000**	—
Inventory	**39,285**	52,544
Other receivables	**11,645**	7,500
Guarantee deposits for finance lease	**14,696**	9,546
Guarantee deposits for issuance of letter of credit	**10,000**	10,000
Guarantee deposits for bank and other borrowings	**35,473**	41,029
Guarantee deposits for bank acceptance bills	**17,797**	12,816
	640,602	649,744

In addition, the Group's bank loans amounting to RMB344,830,490 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

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	2018
	RMB'000	*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)	**—**	—

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The wide spread of COVID-19 in China ("**COVID-19 Outbreak**") since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group had to stop part of its operating activities in China and Morocco since the beginning of February 2020 and the end of March 2020 respectively due to mandatory government quarantine and voluntary measures in an effort to contain the spread of COVID-19. The Group had resumed its operating activities in China since late February 2020. Till the end of the announcement date, the operating activities in Morocco were still not resumed. COVID-19 Outbreak has had a negative impact on the Group's financial result and business operation for the period as at the date of this report. Management has taken relevant actions to minimise the unfavourable impact to the Group.

As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause delays in production and delivery of products by the Group. In the case of a prolonged COVID-19 crisis, the Group expects its business to be greatly impacted and this may potentially affect the Group's business performance in the first half of 2020, as well as the impairment assessment of goodwill, property, plant and equipment and intangible assets. The estimated future cash flows of the Group's CGUs which are used for the impairment assessment will be updated continuously based on the development of the COVID-19 Outbreak. The recoverable amount of the Group's CGUs may be lower if the COVID-19

Outbreak continues for a prolonged period. Moreover, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on the Group's trade receivables.

These potential impacts have not been reflected in the financial statements as of 31 December 2019. The actual impacts of the Group may differ from these estimated potential impacts as situation continues to evolve and when further information becomes available.

COVID-19 Outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the Year had not been completed as at the date of publication of 2019 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Disclosed in this announcement As at 31 December 2019 Total	**Disclosed in the 2019 Unaudited Annual Results Announcement As at 31 December 2019 Total**	**Differences**	*Notes*
	RMB'000	*RMB'000*	*RMB'000*	
Non-current				
Property, plant and equipment	971,404	955,412	15,992	*(a)*
Non-current prepayments	121,723	89,428	32,295	*(a), (b)*
Current				
Trade and other receivables	643,018	691,305	(48,287)	*(b)*
Amount due to related parties	13,009	6,709	6,300	*(c)*
Loans and other borrowings	978,727	985,027	(6,300)	*(c)*

Notes:

(a) The difference in property, plant and equipment and non-current prepayments of RMB15,992,000 was due to the reclassification of a finished construction project in Morocco.

(b) The difference in non-current prepayments and trade and other receivables of RMB48,287,000 was due to the prepayments for the purchase of property, plant and equipment reclassified from current assets to non-current assets.

(c) The difference in amount due to related parties and loans and borrowings of RMB6,300,000 was due to the reclassification of a loan from a related party.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the 2019 Unaudited Annual Results Announcement.

THE AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT

The Audit Committee of the Company has reviewed the audited annual results of the Company for the Year. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming annual general meeting will be held on Monday, 15 June 2020. A notice convening the said meeting will be published and despatched to the shareholders of the Company in the manner required by the Main Board Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the AGM to be held on 15 June 2020 of the Company, the register of members of the Company will be closed from 10 June 2020 to 15 June 2020 (both days inclusive), during which no transfer of shares can be registered. To qualify for the attendance at the AGM of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 9 June 2020.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company at www.xiezhonginternational.hk and the Stock Exchange at www.hkex.com.hk. The annual report for the Year containing all the information required by Appendix 16 to the Main Board Listing Rules is to be despatched to the shareholders of the Company and made available on the above websites on or before 14 May 2020.

The announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

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

Hong Kong, 27 April 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.